



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

MASTER CIRCULAR

CIR/MRD/DP/ 41 /2010

December 31, 2010

To,

All Depositories

Dear Sir / Madam,

Sub: Master Circular for Depositories

Securities and Exchange Board of India (SEBI) has been issuing various circulars/directions from time to time. In order to enable the users to have an access to all the applicable circulars/directions at one place, Master Circular for Depositories has been prepared.

This Master Circular is a compilation of the circulars/communications issued by SEBI up to December 31, 2010 and shall come into force from the date of its issue.

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SCHEDULE

Section 1: Beneficial Owner (BO) Accounts

1.1 Opening of BO Account by non body corporates

1.1.1 Proof of Identity (PoI)

1.1.1.1 With effect from July 02, 2007, PAN is the sole identification number for all transactions in the securities market, irrespective of the amount of transaction¹. A copy of the PAN card with photograph may be accepted as Proof of Identity. In this regard, intermediaries shall:-

- I. Put necessary systems in place so that the databases of the clients and their transactions are linked to the PAN details of the client.
- II. Build necessary infrastructure to enable accessibility and query based on PAN thereby enabling retrieval of all the details of the clients.
- III. Collect copies of PAN cards issued to the existing as well as new clients by the Income Tax Department and maintain the same in their record after verifying with the original.
- IV. Cross-check the aforesaid details collected from their clients with the details on the website of the Income Tax Department i.e. <http://incometaxindiaefiling.gov.in/challan/enterpanforchallan.jsp>².

1.1.1.2 For individuals falling under the category exempted from the mandatory requirement of PAN (Para 1.2), a copy of any one of the following may be accepted as Proof of Identity³

- I. Passport
- II. Voter ID Card
- III. Driving license
- IV. PAN card with photograph
- V. Identity card/ document with applicant's Photo, issued by
 - a) Central/State Government and its Departments,
 - b) Statutory/Regulatory Authorities,
 - c) Public Sector Undertakings,

¹ Reference circular MRD/DoP/Cir-5/2007 dated April 27, 2007.

² IT Department since changed the link for verification:

<http://incometaxindiaefiling.gov.in/portal/knowpan.do>

³ Reference Circular MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004 and circular SMDRP/POLICY/Cir-36 /2000 dated August 4, 2000.



- d) Scheduled Commercial Banks,
- e) Public Financial Institutions,
- f) Colleges affiliated to Universities,
- g) Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and
- h. Credit cards/Debit cards issued by Banks

1.1.2 Proof of Address (PoA)⁴

A copy of any one of the following documents may be accepted as proof of address:

- I. Ration Card
- II. Passport
- III. Voter ID Card
- IV. Driving license
- V. Bank Passbook
- VI. Verified copies of
 - a) Electricity bills (not more than 2 months old),
 - b) Residence Telephone bills (not more than 2 months old) and
 - c) Lease and License agreement / Agreement for sale.
- VII. Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
- VIII. Identity card/document with address, issued by
 - a) Central/State Government and its Departments,
 - b) Statutory/Regulatory Authorities,
 - c) Public Sector Undertakings,
 - d) Scheduled Commercial Banks,
 - e) Public Financial Institutions,
 - f) Colleges affiliated to universities; and
 - g) Professional Bodies such as ICAI, ICWAI, Bar Council etc., to their Members.

DP shall ensure that all documents pertaining to proof of identity and proof of address are collected from all the account holders.⁵ Submission of the aforesaid documents is the minimum requirement for opening a BO Account. DPs must verify the copy of the aforementioned documents with the original before accepting the same as valid. While opening a BO Account, DPs shall exercise due

⁴ Reference Circular MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004 and circular SMDRP/POLICY/Cir-36/2000 dated August 4, 2000.

⁵ Reference Circular MRD/DoP/Dep/Cir-09/06 dated July 20, 2006

diligence⁶ while establishing the identity of the person to ensure the safety and integrity of the depository system.

