

**SECURITIES AND EXCHANGE BOARD OF INDIA
(DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996**

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THE GAZETTE OF INDIA
EXTRAORDINARY
PART II - SECTION 3 - SUB-SECTION (ii)
PUBLISHED BY AUTHORITY
NOTIFICATION
MUMBAI
THE 16th DAY OF MAY, 1996

THE SECURITIES AND EXCHANGE BOARD OF INDIA
(DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

S.O. 345(E)-- In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with section 25 of the ¹[Depositories Act], 1996 (²[22] of 1996), the Securities and Exchange Board of India hereby makes the following regulations, namely: -

CHAPTER I

PRELIMINARY

Short title & commencement.

1. (1) These regulations may be called the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.

(2) They shall come into force on the date of their publication in the Official Gazette.

Definitions.

2. (1) In these regulations, unless the context otherwise requires, -

¹ Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997.

² Substituted for '17' by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997.

(a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

¹[(b) "Depositories Act" means the Depositories Act, 1996 (22 of 1996);]

²(c) [Omitted by the SEBI (Procedure for Holding Enquiry by Enquiry officer and Imposing Penalty) Regulations, 2002, w.e.f. 27-9-2002.]

(d) "Form" means any of the forms specified in the First Schedule;

(e) "inspecting officer" means any person authorised by the Board under regulation 59;

(f) "Schedule" means any of the Schedules annexed to these regulations;

(g) "sponsor" means any person or persons who, acting alone or in combination with another person proposes to establish a depository and undertakes to perform the obligations of a sponsor under these regulations.

³[Explanation - Any person who acting alone or in combination with others holds not less than 51 % of the share capital of the depository as a sponsor and undertakes to perform the obligation under these regulations shall be deemed to be a sponsor for the purpose of these Regulations.]

¹ Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997. Prior to substitution, regulation 2(b) read as under:

"(b) Depository Ordinance" means the Depositories Ordinance, 1996 (17 of 1996)"

² Prior to omission regulation 2(1) (c) read as under:

' (c) "enquiry officer" means any person authorised by the Board under regulation 66.'

³ Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2000, w.e.f. 26-12-2000.

(2) Words and expressions used and not defined in these regulations but defined in the Act or in the ¹[Depositories Act] shall have the meanings respectively assigned to them in the Act or the ²[Depositories Act].

CHAPTER II REGISTRATION OF DEPOSITORY

Application for grant of certificate of registration.

3. (1) An application for the grant of a certificate of registration as a depository shall be made to the Board by the sponsor in Form A, shall be accompanied by the fee specified in Part A of the Second Schedule and be paid in the manner specified in Part B thereof.

(2) The application shall be accompanied by draft bye-laws of the depository that is proposed to be set up.

Application to conform to the requirements.

4. An application in Form A, which is not complete in all respects and does not conform, to the instructions specified therein shall be rejected:

Provided that before rejecting any such application, the sponsor shall be given in writing an opportunity to remove, within thirty days of the date of communication in this regard, the objections indicated by the Board:

Provided further that the Board may, on being satisfied that it is necessary to extend the period specified in the first proviso, extend such period by such further time as it thinks necessary in order to enable the applicant to remove the objections indicated by the Board.

¹ Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997.

² Ibid.

Furnishing of information, clarification and personal representation.

5. (1) The Board may require the sponsor to furnish such further information or clarification regarding matters relevant to the activity of the depository for the purpose of consideration of the application.

(2) The sponsor or his authorised representative shall, if so required, appear before the Board for personal representation, in connection with the grant of certificate of registration.

Consideration of application for grant of certificate of registration.

6. The Board shall not consider an application under regulation 3, unless the sponsor belongs to one of the following categories, namely:-

(i) a public financial institution as defined in section 4A of the Companies Act, 1956 (1 of 1956);

(ii) a bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);

(iii) a foreign bank operating in India with the approval of the Reserve Bank of India;

(iv) a recognised stock exchange within the meaning of clause (j) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(v) a body corporate engaged in providing financial services where not less than seventy five per cent. of the equity capital is held by any of the institutions mentioned in sub-clause (i), (ii), (iii) or (iv) jointly or severally;

(vi) a body corporate constituted or recognised under any law for the time being in force in a foreign country for providing

custodial, clearing or settlement services in the securities market and approved by the Central Government; or

(vii) an institution engaged in providing financial services established outside India and approved by the Central Government;

¹[(viii) the applicant is a fit and proper person.]

²[Criteria for fit and proper person.

6A. For the purpose of determining whether an applicant or the depository and participant is a fit and proper person the Board may take into account the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.]

Grant of certificate of registration.

7. After considering the application under regulation 3, with reference to the qualifications specified in regulation 6, if the Board is satisfied that the company established by the sponsor is eligible to act as depository, it may grant a certificate of registration in Form B to the depository subject to the following, namely: -

(a) the depository shall pay the registration fee specified in Part A of the Second Schedule in the manner specified in Part B thereof, within fifteen days of receipt of intimation from the Board;

¹ Inserted by the SEBI (Depositories and Participants) Amendment Regulations, 1998, w.e.f. 5-1-1998.

² Substituted by Securities and Exchange Board of India (Intermediaries) Regulations, 2008, w.e.f. 26-5-2008. Prior to substitution, regulation 6A as inserted by SEBI (Criteria for Fit and Proper Person) Regulations, 2004, w.e.f. 10-3-2004 read as under

‘The provisions of the Securities and Exchange Board of India (Criteria for Fit and Proper Person) Regulations, 2004 shall, as far as may be, apply to all applicants or the underwriters under these Regulations.’

(b) the depository shall comply with the provisions of the Act, the ¹[Depositories Act], the bye-laws, agreements and these regulations;

(c) the depository shall not carry on any activity other than that of a depository unless the activity is incidental to the activity of the depository:

²[Provided that a depository may carry out such activity not incidental to its activities as a depository, as may be assigned to the depository by the Central Government or by a regulator in the financial sector, through the establishment of Strategic Business Unit(s) specific to each activity with the prior approval of the Board and subject to such conditions as may be prescribed by the Board, including transfer of such activity to a separate company within such time as may be specified by the Board, having regard to the matters which are relevant to the efficient and orderly function of the depository as mentioned in regulation 13.

Explanation.--- For the purposes of this clause, a Strategic Business Unit shall be an organizational unit of a company with its own mission, objectives and business strategy that is given the responsibility to serve the particular demands of one business area with appropriate technological, financial and other segregations.]

³[(d) the sponsor shall, at all times, hold at least fifty one per cent. of the equity share capital of the depository.]

¹ Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

² Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2007, w.e.f. 10-10-2007.

³ Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2008, w.e.f. 17-3-2008. Prior to substitution regulation 7(d) read as under;

(e) no participant shall at any time, hold more than five per cent. of the equity capital of the depository;

¹[***]

²[(ea) no person other than a sponsor, whether resident in India or not, shall at any time, either individually or together with persons acting in concert, hold more than five per cent. of the equity share capital in the depository.

Explanation: For the purposes of this clause,-

- (i) the expression “person resident in India” shall have the meaning assigned to it in clause (v) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999);
- (ii) the expression “persons acting in concert” shall have the meaning derived from clause (e) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;

(eb) The combined holding of all persons resident outside India in the equity share capital of the depository shall not exceed, at any time, forty-nine per cent. of its total equity share capital, subject further to the following:

‘the sponsor shall, at all times, hold at least fifty one per cent. of the equity capital of the depository and the balance of the equity capital of the depository shall be held by its participants.’

¹ Prior to omission, the proviso inserted by SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997 read as under:

‘Provided that for the purposes of clause (d) and (e) no foreign entity individually and collectively either as a sponsor or as a participant or as a sponsor and participant together shall hold more than 20% of the equity capital of a depository.

Explanation: - For the purpose of this regulation, a foreign entity shall mean a body corporate or any entity where more than 51% of its equity is held by persons who are not citizens of India.’

² Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2008, w.e.f. 17-3-2008.

- (i) the combined holdings of such persons acquired through the foreign direct investment route is not more than twenty six per cent. of the total equity share capital, at any time;
- (ii) the combined holdings of foreign institutional investors is not more than twenty three per cent. of the total equity share capital, at any time;
- (iii) no foreign institutional investor acquires shares of the depositories otherwise than through the secondary market;

(ec) no foreign institutional investor shall have any representation in the board of Directors of the depository;]

(f) if any information previously submitted by the depository or the sponsor to the Board is found to be false or misleading in any material particular, or if there is any change in such information, the depository shall forthwith inform the Board in writing;

(g) the depository shall redress the grievances of the participants and the beneficial owners within thirty days of the date of receipt of any complaint from a participant or a beneficial owner and keep the Board informed about the number and the nature of redressals;

(h) the depository shall make an application for commencement of business under regulation 14 within one year from the date of grant of certificate of registration under this regulation; and

(i) the depository shall amend its bye-laws from time to time as may be directed by the Board.