1.1.3 Acceptance of third party address as correspondence address⁷

SEBI has no objection to a BO authorizing the capture of an address of a third party as a correspondence address, provided that the Depository Participant (DP) ensures that all prescribed 'Know Your Client' norms are fulfilled for the third party also. The DP shall obtain proof of identity and proof of address for the third party. The DP shall also ensure that customer due diligence norms as specified in Rule 9 of Prevention of Money Laundering Rules, 2005 are complied with in respect of the third party.

The depository participant should further ensure that the statement of transactions and holding are sent to the BO's permanent address at least once in a year.

However, the above provision shall not apply in case of PMS (Portfolio Management Services) clients.

1.2 Exemptions from and clarifications relating to mandatory requirement of PAN

1.2.1 Mandatory requirement of Permanent Account Number (PAN)⁸

The demat accounts for which PAN details have not been verified are "suspended for debit" until the same is verified with the Depository Participant (DP). With effect from August 16, 2010 such PAN non-compliant demat accounts were also "suspended for credit" other than the credits arising out of automatic corporate actions. It was clarified that other credits including credits from IPO/FPO/Rights issue, off-market transactions or any secondary market transactions would not be allowed into such accounts.

1.2.2 Central and State Government and officials appointed by Courts⁹

⁶ Reference point 5 of part II on 'Customer Due Diligence' of master circular no. ISD/AML/CIR-1/2008 dated December 19, 2008.

⁷ Reference circular CIR/MRD/DP/37/2010 dated December 14, 2010

⁸ Reference Circular MRD/DP/22/2010 dated July 29, 2010.

⁹ Reference Circular MRD/DoP/Cir-20/2008 dated June 30, 2008.



PAN card may not be insisted upon in case of transactions undertaken on behalf of Central Government and/or State Government and where transactions are conducted by officials appointed by Courts e.g. Official liquidator, Court receiver etc.¹⁰

However DPs, before implementing the above exemption, shall verify the veracity of the claim of the organizations by collecting sufficient documentary evidence in support of their claim for such an exemption.

1.2.3 Investors in Sikkim¹¹

Investors residing in the state of Sikkim are exempted from the mandatory requirement of furnishing PAN card details for their demat accounts.¹² DPs shall verify the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address.¹³

1.2.4 UN entities and multilateral agencies exempt from paying taxes/ filling tax returns in India¹⁴

UN entities/ multilateral agencies exempt from paying taxes/filing tax returns in India are also exempt from the mandatory requirement of submitting their PAN card details, subject to the DPs collecting documentary evidence in support of such claims.

1.2.5 FIIs/Institutional Clients¹⁵

Custodians shall verify the PAN card details of institutional clients with the original PAN card and provide duly certified copies of such verified PAN details to the brokers. This requirement is applicable in respect of institutional clients, namely, FIIs, MFs, VCFs, FVCIs, Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with IRDA and Public Financial Institution as defined under section 4A of the Companies Act, 1956.

1.2.6 HUF, Association of Persons (AoP), Partnership Firm, unregistered Trust, Registered Trust, Corporate Bodies, minors, etc.¹¹

¹⁰ Reference Rule 114C (1)(c) of Income Tax Rules.

¹¹ Reference Circular MRD/DoP/Dep/Cir-09/06 dated July 20, 2006.

¹² Reference Hon'ble High Court of Sikkim judgment dated March 31, 2006.

¹³ Reference Circular MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004.

¹⁴ Reference Circular MRD/DoP/Dep/Cir-09/06 dated July 20, 2006.

¹⁵ Reference Circular MRD/DoP/Dep/SE/Cir-13/06 dated September 26, 2006.



The BO account shall be in the name of natural persons, PAN card details of the respective HUF, AoP, Partnership Firm, Unregistered Trust, etc shall be obtained. The PAN number of Registered Trust, Corporate Bodies and minors shall be obtained when accounts are opened in their respective names.

1.2.7 Mismatch in PAN card details, difference in maiden name and current name of investors.¹¹

DPs can collect the PAN card proof as submitted by the account holder subject to the DPs verifying the veracity of the claim of such investors by collecting sufficient documentary evidence in support of the identity of the investors.¹⁶

1.2.8 NRI/PIOs¹⁷

Citizens of India residing outside India, foreign citizens and other persons (like companies/ trusts/ firms) having no office of their own in India may obtain PAN card based on the copy of their passport as ID proof and a copy of passport/ bank account in the country of residence as address proof, based on the Directorate of Income Tax (Systems) guidelines.¹⁸

1.3 Fees/Charges to be paid by BO

1.3.1 Account opening, custody and credit of securities¹⁹

With effect from February 1, 2005

- I. No investor shall pay any charge towards opening of a Beneficial Owner (BO) Account except for statutory charges as applicable;
- II. No investor shall pay any charge for credit of securities into his/her BO account; and
- III. No custody charge shall be levied on any investor who is opening a BO account.

1.3.2 Account Closure²⁰

¹⁶ Reference Circular MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004.

¹⁷ Reference Circular MRD/DoP/Dep/SE/Cir-17/06 dated October 27, 2006.

¹⁸ Reference Income Tax (Systems) PAN Circular No. 4 dated October 11, 2006.

¹⁹Reference Circular MRD/DoP /SE/Dep/Cir-4/2005 dated January 28, 2005.

²⁰ Reference Circular D&CC/FITTC/CIR - 12/2002 dated October 30, 2002.



No Account closure charges shall be levied on BO on the closure of any account.

1.3.3 Inter Depository Transfer²¹

Inter-depository transfer of shares does not attract Stamp duty and it does not require compliance with section 108 of the Companies Act 1956.

1.3.4 Transfer of a BO Account²²

With effect from January 09, 2006

No charges shall be levied by a depository on any DP and by a DP on any BO when the BO transfers all the securities lying in his account to another branch of the same DP or to another DP under the same depository or another depository, provided the BO Account(s) at transferee DP and at transferor DP are one and the same, i.e. identical in all respects. In case the BO Account at transferor DP is a joint account, the BO Account at transferee DP should also be a joint account in the same sequence of ownership.

1.3.5 Account Maintenance Charges collected upfront on annual/ half yearly basis on demat accounts²³

In the event of closing of the demat account or shifting of the demat account from one DP to another, the AMC collected upfront on annual/half yearly basis by the DP, shall be refunded by the DP to the BO for the balance of the quarter/s. For instance, in case annual AMC has been paid by the BO and if the BO closes/shifts his account in the first quarter, he shall be refunded the amount of the balance 3 quarters i.e. 3/4th of the AMC. Likewise, if a BO closes/shifts his account in the third quarter, he shall be refunded the amount for the balance one quarter i.e. 1/4th of the AMC.

For the purpose of the above requirement the year shall begin from the date of opening of the account in quarterly rests.

The above requirements shall be applicable to all existing and new accounts held with DPs which collect annual/half yearly upfront AMC. It

²¹ Reference Circular SMDRP/Policy/Cir-29/99 dated August 23, 1999.

²²Reference Circular MRD/DoP/Dep/Cir-22 /05 dated November 9, 2005.

²³Reference Circular MRD/DP/20/2010 dated July 1, 2010.

is clarified that the above requirements shall not be applicable to those DPs who collect quarterly/ monthly AMC.

1.3.6 Dissemination of tariff/charge structure of DPs on the website of depositories²⁴

DPs shall submit to their depository the tariff/charge structure every year, latest by 30th April, and also inform the depository the changes in their tariff/charge structure as and when they are effected with a view to enabling the BOs to have a comparative analysis of the tariff/charge structure of various DPs.

For this purpose depositories shall put in place necessary systems and procedures including formats, periodicity, etc. for collection of necessary data from the DPs and dissemination of the same on their website which would enable the investors to have a comparative analysis of the tariff/charge structure of various DPs.

1.4 Transfer of funds and securities from Clearing Member pool account to BO Account²⁵

Clearing members shall transfer the funds and securities from their respective Pool account to the respective beneficiary account of their clients within 1 working day after the pay-out day. The securities lying in the pool account beyond the stipulated period shall attract a penalty at the rate of 6 basis point per week on the value of securities. The penalty so collected by the depositories shall be credited to a separate account with the depository and earmarked for defraying the expenses in connection with the investors' education and awareness programs conducted by the depository.