Payment of annual fee.

8. A depository who has been granted a certificate of registration under regulation 7, shall pay annual fee specified in Part A of the Second Schedule in the manner specified in Part B thereof.

Procedure where certificate of registration is not granted.

9. (1) Where an application for the grant of certificate of registration under regulation 3 does not satisfy the requirements specified in regulation 7, the Board shall reject the application after giving the applicant an opportunity of being heard.

(2) The decision of the Board to reject the application shall be communicated to the applicant in writing within thirty days of such decision, stating therein the grounds on which the application has been rejected.

CHAPTER III

CERTIFICATE OF COMMENCEMENT OF BUSINESS

Application for grant of certificate of commencement of business.

10. A depository, which has been granted a certificate of registration under regulation 7, shall within one year from the date of issue of such certificate make an application to the Board for commencement of business in Form C.

Application to conform to the requirements.

11. Any application in Form C, which is not complete in all respects and does not conform to instructions specified therein shall be rejected:

Provided that before rejecting any such application, the applicant shall be given in writing an opportunity to remove within thirty days of the date of communication in this regard, the objections indicated by the Board:

Provided further that the Board may, on being satisfied that it is necessary to extend the period specified in the first proviso, extend such period by such further time as it thinks necessary in order to enable the applicant to remove the objections indicated by the Board.

Furnishing of information, clarification, and personal representation.

12. (1) The Board may require the depository to furnish such further information or clarification regarding matters relevant for the grant of certificate of commencement of business.

(2) The depository or its authorised representative, if so required, shall appear before the Board for personal representation in connection with the grant of certificate of commencement of business.

Consideration of application for grant of certificate of commencement of business.

13. (1) The Board shall take into account for considering grant of certificate of commencement of business, all matters which are relevant to the efficient and orderly functioning of the depository and in particular, the following, namely, whether:

(a) the depository has a net worth of not less than rupees one hundred crore;

(b) the bye-laws of the depository have been approved by the Board;

(c) the automatic data processing systems of the depository have been protected against unauthorised access, alteration, destruction, disclosure or dissemination of records and data;

(d) the network through which continuous electronic means of communications are established between the depository, participants, issuers and issuers' agents is secure against unauthorised entry or access;

(e) the depository has established standard transmission and encryption formats for electronic communications of data between the depository, participants, issuers and issuers' agents;

(f) the physical or electronic access to the premises, facilities, automatic data processing systems, data storage sites and facilities including back up sites and facilities and to the electronic data communication network connecting the depository, participants, issuers and issuers' agents is controlled, monitored and recorded;

(g) the depository has a detailed operations manual explaining all aspects of its functioning, including the interface and method of transmission of information between the depository, issuers, issuers' agents, participants and beneficial owners;

(h) the depository has established adequate procedures and facilities to ensure that its records are protected against loss or destruction and arrangements have been made for maintaining back up facilities at a location different from that of the depository;

(i) the depository has made adequate arrangements including insurance for indemnifying the beneficial owners for any loss that may be caused to such beneficial owners by the wrongful act, negligence or default of the depository or its participants or of any employee of the depository or participant; and

(j) the grant of certificate of commencement of business is in the interest of investors in the securities market.

(2) The Board shall, before granting a certificate of commencement of business under this Chapter make a physical verification of the infrastructure facilities and systems established by the depository.

Grant of certificate of commencement of business.

14. After considering the application under regulation 13 with reference to the matters specified in sub-regulation (1) of regulation 13 and making physical verification under sub-regulation (2) of that regulation, if the Board is satisfied that the depository is eligible to commence business as a depository, shall grant a certificate of commencement of business in Form D.

Procedure where certificate of commencement of business is not granted.

15. (1) If the Board, after considering the matters specified in sub-regulation (1) of regulation 13 and making physical verification under sub-regulation (2) of that regulation, is of the opinion that the depository shall not be granted a certificate of commencement of business, it may either-

(a) direct the depository to conform to the matters specified in regulation 13; or

(b) reject the application after giving the applicant an opportunity of being heard.

(2) The decision of the Board to reject the application shall be communicated to the depository in writing within thirty days of such decision, stating therein the grounds on which the application has been rejected.

CHAPTER IV

REGISTRATION OF PARTICIPANT

Application for grant of certificate of registration.

16. (1) An application for the grant of a certificate of registration as a participant shall be made to the Board in Form E, through each depository in which the applicant proposes to act as a participant, shall be accompanied by the fee specified in Part A of the Second Schedule and be paid in the manner specified in Part B thereof.

(2) The depository shall forward to the Board the application in Form E as early as possible, but not later than thirty days along with its recommendations and certifying that the participant complies with the eligibility criteria including adequate infrastructure as provided for in these regulations and the bye- laws of the depository.

Application to conform to the requirements.

17. An application in Form E, which is not complete in all respects and does not conform to the instructions specified therein, shall be rejected:

Provided that before rejecting any such application, the applicant shall be given in writing an opportunity to remove within thirty days of the date of communication in this regard, the objections indicated by the Board:

Provided further that the Board may, on being satisfied that it is necessary to extend the period specified in the first proviso, extend such period by such further time as it thinks necessary in order to enable the applicant to remove the objections indicated by the Board.

Furnishing information, clarification, and personal representation.

18. (1) The Board may require the applicant, or the depository to which the applicant is to be admitted as a participant, to furnish such further information or clarification as may be considered necessary for the grant of a certificate of registration to the applicant.

(2) The applicant or his authorised representative shall, if so required, appear before the Board for personal representation in connection with the grant of a certificate of registration.

Consideration of application for grant of certificate of registration.

19. For the purpose of grant of certificate of registration, the Board shall take into account all matters which are relevant to or relating to the efficient and orderly functioning of a participant and in particular, whether the applicant complies with the following requirements, namely: -

(a) the applicant belongs to one of the following categories,-

(i) a public financial institution as defined in section 4A of the Companies Act, 1956 (1 of 1956);

(ii) a bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);

(iii) a foreign bank operating in India with the approval of the Reserve Bank of India;

(iv) a state financial corporation established under the provisions of section 3 of the State Financial Corporations Act, 1951 (63 of 1951);

(v) an institution engaged in providing financial services, promoted by any of the institutions mentioned in sub clause (i), (ii), (iii), (iv) jointly or severally;

(vi) a custodian of securities who has been granted a certificate of registration by the Board under sub-section (1A) of section 12 of the Act;

(vii) a clearing corporation or ¹[a clearing house] of a stock exchange;

(viii) a stock broker who has been granted a certificate of registration by the Board under sub-section (1) of section 12 of the Act:

²[Provided that the stock-broker shall have a minimum net worth of rupees 50 lakhs and the aggregate value of the portfolio of securities of the beneficial owners held in dematerialised form in a depository through him, shall not exceed ³[100 times of the net worth of the stock broker]]:

⁴[Provided further that where the stockbroker has a minimum net worth of Rupees Ten Crore, the limits on the aggregate value of the portfolio of securities of the beneficial owners held in dematerialized form in a depository through him shall not be applicable:]

¹ Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

² Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1999, w.e.f. 20-5-1999. Prior to substitution, the proviso to regulation 19(a)(viii) read as under:

‘Provided that the stock broker shall have a minimum net worth of rupees fifty lakhs and the aggregate value of portfolio of securities of the beneficial owners held in dematerialised form in a depository through him shall not be more than twenty five times the net worth of the stock broker.’

³ Substituted for the words ‘the following limits:

Net worth (in lakhs)	Aggregate Value of Portfolio of Securities
50 upto (including)750	35 times of the network
above 750 and upto 5000	50 times of the network.’

by the SEBI (Depositories and Participants) (Third Amendment) Regulations, 1999,w.e.f. 21-9-1999.

⁴ Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2003 w.e.f. 16-6-2003.

Provided further that if the stock broker seeks to act as a participant in more than one depository, he shall comply with the criteria specified in the first proviso separately for each such depository; or

(ix) a non-banking finance company, having a net worth of not less than rupees fifty lakhs:

Provided that such company shall act as a participant only on behalf of itself and not on behalf of any other person:

¹[Provided further that a non-banking finance company may act as a participant on behalf of any other person, if it has a networth of Rs. 50 crores in addition to the networth specified by any other authority.]

²[(x) a registrar to an issue or share transfer agent who has a minimum net worth of ³[Rupees ten crores] and who has been granted a certificate of registration by the Board under sub – section (1) of Section 12 of the Act.

⁴[***]]

(b) the applicant is eligible to be admitted as a participant of the depository through which it has made the application to the Board;

(c) the applicant has adequate infrastructure, systems, safeguards and trained staff to carry on activity as a participant; and

¹ Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

² Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1999, w.e.f. 20-5-1999..

³ Substituted for Rs 50 lakhs by the SEBI (Depositories and Participants) (Amendment) Regulations, 2003, w.e.f. 16-6-2003.