The securities lying in the pool account beyond the above period shall not be eligible either for delivery in the subsequent settlement(s) or for pledging or stock lending purpose, until the same are credited to the beneficiary accounts.

The securities lying in the Clearing member's pool account beyond the specified time period shall be identified based on the settlement number. The clearing corporation/houses of the stock exchanges shall provide the settlement-wise

²⁴ Reference Circular MRD/Dep/Cir- 20/06 dated December 11, 2006.

²⁵Reference Circular SMDRP/Policy/Cir-05/2001 dated February 1, 2001 & Circular SEBI/MRD/Policy/AT/Cir-19/2004 dated April 21, 2004.



details of securities to the depositories and the depositories shall maintain the settlement-wise records for the purpose.

Further, stock exchanges shall execute direct delivery of securities to the investors. Clearing corporation/clearing house (CC/CH) shall ascertain from each clearing member, the beneficial account details of their respective clients due to receive pay out of securities. Based on this, the CC/CH shall send pay out instructions to the depositories so that the client receives pay out of securities directly to the extent of instructions received from the respective clearing members. To the extent of instruction not received, the securities shall be credited to the CM pool account.

1.5 Printing of Grievances Redressal Mechanism on Delivery Instruction Form Book ²⁶

To promote investor awareness regarding mechanism for redressing investor grievances, the information placed below shall be printed on the inside back cover of the Delivery Instruction Form (DIF) Book issued by all Depository Participants.

There will be occasions when you have grievances against a listed company/ intermediary registered with SEBI. **In the event of such grievance you should first approach the concerned company/ intermediary against whom you have a grievance.** However, you may not be satisfied with their response. Therefore you should know whom you should turn to get your grievance redressed. SEBI takes up grievances related to issue and transfer of securities and non-payment of dividend with listed Companies. In addition, SEBI also takes up grievances against the various intermediaries registered with it and related issues. Given below are types of grievances for which you could approach SEBI.

Nature of grievance - Regarding

Type-I: Refund order/ Allotment Advice	Type-II: Non-receipt of dividend.
Type-III: Non-receipt of share certificates after transfer	Type-IV: Debentures
Type-V: Non-receipt of letter of offer for rights	Type VI: Collective Investment Schemes

²⁶ Reference Circular No. SEBI/MRD/DOP/Cir-22/2004 dated July 14, 2004.



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<p>Type VII: Mutual Funds/ Venture Capital Funds/ Foreign Venture Capital Investors/ Foreign Institutional Investors/ Portfolio Managers, Custodians</p>	<p>Type VIII: Brokers/Debenture Trustees /Depository Participants/ Merchant Bankers /Registrars and Transfer Agents / Bankers to Issue/ Underwriters/ Credit Rating Agencies/ Securities lending Intermediaries</p>
<p>Type IX: Exchanges/ Clearing and Settlement Organizations/ Depositories</p>	<p>Type X: Derivative Trading</p>
<p>Type XI: Buyback /Delisting /Substantial Acquisition /Takeovers /Corporate Governance /Corporate Restructuring /Compliance with Listing Conditions</p>	
<p><i>For faster action send Type I to Type XI complaints, to the OIAE Division of SEBI at Mumbai or Regional Offices at the following addresses:</i></p>	
<p>Address of SEBI Offices</p>	
<p>SEBI, Head Office, Plot No.C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051. ☐ 022-26449000 / 40459000 (iggc@sebi.gov.in)</p>	
<p>Office of Investor Assistance and Education, SEBI Bhavan, Plot No.C4-A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 021 ☐☐022-26449188 / 26449199 (investorcomplaints@sebi.gov.in)</p>	
<p>SEBI, Northern Regional Office, 5th Floor, Bank of Baroda Building,16, Sansad Marg, New Delhi - 110 001☐ 011- 23724001-05 (sebinro@sebi.gov.in)</p>	
<p>SEBI, Eastern Regional Office, L&T Chambers, 3rd Floor, 16, Camac Street, Kolkata - 700 016 ☐☐033-23023000. (sebiero@sebi.gov.in)</p>	
<p>SEBI, Southern Regional Office, 3rd Floor, D Monte Bldg, No. 32, D' Monte Colony, TTK Road, Alwarpet, Chennai 600 018 ☐ 044-24995676/5525/7385/7480 (sebisro@sebi.gov.in)</p>	
<p>SEBI, Ahmedabad Regional, Office Unit No: 002, Ground Floor, SAKAR I, Near Gandhigram Railway Station, Opp. Nehru Bridge Ashram Road, Ahmedabad - 380 009 Tel : 079-26583633-35 E-mail : sebiaro@sebi.gov.in</p>	
<p>The following types of grievances should be taken up with:</p>	
<p><i>With the Stock Exchange:</i> At the Investor Information Centre of all the recognised Stock Exchanges</p>	
<ul style="list-style-type: none"> • Related to securities traded/listed with the 	<ul style="list-style-type: none"> ☐ Trades effected on the exchange w.r.t the companies listed on it or by the members of exchange