⁴Prior to omission the proviso as inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1999, w.e.f. 20-5-1999.. read as under:

‘Provided that a registrar to an issue or share transfer agent shall not act as a depository participant on behalf of investors, for securities of those companies on whose behalf it is acting as a registrar to an issue or share transfer agent.’

¹[(cc) the applicant is a fit and proper person;]

(d) the grant of certificate of registration is in the interests of investors in the securities market.

Grant of certificate of registration.

20. (1) After considering the application under regulation 16, with reference to the matters specified in regulation 19, if the Board is satisfied that the applicant is eligible for grant of certificate of registration, grant a certificate in Form F.

(2) The grant of certificate of registration in Form F shall be subject to the following namely:-

(a) the participant shall pay the registration fee specified in Part A of the Second Schedule in the manner specified in Part B thereof, within fifteen days of the receipt of intimation from the Board;

(b) the participant shall comply with the provisions of the Act, ²[Depositories Act], the bye-laws, agreements and these regulations;

(c) the depository through which an application for certificate of registration has been forwarded holds a certificate of commencement of business under regulation 14;

(d) if any information previously submitted by the participant to the Board is found to be false or misleading in any material particular, or if there is any change in such information, the participant shall forthwith inform the Board in writing;

¹ Inserted by the SEBI (Depositories and Participants) Amendment Regulations, 1998, w.e.f. 5-1-1998.

² Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

(e) the participant shall redress the grievances of beneficial owners within thirty days of the date of the receipt of the complaint and keep the depository informed about the number and the nature of redressals; and

(f) the participant shall pay annual fees specified in Part A of the Second Schedule in the manner specified in Part B thereof.

¹[Participants to abide by Code of Conduct.

20A. The Participant holding a certificate shall, at all times, abide by the Code of Conduct as specified in Third Schedule.]

Period of validity of the certificate of registration.

21. The certificate of registration issued under regulation 20, or renewed under regulation 22 shall be valid for a period of five years from the date of its issue or renewal, as the case may be.

Renewal of certificate of registration.

22. (1) Three months before the expiry of the period of validity of a certificate of registration, the participant shall, if it so desires, make an application for renewal in Form E through the depository in which it is a participant.

(2) The application for renewal under sub-regulation (1) shall accompany the fee specified for issue of certificate of registration and shall be dealt with in the same manner as if it were a fresh application for grant of certificate of registration.

¹ Inserted by the SEBI (Depositories and Participants) (Third Amendment) Regulations, 2003, w.e.f. 1-10-2003.

Conditions of renewal of certificate of registration.

23. The Board may renew a certificate of registration granted to a participant subject to the conditions of certificate of registration specified in regulation 22.

Procedure where certificate of registration is not granted.

24. (1) Where an application for the grant of certificate of registration under regulation 16 or for its renewal under regulation 22 does not satisfy the requirements specified in regulation 19, the Board shall reject the application after giving the applicant an opportunity of being heard.

(2) The decision of the Board to reject the application shall be communicated to the applicant in writing within thirty days of such decision, stating therein the grounds on which the application has been rejected.

Effect of refusal to renew a certificate of registration.

25. Any participant whose application for a certificate of registration as a participant has been rejected by the Board under regulation 24 shall from the date of expiry of the certificate of registration sought to be renewed, cease to carry on any activity as a participant:

Provided that the Board may, in the interest of the investors in the securities market permit the participant to carry on activities undertaken prior to the receipt of the intimation of refusal subject to such condition as the Board may specify.

CHAPTER V

RIGHTS AND OBLIGATIONS OF DEPOSITORIES, PARTICIPANTS, ISSUERS, MANNER OF SURRENDER OF CERTIFICATE OF SECURITY AND CREATION OF PLEDGE OR HYPOTHECATION

Rights and obligations of depositories, etc.

26. The depositories, participants, issuers, and issuers' agents, in addition to the rights and obligations laid down in the ¹[Depositories Act] and the bye-laws shall have the rights and obligations arising from the agreements entered into by them.

Depository to declare specific securities eligible arising from the agreements entered into by them.

27. Every depository shall, in its bye-laws, state the specific securities which are eligible for being held in dematerialised form in the depository.

Securities eligible for dematerialisation.

28. The following securities shall be eligible for being held in dematerialised form in a depository:-

(a) shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;

(b) units of mutual funds, rights under collective investment schemes and venture capital funds, commercial paper, certificates of deposit, securitised debt, money market

¹ Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

instruments, ¹[Government Securities] and unlisted securities shall also be similarly eligible for being held in dematerialised form in a depository;

²[(c) any other security as may be specified by the Board from time to time, by way of a notification in the Official Gazette and subject to such conditions as it may deem fit to impose.]

Agreement between depository and issuer.

29. ³[(1) Either on the issuer or on the investors exercising an option to hold his securities with a depository in dematerialised form, the issuer shall enter into an agreement with a depository to enable the investor to dematerialise the securities:]

⁴[Provided that no agreement shall be required to be entered into where depository itself is an issuer of securities:]

⁵[Provided further that no such agreement shall be required to be entered into where the State or the Central Government is the issuer of Government securities.]

(2) Where the issuer has appointed a Registrar to the Issue or Share Transfer Agent, who has been granted certificate of registration by the Board under sub-section (1) of section 12 of the Act, the depository shall enter into a tripartite agreement with the issuer and the Registrar to the Issue or Share Transfer Agent, as the case may be, in respect of

¹ Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998, w.e.f. 21-1-1998.

² Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2004, w.e.f. 10-6-2004.

³ Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997. Prior to substitution regulations 29(1) read as under:

‘29(1) Every depository shall enter into an agreement with the issuer in respect of securities that are to be declared as eligible to be held dematerialised form.’

⁴ Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1997, w.e.f. 5-9-1997.

⁵ Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998, w.e.f. 21-1-1998.

the securities to be declared by the depository as eligible to be held in dematerialised form.

Systems and procedures.

30. Every depository shall have systems and procedures which will enable it to co-ordinate with the issuer or its agent, and the participants, to reconcile the records of ownership of securities with the issuer or its agent, as the case may be, and with participants, on a daily basis.

Connectivity.

31. Every depository shall maintain continuous electronic means of communication with all its participants, issuers or issuers' agents, as the case may be, clearing houses and clearing corporations of the stock exchanges and with other depositories.

¹[Mechanism for investor protection.

32. The depository shall satisfy the Board that it has a mechanism in place to ensure that the interests of the persons buying and selling securities held in the depository are adequately protected.]

¹ Substituted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 2008, w.e.f. 8-8-2008. Prior to the substitution, regulation 32 read as under:

‘Transfer to be affected only after payment

32. The depository shall satisfy the Board that it has a mechanism in place to ensure that the interest of the persons buying and selling securities held in the depository are adequately protected and shall register the transfer of a security in the name of the transferee only after the depository is satisfied that payment for such transfer has been made.’

Withdrawal by participant.

33. Every depository shall allow any participant to withdraw or transfer its account, if the request for such withdrawal or transfer is in accordance with conditions stipulated therefor in the bye-laws of the depository.

Internal monitoring, review and evaluation of systems and controls.

34. Every depository shall have adequate mechanisms for the purposes of reviewing, monitoring and evaluating the depository's controls, systems, procedures and safeguards.

External monitoring, review and evaluation of systems and controls.

35. Every depository shall cause an inspection of its controls, systems, procedures and safeguards to be carried out annually and forward a copy of the report to the Board.

Insurance against risks.

36. Every depository shall take adequate measures including insurance to protect the interests of the beneficial owners against risks likely to be incurred on account of its activities as a depository.

Manner of keeping records.

37. Where records are kept electronically by the depository, it shall ensure that the integrity of the automatic data processing systems is maintained at all times and take all precautions necessary to ensure that the records are not lost, destroyed or tampered with and in the event of loss or destruction, ensure that sufficient back up of records is available at all times at a different place.

Records to be maintained.

38. (1) Every depository shall maintain the following records and documents, namely: -

- (a) records of securities dematerialised and rematerialised;
- (b) the names of the transferor, transferee, and the dates of transfer of securities;
- (c) a register and an index of beneficial owners;
- ¹[(cc) details of the holdings of the securities of the beneficial owners as at the end of each day;]
- (d) records of instructions received from and sent to participants, issuers, issuers' agents and beneficial owners;
- (e) records of approval, notice, entry and cancellation of pledge or hypothecation, as the case may be;
- (f) details of participants;
- (g) details of securities declared to be eligible for dematerialisation in the depository; and
- (h) such other records as may be specified by the Board for carrying on the activities as a depository.

(2) Every depository shall intimate the Board the place where the records and documents are maintained.

(3) Subject to the provisions of any other law, the depository shall preserve records and documents for a minimum period of five years.

¹ Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

Co-operation with other entities.

39. Every depository shall extend all such co-operation to the beneficial owners, issuers, issuers' agents, custodians of securities, other depositories and clearing organizations as is necessary for the effective, prompt and accurate clearance and settlement of securities' transactions and conduct of business.

Prohibition of Assignment.

40. No depository shall assign or delegate to any other person its functions as a depository, without the prior approval of the Board.

Agreement by participant.

41. Every participant shall enter into an agreement with a beneficial owner before acting as a participant on his behalf, in a manner specified by the depository in its bye-laws.

Separate Accounts.

42. (1) Separate accounts shall be opened by every participant in the name of each of the beneficial owners and the securities of each beneficial owner shall be segregated, and shall not be mixed up with the securities of other beneficial owners or with the participant's own securities.

(2) A participant shall register the transfer of securities to or from a beneficial owner's account only on receipt of instructions from the beneficial owner and thereafter confirm the same to the beneficial owner in a manner as specified by the depository in its bye-laws.

(3) Every entry in the beneficial owner's account shall be supported by electronic instructions or any other mode of instruction received from

the beneficial owner in accordance with the agreement with the beneficial owner.

Statement of accounts.

43. Every participant shall provide statements of account to the beneficial owner in such form and in such manner and at such time as provided in the agreement with the beneficial owner.

Transfer or withdrawal by beneficial owner.

44. Every participant shall allow a beneficial owner to withdraw or transfer from his account in such manner as specified in the agreement with the beneficial owner.

Connectivity.

45. Every participant shall maintain continuous electronic means of communication with each depository in which it is a participant.

Monitoring, reviewing and evaluating internal systems and controls.

46. Every participant shall have adequate mechanism for the purposes of reviewing, monitoring and evaluating the participant's internal accounting controls and systems.

Reconciliation.

47. Every participant shall reconcile his records with every depository in which it is a participant, on a daily basis.

Returns.

48. Every participant shall submit periodic returns to the Board and to every depository in which it is a participant in the format specified by the Board or the bye-laws of the depository, as the case may be.

Record of services.

49. (1) Every participant shall maintain the following records and documents, namely: -

(a) records of all the transactions entered into with a depository and with a beneficial owner;

(b) details of securities dematerialised, rematerialised on behalf of beneficial owners with whom it has entered into an agreement;

(c) records of instructions received from beneficial owners and statements of account provided to beneficial owners; and

(d) records of approval, notice, entry and cancellation of pledge or hypothecation, as the case may be.

(2) Every participant shall make available for the inspection of the depository in which it is a participant all records referred to in sub-regulation (1).

(3) Every participant shall allow persons authorised by the depository in which it is a participant to enter its premises during normal office hours and inspect its records.

(4) Every participant shall intimate the Board the place where the records and documents are maintained.

(5) Subject to the provisions of any other law, the participant shall preserve records and documents for a minimum period of five years.

Manner of keeping records.

50. Where records are kept electronically by the participant, it shall ensure that the integrity of the data processing systems is maintained at all times and take all precautions necessary to ensure that the

records are not lost, destroyed or tampered with and in the event of loss or destruction, ensure that sufficient back up of records is available at all times at a different place.

Records to be maintained depository-wise.

51. If a participant enters into an agreement with more than one depository, it shall maintain the records specified in regulation 49 separately in respect of each depository.

Prohibition of assignment.

52. No participant shall assign or delegate its functions as participant to any other person, without the prior approval of the depository.

Agreement by issuer.

53. Every issuer whose securities have been declared as eligible to be held in dematerialised form in a depository shall enter into an agreement with the depository in accordance with the provisions of regulation 29:

¹[Provided that no agreement shall be required to be entered into in case: -

(i) the depository is the issuer of securities; or

(ii) the State or the Central Government is the issuer of Government securities.]

²[Manner of handling share registry work.

53A All matters relating to transfer of security, maintenance of records, holders of security, handling of physical security and establishing

¹ Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998, w.e.f. 21-1-1998.

² Regulations 53A and 53B inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 2003, w.e.f. 2-9-2003.

connectivity with the depositories shall be handled and maintained at a single point i.e., either in-house by the issuer or a share transfer agent registered with the Board.

Redressal for investor grievances.

53B Every issuer or its agent or any person who is registered as an intermediary under this Act, shall redress the grievances of beneficial owners within thirty days of the date of receipt of complaint and keep a depository informed about the number and nature of grievances redressed by it and the number of grievances pending before it.]

Manner of surrender of certificate of security.

54. (1) Any beneficial owner, who has entered into an agreement with a participant, shall inform the participant of the details of the certificate of security, which is to be dematerialised, and shall surrender such certificate to the participant:

Provided that where a beneficial owner has appointed a custodian of securities, then he may surrender the certificates of security to the participant through his custodian of securities.

(2) The participant shall, on receipt of information under sub-regulation (1), forward such details of the certificate of security to the depository and shall confirm to the depository that an agreement has been entered into between the participant and the beneficial owner.

(3) The participant shall maintain records indicating the names of beneficial owners of the securities surrendered the number of securities and other details of the certificate of security received.

¹[(4) The participant shall, within 7 days of the receipt of certificate of security referred to in sub-regulation (1) furnish to the issuer details specified in sub-regulation (2) along with the certificate of security.]

²[(5) Within 15 days of receipt of the certificate of security from the participant the issuer shall confirm to the depository that the securities comprised in the said certificate have been listed on the stock exchange or exchanges where the earlier issued securities are listed and shall also after due verification immediately mutilate and cancel the certificate of security and substitute in its record the name of the depository as the registered owner and shall send a certificate to this effect to the depository and to every stock exchange where the security is listed:

Provided that in case of unlisted companies the condition of listing on all stock exchanges where earlier issued shares are listed shall not be applicable.]

(6) Immediately upon receipt of information from the issuer under sub-regulation (5), the depository shall enter in its records the name of the person who has surrendered the certificate of security as the beneficial owner, as well as the name of the participant from whom it has received intimation under sub-regulation (2), and shall send an intimation of the same to the participant.

(7) The issuer shall maintain a record of certificates of securities, which have been dematerialised.

¹ Substituted by the SEBI Depositories and Participants) (Second Amendment) Regulations, 2003, w.e.f. 2-9-2003. Prior to substitution regulation 54(4) read as under:

‘The participant shall, furnish to the issuer details specified in sub-regulation (2) alongwith the certificate of security referred to in sub-regulation (1).’

² Substituted by the SEBI Depositories and Participants) (Second Amendment) Regulations, 2003, w.e.f. 2-9-2003. Prior to the substitution regulation 54(5) read as under:

‘The issuer shall on receipt of the certificate of security from the participant immediately mutilate and cancel it and substitute in its records the name of the depository as the registered owner and shall send a certificate to this effect to the depository and to every stock exchange where the security is listed.’

Reconciliation.

55. The issuer or its agent shall reconcile the records of dematerialised securities with all the securities issued by the issuer, on a daily basis:

¹[Provided that where the State or the Central Government is the issuer of Government securities, the depository shall, on a daily basis, reconcile the records of the dematerialised securities.]

²[Audit.

55A(1) Every issuer shall submit audit report on a quarterly basis starting from September 30, 2003 to the concerned stock exchanges audited by a qualified chartered accountant or a practicing company secretary, for the purposes of reconciliation of the total issued capital, listed capital and capital held by depositories in dematerialized form , the details of changes in share capital during the quarter and the in-principle approval obtained by the issuer from all stock exchanges where it is listed in respect of such further issued capital.

(2) The audit report under sub-regulation (1) shall also give the updated status of the register of members of the issuer and confirm that security have been dematerialized as per requests within 21 days from the date of receipt of request by the issuer and where the dematerialisation has not been effected within the said stipulated period, the report shall disclose the reasons for such delay.

(3) The issuer shall immediately bring to the notice of the depositories and the stock exchanges, any difference observed in its issued, listed, and the capital held by depositories in dematerialized form.]

¹ Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998,w.e.f. 21-1-1998.

² Inserted by SEBI (Depositories and Participants) (Second Amendment) Regulations, 2003,w.e.f. 2-9-2003..

Connectivity.

56. Every issuer or its agent shall establish continuous electronic means of communication with the depository with which it has entered into an agreement.

Information.

57. Every issuer whose securities have been declared as eligible for dematerialisation in a depository shall give information to the depository about book closures, record dates, dates for the payment of interest or dividend, dates for annual general meetings and other meetings, dates for redemption of debentures, dates for conversion of debentures and warrants, call money dates and such other information at the time and in the manner as may be specified by the depository in its bye-laws or agreement:

¹[Provided that no such information would be required to be given to the depository where the State or the Central Government is the issuer of Government securities.]

Manner of creating pledge or hypothecation.

²[58. (1) If a beneficial owner intends to create a pledge on a security owned by him, he shall make an application to the depository through the participant who has his account in respect of such securities.

¹ Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998, w.e.f 21-1-1998.