exchanges	
<i>With the Department Of Company Affairs (DCA/ concerned Registrar of Companies (ROC)</i>	
<ul style="list-style-type: none"> • Against unlisted companies • For non-receipt of annual report, AGM Notice 	<input type="checkbox"/> Fixed deposit in manufacturing companies <input type="checkbox"/> Forfeiture of shares
<i>With the Reserve Bank of India</i>	
<ul style="list-style-type: none"> • Fixed deposits in Banks 	<input type="checkbox"/> Fixed deposits in Non Banking Finance Companies
For more information visit our website - http://investor.sebi.gov.in	

The following types of grievances should be taken up with:	
<i>With the Stock Exchange: At the Investor Information Centre of all the recognised Stock Exchanges</i>	
<ul style="list-style-type: none"> • Related to securities traded/listed with the exchanges 	<input type="checkbox"/> Trades effected on the exchange w.r.t the companies listed on it or by the members of exchange
<i>With the Department Of Company Affairs (DCA/ concerned Registrar of Companies (ROC)</i>	
<ul style="list-style-type: none"> • Against unlisted companies • For non-receipt of annual report, AGM Notice 	<input type="checkbox"/> Fixed deposit in manufacturing companies <input type="checkbox"/> Forfeiture of shares
<i>With the Reserve Bank of India</i>	
<ul style="list-style-type: none"> • Fixed deposits in Banks 	<input type="checkbox"/> Fixed deposits in Non Banking Finance Companies
For more information visit our website - http://investor.sebi.gov.in	

1.6 Exemption to DPs from giving hard copies of transaction statements to BOs ²⁷

DPs are permitted to provide transaction statements and other documents to the BOs under Digital signature, as governed under the Information Technology Act, 2000, subject to the DP entering into a legally enforceable arrangement with the BO for the said purpose. While such practice in the aforesaid manner shall be deemed to be in compliance of the provisions of the Regulation 43 of SEBI

²⁷ Reference Circular MRD/DoP/Dep/Cir-27/2004 dated August 16, 2004.



(Depositories & Participants) Regulations, 1996; if the BO is still desirous of receiving statements in hard copy, DPs shall be duty bound to provide the same.

1.7 Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode²⁸

Following safeguards shall be put in place to address the concerns of the investors arising out of transfer of securities from the BO Accounts:

- a. The depositories shall give more emphasis on investor education particularly with regard to careful preservation of Delivery Instruction Slip (DIS) by the BOs. The Depositories may advise the BOs not to leave “blank or signed” DIS with the Depository Participants (DPs) or any other person/entity.
- b. The DPs shall not accept pre-signed DIS with blank columns from the BO(s).
- c. If the DIS booklet is lost / stolen / not traceable by the BO, then the BO shall immediately intimate the DP in writing about the loss. On receipt of such intimation, the DP shall cancel the unused DIS of the said booklet.
- d. The DPs shall not issue more than 10 loose DIS to one accountholder in a financial year (April to March). The loose DIS can be issued only if the BO(s) come in person and sign the loose DIS in the presence of an authorised DP official
- e. The DP shall also ensure that a new DIS booklet is issued only on the strength of the DIS instruction request slip (contained in the previous booklet) duly complete in all respects, unless the request for fresh booklet is due to loss, etc., as referred to in clause (c) above
- f. The DPs shall put in place appropriate checks and balances with regard to verification of signatures of the BOs while processing the DIS.

²⁸ Reference Circular SEBI/MRD/Dep/Cir-03/2007 dated February 13, 2007 and Circular SEBI/MRD/Dep/Cir-03/2008 dated February 28, 2008.



- g. The DPs shall cross check with the BOs under exceptional circumstances before acting upon the DIS.
- h. The DPs shall mandatorily verify with a BO before acting upon the DIS, in case of an account which remained inactive i.e., where no debit transaction had taken place for a continuous period of 6 months, whenever all the ISIN balances in that account (irrespective of the number of ISINs) are transferred at a time. However, in case of active accounts, such verification may be made mandatory only if the BO account has 5 or more ISINs and all such ISIN balances are transferred at a time. The authorized official of the DP verifying such transactions with the BO, shall record the details of the process, date, time, etc., of the verification on the instruction slip under his signature.

SECTION 2: ISSUER RELATED

2.1 *Charges paid by Issuers* ²⁹

With effect from April 01, 2009 depositories may levy and collect the charges towards custody from the issuers, on a per folio (ISIN position) basis as at the end of the financial year, as per the details given below:

Issuers to pay @ Rs.8.00 (*) per folio (ISIN position) in the respective depositories, subject to a minimum as mentioned below:

<i>Nominal value of admitted securities (Rs.)</i>	<i>Annual Custodial Fee payable by a Issuer to each Depository (Rs.) (*)</i>
Upto 5 crore	6,000
Above 5 crore and upto 10 crore	15,000
Above 10 crore and upto 20 crore	30,000
Above 20 crore	50,000

** Plus service tax as applicable*

If the issuer fails to make the payment, Depositories may charge penal interest subject to a maximum of 12% per annum.

2.2 *Activation of ISIN in case of IPO*³⁰

Depositories shall activate the ISINs only on the date of commencement of trading on the stock exchanges.

2.3 *Registrar and Share Transfer Agent*

2.3.1 Appointment of a single agency for share registry work³¹

All work related to share registry pertaining in terms of both physical and electronic shares shall be maintained at a single point i.e. either in-house by the company or by a SEBI registered Registrar and Transfer Agent.

²⁹ Reference Circular MRD/DoP/SE/Dep/Cir-2/2009 dated February 10, 2009 and Circular SEBI/MRD/SE/DEP/Cir-4/2005 dated January 28, 2005.

³⁰ Reference Circular SEBI/MRD/DEP/Cir-2/06 dated January 19, 2006.

³¹ Reference Circular D&CC/FITTC/Cir-15/2002 dated December 27, 2002.



2.3.2 Inter-Depository transfers³²

In case of inter-Depository transfers of securities, the Registrars shall communicate the confirmation of such transfers within two hours, failing which such transfers shall be deemed to have been confirmed. The Registrars shall not reject inter-Depository transfers except where

- a. A Depository does not have adequate balance of securities in its account or
- b. There is mismatch of transfer requests from the Depositories.

2.3.3 Common Registrars and Share Transfer agents³³

Every company shall appoint the same Registrars and Share Transfer agents for both the depositories.

2.3.4 Dematerialisation requests^{29, 61}

Registrars and Share Transfer agents shall accept partial dematerialisation requests and will not reject or return the entire dematerialization request where only a part of the request had to be rejected. In cases where a DP has already sent information about dematerialisation electronically to a Registrar but physical shares have not yet been delivered, the Registrar shall accept the demat request and carry out dematerialization on an indemnity given by the DP and proof of dispatch of document given by DP.

2.4 *Mandatory admission of debt instruments on both the Depositories³⁴*

Debt instruments shall necessarily be admitted on both the Depositories.