² Substituted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1997, w.e.f. 5-9-1997. Prior to substitution, regulation 58 read as under:

‘58 (1) If a beneficial owner intends to create a pledge or hypothecation on a security owned by him, he shall make an application in this regard to the depository through the participant who has his account in respect of such security in the manner specified in sub-regulations (2) to (9).

(2) If the security intended to be pledged or hypothecated is unencumbered, the participant shall, after making a note its records, of the notice of pledge or hypothecation, forward the application of the beneficial owner to the depository for its approval.

(3) On receipt of application of the beneficial owner through the participant, and after the investigation, if any, the depository shall within fifteen days of the receipt of the application approve or disapprove the creation of the pledge or the hypothecation and if it approves the creation of the pledge or hypothecation, it shall enter the particulars of the intended pledge or hypothecation in its records and where he does so, intimate the participant who shall also amend its records accordingly and immediately intimate the beneficial owner.

(4) On receipt of the intimation under sub-regulation (3), the beneficial owner may create a pledge or hypothecation and where he does so, he shall intimate the depository through the participant of the creation of such pledge or hypothecation.

(5) The participant, on receipt of the intimation under sub-regulation (4), shall substitute for the notice of pledge or hypothecation in its records an entry of pledge or hypothecation as the case may be and shall inform the pledge, beneficial owner and the depository.

(6) On receipt of the intimation under sub-regulation (5), the depository shall make in its records the changes referred to in sub-regulation (5).

(7) Where the depository disapproves the creation of the pledge or hypothecation it shall record the reasons for such disapproval and intimate the participant, who in turn shall inform the beneficial owner and the beneficial owner shall not create a pledge or hypothecation with respect of the securities.

(8) The entry of pledge made under sub-regulation (5) shall be cancelled by the participant when the beneficial owner redeems the pledge or hypothecation and makes a request, with the concurrence of the pledge, to the participant to cancel the entry of pledge or hypothecation, and the participant shall inform the depository accordingly.

(9) On receipt of the intimation under sub-regulation (8), the depository shall make in its records the changes referred to in sub-regulation (8).

(10) No transfer of security in respect of which a notice of pledge or entry of pledge is in force, shall be affected by a participant without the concurrence of the pledge.

(11) Where the pledge satisfies the depository that owing to the default of the beneficial owner, the pledge is entitled to be registered as beneficial owner of the pledged securities or a part thereof, the depository may, after giving the beneficial owner a reasonable opportunity to make such representation as he may wish to make, direct the participant to register the pledge as beneficial owner of such securities and amend its own records accordingly.

(12) On receipt of the direction under sub-regulation (9), the participant shall immediately carry necessary corrections in its records.'

Earlier existing regulation 58(3) was substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997 w.e.f. 7-2-1997. Prior to substitution regulation 58(3) read as under:

'(3) On receipt of application of the beneficial owner through the participant, the depository shall make such investigation as it may consider necessary and if it approves the creation of the pledge or

(2) The participant after satisfaction that the securities are available for pledge shall make a note in its records of the notice of pledge and forward the application to the depository.

(3) The depository after confirmation from the pledgee that the securities are available for pledge with the pledgor shall within fifteen days of the receipt of the application create and record the pledge and send an intimation of the same to the participants of the pledgor and the pledgees.

(4) On receipt of the intimation under sub-regulation (3) the participants of both the pledgor and the pledgee shall inform the pledgor and the pledgee respectively of the entry of creation of the pledge.

(5) If the depository does not create the pledge, it shall send along with the reasons an intimation to the participants of the pledgor and the pledgee.

(6) The entry of pledge made under sub-regulation (3) may be cancelled by the depository if the pledgor or the pledgee makes an application to the depository through its participant:

Provided that no entry of pledge shall be cancelled by the depository with the prior concurrence of the pledgee.

(7) The depository on the cancellation of the entry of pledge shall inform the participant of the pledgor.

(8) Subject to the provisions of the pledge document, the pledgee may invoke the pledge and on such invocation, the depository shall register

hypothecation, it shall enter the particulars of the intended pledge or hypothecation in its records and where he does so, intimate the participant who shall also amend its records accordingly and immediately intimate the beneficial owner.'

the pledgee as beneficial owner of such securities and amend its records accordingly.

(9) After amending its records under sub-regulation (8) the depository shall immediately inform the participants of the pledgor and pledgee of the change who in turn shall make the necessary changes in their records and inform the pledgor and pledgee respectively.

(10) (a) If a beneficial owner intends to create a hypothecation on a security owned by him he may do so in accordance with the provisions of sub-regulations (1) to (9).

(b) The provisions of sub-regulations (1) to (9) shall *mutatis mutandis* apply in such cases of hypothecation:

Provided that the depository before registering the hypothecatee as a beneficial owner shall obtain the prior concurrence of the hypothecator.

(11) No transfer of security in respect of which a notice or entry of pledge or hypothecation is in force shall be effected by a participant without the concurrence of the pledgee or the hypothecatee as the case may be.]

¹[Investment advice.

58A (1) A depository or a participant or any of their employees shall not render, directly or indirectly, any investment advice about any security in the publicly accessible media whether real-time or non-real-time, unless a disclosure of his interest including long or short position in the said security has been made, while rendering such advice.

¹ Regulations 58A and 58B inserted by SEBI (Investment Advice by Intermediaries) (Amendment) Regulations, 2001, w.e.f. 29-5-2001.

(2) In case, an employee of the depository or the participant is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice.

Appointment of compliance officer.

58B (1) A depository and a participant shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Board or the Central Government and for redressal of investor's grievances.

(2) The compliance officer shall immediately and independently report to the Board any non-compliance observed by him.]

CHAPTER VI INSPECTION

Board's right to inspect .

59. The Board may appoint one or more persons as inspecting officer to undertake inspection of the books of accounts, records, documents and infrastructure, systems and procedures, or to investigate the affairs of a depository, a participant, a beneficial owner, an issuer or its agent for any of the following purposes, namely:-

(a) to ensure that the books of account are being maintained by the depository, participant, issuer or its agent in the manner specified in these regulations;

(b) to look into the complaints received from the depositories, participants, issuers, issuers' agents, beneficial owners or any other person;

(c) to ascertain whether the provisions of the Act, the ¹[Depositories Act], the bye-laws, agreements and these regulations are being complied with by the depository, participant, beneficial owner, issuer or its agent;

(d) to ascertain whether the systems, procedures and safeguards being followed by a depository, participant, beneficial owner, issuer or its agent are adequate;

(e) to *suo motu* ensure that the affairs of a depository, participant, beneficial owner, issuer or its agent, are being conducted in a manner which are in the interest of the investors or the securities market.

Notice before inspection and investigation.

60. (1) Before ordering an inspection or investigation under regulation 59, the Board shall give not less than 10 days notice to the depository, participant, beneficial owner, issuer or its agent, as the case may be.

(2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors no such notice should be given, it may, by an order in writing direct that such inspection be taken up without such notice.

(3) During the course of an inspection or investigation, the depository, a participant, a beneficial owner, an issuer or its agent against whom

¹ Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

the inspection or investigation is being carried out shall be bound to discharge his obligation as provided in regulation 61.

Obligations on inspection by the Board.

61. (1) It shall be the duty of the depository, a participant, a beneficial owner, an issuer or its agent whose affairs are being inspected or investigated, and of every director, officer and employee thereof, to produce to the inspecting officer such books, securities, accounts, records and other documents in its custody or control and furnish him with such statements and information relating to his activities as a depository, a participant, a beneficial owner, an issuer or its agent, as the inspecting officer may require, within such reasonable period as the inspecting officer may specify.

(2) The depository, a participant, a beneficial owner, an issuer or its agent shall allow the inspecting officer to have reasonable access to the premises occupied by him or by any other person on his behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the depository, a participant, a beneficial owner, an issuer or its agent or such other person and also provide copies of documents or other materials which, in the opinion of the inspecting officer are relevant for the purposes of the inspection.

(3) The inspecting officer, in the course of inspection of investigation, shall be entitled to examine or to record the statements of any director, officer or employee of the depository, a participant, a beneficial owner, an issuer or its agent.

(4) It shall be the duty of every director, officer or employee of the depository, a participant, a beneficial owner, an issuer or its agent to give to the inspecting officer all assistance in connection with the inspection, which the inspecting officer may reasonably require.

Submission of Report to the Board.

62. The inspecting officer shall, as soon as possible, on completion of the inspection or investigation as the case may be, submit a report to the Board:

Provided that if directed to do so by the Board, he may submit interim reports.

¹[Action on inspection or investigation report.

63. The Board or the Chairman shall after consideration of inspection or investigation report take such action as the Board or Chairman may deem fit and appropriate including action under the ²[Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.]]

¹ Substituted by the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 w.e.f. 27-9-2002. Prior to substitution regulations 63 read as under:

‘Communication of findings etc.

63. (1) The Board shall, after consideration of the inspection report or the investigation report referred to in regulation 62, communicate the findings of the inspecting officer to the depository, participant, issuer or its agent, as the case may be, and give him an opportunity of being heard.

(2) On receipt of the reply if any, from the depository, participant, issuer or its agent, as the case may be, the Board may call upon him to take such measures as the Board may deem fit in the interest of the securities market and for due compliance with the provisions of the Act, the Depositories ^{as}[Act], regulations, the bye- laws and agreements.’

² Substituted for “Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002” by Securities and Exchange Board of India (Intermediaries) Regulations, 2008, w.e.f. 26-5-2008.

¹[Application of Chapter.

63A. Nothing contained in this Chapter shall be applicable to the State or the Central Government where it is the issuer of the Government securities.]

²[Appointment of Auditor.

63A. The Board shall have the power to appoint an auditor to inspect or investigate, into the books of accounts, records, documents, infrastructures, systems and procedures or affairs of a depository, a participant, a beneficial owner, an issuer or its agent:

Provided that the auditor so appointed shall have the same powers of the inspecting or investigating officer as stated in regulations 59 and 60, and the obligation of the depository, participant, beneficial owner, issuer or its agent and their respective directors, officers and employees, as the case may be, as stated in Regulation 61, shall be applicable to the inspection or investigation under this Regulation.

Board to recover the expenses.

63B. The Board shall be entitled to recover from the depository, a participant, a beneficial owner, an issuer or its agent as the case may be, such expenses including fees paid to the auditors as may be incurred by it for the purposes of inspecting or investigating the books of accounts, records, documents, infrastructures, systems and procedures of the depository, a participant, a beneficial owner, a issuer or its agent, as the case may be.]

¹ Inserted by the SEBI (Depositories and Participants)(Second Amendment) Regulations, 1998, w.e.f. 21-1-1998.

² Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1999, w.e.f. 7-7-1999.

CHAPTER VII

PROCEDURE FOR ACTION IN CASE OF DEFAULT

¹[Liability for action in case of default.

64. A depository or a participant who-

- a. contravenes any of the provisions of the Act, the Depositories Act, the bye-laws, agreements and these regulations;
- b. fails to furnish any information relating to its activity as a depository or participant as required under these regulations;
- c. does not furnish the information called for by the Board under clause (a) of sub-section (1) of section 18 of the Depositories Act or furnishes information which is false or misleading in any material particular;
- d. does not co-operate in any inspection or investigation or enquiry conducted by the Board;

¹ Substituted by Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 w.e.f. 27-9-2002. Prior to substitution regulation 64 read as under:

‘Suspension of certificate

64. The Board may suspend the certificate of registration granted to a depository or a participant, if such depository or participant:-

- (a) contravenes any of the provisions of the Act, the Depositories Ordinance, the bye- laws, agreements and these regulations;
- (b) fails to furnish any information relating to its activity as a depository or participant as required under these regulations;
- (c) does not furnish the information called for by the Board under clause (a) of sub- section (1) of section 18 of the Depositories Ordinance or furnishes information which is false or misleading in any material particular;
- (d) does not co-operate in any inspection or investigation or enquiry conducted by the Board;
- (e) fails to comply with any direction of the Board issued under section 18 of the Depositories ²[Act]; or
- (f) fails to pay the annual fee referred to in regulation 8. ‘

e. fails to comply with any direction of the Board issued under section 18 of the Depositories Act;

f. fails to pay the annual fee referred to in regulation 8,

shall be dealt with in the manner provided under the ¹[Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008].

²65 to 69[Omitted by the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, w.e.f. 27-9-2002]

¹ Substituted for 'Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002' by Securities and Exchange Board of India (Intermediaries) Regulations, 2008, w.e.f. 26-5-2008.

² Prior to omission regulations 65, 66, 67, 68 and 69 read as under;

'Cancellation of certificate

65. The Board may cancel the certificate of registration granted to a depository or participant if such depository or participant

(a) is guilty of fraud, or has been convicted of an offence involving moral turpitude; or

(b) has been guilty of repeated defaults of the nature specified in regulation 64.

Explanation: In this regulation, "fraud" has the same meaning as is assigned to it in section 17 of the Indian Contract Act, 1872 (9 of 1872).

Manner of making order of cancellation or suspension

66. (1) No order of suspension or cancellation of certificate of registration shall be issued by the Board against a depository or a participant, except after holding an enquiry by an officer of the Board, authorised in this regard in accordance with the procedure specified in sub- regulations (2) to (8).

(2) For the purpose of holding an enquiry the Board may appoint one or more enquiry officer.

(3) The enquiry officer shall issue to the depository or the participant, as the case may be, a notice at its registered office or the principal place of its business, setting out the grounds on which action is proposed to be taken against him and calling upon him to show cause against such action within a period of fourteen days from the date of receipt of the notice.

(4) The depository or the participant, as the case may be, shall, within fourteen days from the date of receipt of such notice, furnish to the enquiry officer a written reply, together with copies of documentary or other evidence relied on by it or sought by the Board from the depository or participant, as the case may be.

(5) The enquiry officer shall give a reasonable opportunity of hearing to the depository or participant, as the case may be, to enable it to make submissions in support of its reply furnished under sub-regulation (4) of this regulation.

(6) Before the enquiry officer, the depository, a participant, or as the case may be, may either appear in person or through any person duly authorised by the depository or participant;

Provided that no lawyer or advocate shall be permitted to represent the depository or participant, as the case may be, at the enquiry;

Provided further that where a lawyer or an advocate has been appointed by the Board as a presenting officer under sub-regulation (7) it shall be lawful for the depository or participant, as the case may be, to present its case through a lawyer or advocate.

(7) The enquiry officer may, if he considers it necessary, ask the Board to appoint a presenting officer to present its case.

(8) The enquiry officer shall, after taking into account all relevant facts and submissions made by the depository or participant, as the case may be, submit a report to the Board and recommend the penal action, if any, to be taken against the depository or participant, as the case may be, as also the ground on which the proposed action is justified.

Show-cause notice and order

67. (1) On receipt of the report from the enquiry officer, the Board shall consider the same and issue to the depository or participant, as the case may be, a show-cause notice as to why the penal action as proposed by the enquiry office should not be taken against it.

(2) The depository or participant, as the case may be, shall, within fourteen days of the date of the receipt of show-cause notice, send a reply to the Board.

(3) The Board, after considering the reply of the depository or participant, as the case may be, if received within a period of fourteen days shall as soon as possible but not later than thirty days from the date of receipt of the reply or the date of hearing, if any, which ever is later, pass such order as it deems fit including an order for the suspension or cancellation of the certificate.

(4) Every order passed under sub-regulation (3) shall be self-contained and shall give reasons for the conclusions stated therein including the justification for the penalty if any, imposed by that order.

(5) The Board shall send to the depository or participant, as the case may be, a copy of the order made under sub-regulation (3).

Effect of suspension and cancellation of certificate

68. (1) On and from the date of the suspension of the certificate, the depository or participant, as the case may be, shall cease to carry on any activity as a depository or as a participant, during the period of suspension, and shall be subject to the directions of the Board with regard to any records, documents or securities that may be in its custody or control, relating to its activities as depository or participant.

(2) On and from the date of cancellation of the certificate, the depository or participant shall, with immediate effect, cease to carry on any activity as a depository or participant, and shall be subject to the directions of the Board with regard to the transfer of any records, documents or securities that may be in its custody or control, relating to its activities as depository or participant.

Publication of order of suspension or cancellation

69. The order of suspension or cancellation of certificate of registration issued under sub-regulation (3) of regulation 67 shall be published by the Board in at least two daily newspapers.

FIRST SCHEDULE - FORMS

FORM A

(see regulation 3)

**SECURITIES AND EXCHANGE BOARD OF INDIA
(DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996**

**APPLICATION FOR GRANT OF CERTIFICATE OF REGISTRATION AS
DEPOSITORY**

**SECURITIES AND EXCHANGE BOARD OF INDIA
MITTAL COURT, 'B' WING, 1st FLOOR
NARIMAN POINT, MUMBAI 400 021
INDIA**

INSTRUCTIONS

- i. This form is meant for use by each person acting as the sponsor of a depository.
- ii. The applicant should complete this form, and submit it, along with all supporting documents to the Board at its head office at Mumbai.
- iii. This application form should be filled in accordance with the regulations.
- iv. Application for grant of certificate of registration as depository will be considered provided it is complete in all respects.
- v. All answers must be typed.
- vi. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form.
- vii. The application must be signed and all signatures must be original.

viii. The application must be accompanied by an **application fee** as specified the Second Schedule to these regulations and by the draft bye-laws.

ix. Every page of the form and every additional sheet **must be initialled** by the authorised signatory of the applicant.

x. All copies of documents should be **attested** as true by an authorised notary.

Items 1-6 pertain to an applicant acting as sponsor.

1. Name, address of the registered office, address for correspondence, telephone number(s), fax number(s), telex number(s) and the name of the contact person of the sponsor.
2. Please indicate the name of the depository, which is to be sponsored by the applicant.
3. Please indicate the names of other depositories, if any, which have been sponsored by the applicant, or in which the applicant is acting as participant.
4. Please indicate the category to which the sponsor belongs as per regulation 6.
5. **Please provide the following details of each person acting as sponsor:**
 - (a) Date of incorporation or establishment, and the statute, if any, under which established (enclose certificate of incorporation, memorandum and articles of association or statutory provisions, if any).
 - (b) Objects of the applicant.

(c) Details the nature of activities carried on by the applicant.

(d) Details of affiliates and subsidiaries, and activities carried on by them.

(e) Details of registration with the Securities and Exchange Board of India, the Reserve Bank of India or with any foreign regulatory authority of the applicant, its affiliates and its subsidiaries (enclose documents supporting such registration).

(f) Networth of the applicant (enclose a copy of the latest audited financial statements).

(g) Percentage and amount of the paid up capital of the proposed depository which the applicant is to hold.

6. Declaration statement (to be given as below) by each person acting as sponsor.

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true.

AND we further agree that, we will notify Securities and Exchange Board of India immediately any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, and such other guidelines / instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be

issued by the Securities and Exchange Board of India from time
to time.

For and on behalf of

(Name of the applicant)

Authorised signatory

(Name) (Signature)

Date:

Place:

Items 7-14 pertain to the depository, and should be filled in accordingly.

7. Name, address of the registered office, address for correspondence, telephone number(s), fax number(s), telex number(s) and the name of the contact person of the applicant.
8. Date of incorporation of the depository. (enclose certificate of incorporation and memorandum and articles of association)
 - (a) Objects (main and ancillary) of the depository.
 - (b) Authorised, issued subscribed and paid up capital of the depository.
 - (c) Proposed network of the depository.
 - (d) Details of proposed shareholding of each person acting as sponsor.
9. The following details may be given for each director of the depository, and for its principal officer.

(a) Name, age, nationality.

(b) Details of educational and other qualifications.

(c) Details of experience.

(d) Details of other directorships held.

(e) Details of any litigation connected with the securities market which has an adverse bearing on the business of the depository, involving the director or principal officer; and details of any conviction of the director or principle officer for a crime involving moral turpitude or of any economic office for which the director or principle officer has been found guilty.

10. Please indicate the details of staff and organisation structure that is proposed to be set up prior to commencement of business.

11. Details of infrastructure such as premises and automatic data processing, storage and back up systems and procedures, communication systems that are proposed to be set up prior to commencement of business.

12. Internal evaluation and monitoring systems that are proposed to be set up prior to commencement of business.

13. Arrangements for indemnification of beneficial owners that are proposed to be put in place, including details of insurance cover proposed to be taken prior to the commencement of business.

14. Declaration statement (to be given as below).

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true.

AND we further agree that, we will notify Securities and Exchange Board of India immediately any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, and such other guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of

(Name of the applicant)

Authorised signatory

(Name) (Signature)

Date:

Place:

FORM B
(see regulation 7)

SECURITIES AND EXCHANGE BOARD OF INDIA
(DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

CERTIFICATE OF REGISTRATION AS DEPOSITORY

I. In exercise of the powers conferred by sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992, (15 of 1992) read with the regulations made thereunder and with the ¹[Depositories Act], 1996 (²[22] of 1996) the Board hereby grants a certificate of registration to

as a Depository subject to the conditions specified in the Act, the ³[Depositories Act] and the regulations made thereunder.

II. Registration Number for the Depository is IN/SD/ / /

Date:

Place: Mumbai

By order
Sd/-
For and on behalf of
SECURITIES AND EXCHANGE BOARD OF INDIA

¹ Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997.

² Substituted for '17' " by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997.

³ Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997

FORM C
(see regulation 10)

SECURITIES AND EXCHANGE BOARD OF INDIA
(DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

APPLICATION FOR GRANT OF CERTIFICATE OF COMMENCEMENT OF
BUSINESS AS DEPOSITORY

SECURITIES AND EXCHANGE BOARD OF INDIA
MITTAL COURT, 'B' WING, 1st FLOOR
NARIMAN POINT, MUMBAI 400 021
INDIA

INSTRUCTIONS:

- i. This form is meant for use by a depository granted a certificate of registration by the Securities and Board of India.
- ii. The applicant should complete this form, and submit it, along with all supporting documents to the Board at its head office at Mumbai.
- iii. This application form should be filled in accordance with the regulations.
- iv. Application for grant of certificate of commencement of business will be considered provided it is complete in all respects.
- v. All answers must be typed.
- vi. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form.
- vii. The application must be signed and all signatures must be original.

viii. Every page of the form and every additional sheet **must be initialled** by the authorised signatory of the applicant.

ix. All copies of documents should be **attested** as true by an authorised notary.

1. Name and registration number of the applicant.

2. Date of grant of certificate of registration to the applicant.

3. Please indicate whether bye-laws have been approved by SEBI.

4. Please indicate the details of staff and organisation structure that has been set up.

5. Please indicate the background and experience of key personnel.

6. Internal evaluation and monitoring systems including details of background and experience of personnel involved that have been set up (enclose copies of risk management and operations manuals).

7. Please provide the following details of the automatic data processing and communications systems:

(a) details of hardware, software and communications systems, their capability, function and location;

(b) details of data storage and back up procedures and sites, their capability, function and location;

(c) details of disaster recovery systems and procedures.

8. Please indicate whether premises and automatic data processing and communications systems are owned, leased or rented (enclose copies of title, lease or rental agreements).

9. Please indicate arrangements that have been put in place in order to indemnify beneficial owners.

10. Please enclose copy of insurance cover that has been taken.

11. Please enclose a copy of the participation agreement to be entered into with different categories of participants.

12. Please enclose a copy of the agreement to be entered into with the issuer, or with the issuer and his registrar.

13. Please enclose a copy of the agreement to be entered into between the participant, as the depository's agent, and the beneficial owners.

14. Declaration statement (to be given as below).

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true.

AND we further agree that, we will notify Securities and Exchange Board of India immediately any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, and such other guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of

(Name of the applicant)

Authorised signatory

(Name)

(Signature)

Date:

Place:

FORM D
(see regulation 14)

SECURITIES AND EXCHANGE BOARD OF INDIA
(DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

CERTIFICATE OF COMMENCEMENT OF BUSINESS AS DEPOSITORY

In exercise of the powers conferred by section 3 of the ¹[Depositories Act], 1996 (²[22] of 1996) read with the regulations, the Board hereby grants a certificate of commencement of business to

as a depository subject to the conditions specified in the Act, the ³[Depositories Act] and the regulations made thereunder.

Date:

Place: Mumbai

By order

Sd/-

For and on behalf of

SECURITIES AND EXCHANGE BOARD OF INDIA

¹ Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997.

² Substituted for '17' by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997.

³ Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997.

FORM E
(see regulation 16)

SECURITIES AND EXCHANGE BOARD OF INDIA
(DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

APPLICATION FOR GRANT OF CERTIFICATE OF REGISTRATION AS
PARTICIPANT

SECURITIES AND EXCHANGE BOARD OF INDIA
MITTAL COURT, 'B' WING, 1st FLOOR
NARIMAN POINT, MUMBAI 400 021
INDIA

INSTRUCTIONS:

- i. This form is meant for use by an applicant for grant of registration as participant.
- ii. The form should filled in by the applicant and submitted to the depository in which it is acting as participant, who shall forward it, along with all supporting documents to the Board at its head office at Mumbai.
- iii. This application form should be filled in accordance with the regulations.
- iv. Application for grant of registration as participant or renewal of such registration, as the case may be, will be considered provided it is complete in all respects.
- v. All answers must be typed.
- vi. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form.

- vii. The application must be signed and all signatures must be original.
- viii. The application must be accompanied by an **application fee** as specified the Second Schedule to these regulations.
- ix. Every page of the form and every additional sheet **must be initialled** by the authorised signatory of the applicant.
- x. All copies of documents should be **attested** as true by an authorised notary.
1. Name, address of the registered office, address for correspondence, telephone number(s), fax number(s), telex number(s) of the applicant and the name of the contact person.
 2. Please indicate to which of the categories under sub-regulation (a) of regulation 19, the applicant belongs.
 3. (a) Date and place of incorporation or establishment and date of commencement of business (enclose certificate of incorporation, memorandum and articles of association or statutory provisions, if any).
 - (b) Details of the activities carried on by the applicant, in India or overseas.
 - (c) Details of affiliates and subsidiaries of the applicant operating in India, and activities carried on by them.
 - (d) Details of registration with the Securities and Exchange Board of India, the Reserve Bank of India or with any regulatory authority overseas of the applicant, and of its affiliates and subsidiaries operating in India.
 - (e) Date of commencement of business in India and overseas (please enclose copies of the Reserve Bank of India's permission,

and if applicable copies of approvals from the Central Government to carry on activities mentioned above).

(f) Type and number of beneficial owners on whose behalf the applicant proposes to act as participant (Financial Institutions, Mutual Funds, Foreign Institutional Investors, Portfolio Managers, Non Banking Finance Companies, Stock Brokers, Corporates, Individuals, or for own account.)

4. Please give the name and Securities and Exchange Board of India registration number of the depository in which the applicant is to act as participant.

5. Please indicate the names and Securities and Exchange Board of India registration numbers of all other depositories in which the applicant is acting as participant and the applicant's SEBI registration number as participants in such depositories.

6. Please state whether the applicant, his partner, director or principal officer is involved in any litigation connected with the securities market which has an adverse bearing on the business of the applicant; or has at any time been convicted for any moral turpitude or at any time has been found guilty of any economic offence.

7. Please also state whether there has been any instance of violation or non-adherence to the securities laws, code of ethics/conduct, code of business rules, for which the applicant, or its parent or holding company or affiliate may have been subject to economic, or criminal, liability, or suspended from carrying out its operations, or the registration revoked temporarily.

8. Please indicate the net worth and paid up capital in Rs. Crore as per the latest audited financial statements of the applicant (enclose copy).

9. Please indicate services that the applicant is already providing to beneficial owners on whose behalf the applicant proposes to act as participant, and services proposed to be provided to beneficial owners.

10. Please provide the following details regarding staff involved in activities as participant.

- (i) organisation structure;
- (ii) experience and background of key personnel.

11. Please provide the following details regarding safekeeping and security systems and procedures:

- (i) risk control and operations manuals (enclose copies); give details of independent internal control mechanisms for monitoring, evaluation and review of accounting, and reporting systems and procedures.

12. Please provide the following details regarding automatic data processing systems and record keeping:

- (i) details of hardware, software and communications systems, their capability, function and location;
- (ii) details of data storage and back up procedures and sites, their capability, function and location;
- (iii) details of disaster recovery systems and procedures.

13. Details of insurance cover to be taken up.

14. Please indicate the applicant's shareholding for each depository in which it has such shareholding and whether any shareholding is proposed to be acquired in the depository through which this application is being made.

15. Please enclose a copy of an undertaking from the depository in which the applicant is to act as participant that

(a) the applicant is eligible to act as participant in the depository through which this application is being submitted to Securities and Exchange Board of India and meets with the eligibility criteria for participants specified in these regulations and in the depository's bye-laws;

(b) the applicant has adequate automatic data processing systems, adequate and competent staff, risk management systems, procedures and manuals, disaster recovery procedures, secure data storage and off site back up facilities, adequate communications links and insurance; to enable the applicant to fulfill its obligations as participant to the satisfaction of the depository; and

(c) the agreement to be entered into between the participant and beneficial owners has been submitted to the depository in accordance with the depository's bye-laws.

16. Declaration statement (to be given as below).

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true.

AND we further agree that, we will notify Securities and Exchange Board of India immediately any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, and such other

guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of
(Name of the applicant)

Authorised signatory
(Name)	(Signature)

Date:

Place:

FORM F
(see regulation 20)

SECURITIES AND EXCHANGE BOARD OF INDIA
(DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

CERTIFICATE OF REGISTRATION AS PARTICIPANT

I. In exercise of the powers conferred by sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992, (15 of 1992) read with the regulations made thereunder and with the ¹[Depositories Act], 1996 (²[22] of 1996) the Board hereby grants a certificate of registration to

as a participant subject to the conditions specified in the Act, the ³[Depositories Act] and the regulations made thereunder.

II. Registration Number for the participant is IN/DP/ / /

III. Unless renewed, the certificate of registration is valid from

_____ to _____

Date:

Place: Mumbai

By order
Sd/-
for and on behalf of

SECURITIES AND EXCHANGE BOARD OF INDIA

¹ Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997.

² Substituted for '17' by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997.

³ Substituted for 'Depositories Ordinance' by the SEBI (Depositories and Participants) (Amendment) Regulation, 1997, w.e.f. 7-2-1997.

SECOND SCHEDULE

(see regulations 3, 7,8, 16, 20)

SECURITIES AND EXCHANGE BOARD of INDIA (DEPOSITORY AND PARTICIPANTS) REGULATIONS, 1996

PART A

APPLICATION FEES, REGISTRATION FEES AND ANNUAL FEES

Application fees payable by sponsor (Rs.)	50,000
Application fees payable by participant (Rs)	5,000
Registration fees payable by depository (Rs)	25,00,000
Registration fees payable by participant (Rs)	1,00,000
Annual fees payable by depository (Rs)	10,00,000
Annual fees payable by participant (Rs)	1,000

PART B

Manner of Payment of Application, Registration and Annual Fees:

Fees to be paid by	Manner of payment
Sponsor or depository	A demand draft or bankers cheque payable to the " Securities and Exchange Board of India " at Mumbai.
Participant	Fees to be paid to the depository in which the payer is a Participant. The Depository shall forward the fees collected from participants to the Board, with a demand draft or bankers cheque payable to the " Securities and Exchange Board of India " at Mumbai.

¹[THIRD SCHEDULE

Securities and Exchange Board of India

(Depositories and Participants) Regulations, 1996

[Regulation 20A]

CODE OF CONDUCT FOR PARTICIPANTS

1. A Participant shall make all efforts to protect the interests of investors.
2. A Participant shall always endeavor to-
 - a. render the best possible advice to the clients having regard to the clients' needs and the environments and his own professional skills;
 - b. ensure that all professional dealings are affected in a prompt, effective and efficient manner;
 - c. inquiries from investors are adequately dealt with;
 - d. grievances of investors are redressed without any delay.
3. A Participant shall maintain high standards of integrity in all its dealings with its clients and other intermediaries, in the conduct of its business.
4. A Participant shall be prompt and diligent in opening of a beneficial owner account, dispatch of the Dematerialisation Request Form, Rematerialisation Request Form and execution of Debit Instruction Slip and in all the other activities undertaken by him on behalf of the beneficial owners.
5. A Participant shall endeavor to resolve all the complaints against it or in respect of the activities carried out by it as quickly as possible, and not later than one month of receipt.

¹ Inserted by SEBI (Depositories and Participants) (Third Amendment) Regulations, 2003 w.e.f. 1-10-2003.

6. A Participant shall not increase charges / fees for the services rendered without proper advance notice to the Beneficial Owners.
7. A Participant shall not indulge in any unfair competition, which is likely to harm the interests of other Participants or investors or is likely to place such other Participants in a disadvantageous position while competing for or executing any assignment.
8. A Participant shall not make any exaggerated statement whether oral or written to the clients either about its qualifications or capability to render certain services or about its achievements in regard to services rendered to other clients.
9. A Participant shall not divulge to other clients, press or any other person any information about its clients which has come to its knowledge except with the approval / authorisation of the clients or when it is required to disclose the information under the requirements of any Act, Rules or Regulations.
10. A Participant shall co-operate with the Board as and when required.
11. A Participant shall maintain the required level of knowledge and competency and abide by the provisions of the Act, Rules, Regulations and circulars and directions issued by the Board. The Participant shall also comply with the award of the Ombudsman passed under Securities and Exchange Board of India (Ombudsman) Regulations, 2003.
12. A Participant shall not make any untrue statement or suppress any material fact in any documents, reports, papers or information furnished to the Board.

- 13.A Participant shall not neglect or fail or refuse to submit to the Board or other agencies with which it is registered, such books, documents, correspondence, and papers or any part thereof as may be demanded / requested from time to time.
- 14.A Participant shall ensure that the Board is promptly informed about any action, legal proceedings etc., initiated against it in respect of material breach or non compliance by it, of any law, rules, regulations, directions of the Board or of any other regulatory body.
- 15.A Participant shall maintain proper inward system for all types of mail received in all forms.
- 16.A Participant shall follow the Maker - Checker concept in all of its activities to ensure the accuracy of the data and as a mechanism to check unauthorized transaction.
- 17.A Participant 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. It shall also ensure that for electronic records and data, up-to-date back up is always available with it.
- 18.A Participant shall provide adequate freedom and powers to its compliance officer for the effective discharge of his duties.
- 19.A Participant shall ensure that it has satisfactory internal control procedures in place as well as adequate financial and operational capabilities which can be reasonably expected to take care of any losses arising due to theft, fraud and other dishonest acts, professional misconduct or omissions.
- 20.A Participant shall be responsible for the acts or omissions of its employees and agents in respect of the conduct of its business.

21.A Participant shall ensure that the senior management, particularly decision makers have access to all relevant information about the business on a timely basis.

22.A Participant shall ensure that good corporate policies and corporate governance are in place.]

[F.No.SEBI/LE/1742/96]