2.5 *American Depository Receipts (ADRs)/Global Depository Receipts (GDRs)*

2.5.1 *Delivery of underlying shares of GDRs/ADRs in dematerialised form³⁵*

³² Reference Circular no. SMDRP/Policy/Cir-28/99 dated August 23, 1999.

³³ Reference Circular SMDRP/Policy/Cir-28/99 dated August 23, 1999.

³⁴ Reference Circular D&CC/FITTC/Cir-13/2002 dated November 1, 2002 and Circular MRD/DoP/SE/Dep/Cir-36/04 dated October 27, 2004.

³⁵ Reference Circular SMDRP/Policy/Cir-9/99 dated May 6, 1999.

Underlying shares of GDRs/ADRs shall be compulsorily delivered in dematerialised form. Pursuant to RBI directions in this regard, a non-resident holder of ADRs/GDRs issued by a company registered in India, on surrender of such ADRs/GDRs, can acquire the underlying shares when such shares are released by the Indian Custodian of the ADR/GDR issue. Further, the company whose shares are so released, or a Depository shall enter in the register or books, wherein such securities are registered or inscribed, an address outside India of the non-resident holder of shares.

2.5.2 Tracking of underlying shares of GDRs/ADRs³⁶

To ensure easy tracking of the underlying shares released on conversion of the “depositories receipts” all such shares shall be credited to a separate Depository Receipts (DRs) account of the respective investor. In this regard, Depositories shall ensure that the following information is provided to the domestic custodian holding the underlying shares on a regular basis:

1. Total number of shares at the beginning of the month
2. Number of shares transferred into the account (credited) during the month
3. Number of shares transferred out of the account (debited) during the month.
4. Balance at the end of the month.

This service can be availed of only by foreign investors other than the OCBs.

2.6 *Electronic Clearing System (ECS) facility*

2.6.1 Dividend Distribution³⁷

Companies shall use ECS facility for distribution of dividends and other cash benefits to the investors. If ECS facility is not available, companies may use warrants for distribution of dividends. In order to avoid fraudulent encashment of dividend and other cash benefits, all companies shall print the bank account details, furnished by the Depositories, on the payment instruments.

³⁶ Reference Circular D&CC/FITTC/Cir-09/2002 dated July 4, 2002 and Circular D&CC/FITTC/Cir-10/2002 dated September 25, 2002.

³⁷ Reference Circular D&CC/FITTCIR-3/2001 dated October 15, 2001 and Circular D&CC/FITTC/Cir-04/2001 dated November 13, 2001.



2.6.2 Use of ECS for refund in public/rights issues.^{38& 56}

For locations where facility of refund through ECS is available details of applicants shall be taken directly from the database of the depositories in respect of issues made completely in dematerialised form. Accordingly, DPs shall maintain and update on real time basis the MICR (Magnetic Ink Character Recognition) code of Bank branch of BOs and other bank details of the applicants in the database of depositories. This is to ensure that the refunds through ECS are made in a smooth manner and that there are no failed/wrong credits.

³⁸ Reference Circular SEBI/MRD/DEP/Cir-3/06 dated February 21, 2006 and circular SEBI/CFD/DILDIP/29/2008/01/02 dated February 1, 2008 and Letter no. MRD/DEP/PP/123624/08 dated April 23, 2008.



SECTION-3: DEPOSITORIES/ DEPOSITORY PARTICIPANT (DP) RELATED

*3.1 Designated e-mail ID for redressal of investor complaints*³⁹

Depositories and registered DPs shall designate an exclusive e-mail ID for the grievance redressal division/compliance officer exclusively for registering investor complaints.

The designated email ID and other relevant details shall be prominently displayed on the websites and in the various materials/pamphlets/advertisement campaigns initiated by the Depositories and DPs for creating investor awareness.

*3.2 Approval of amendments to Bye Laws / Rules of Stock Exchanges and Depositories*⁴⁰

Depositories and exchanges shall submit the following information while seeking SEBI approval for amendment to Bye Laws/ Rules/ Regulations and amendments thereto:

- i The objective/purpose of amendments.
- ii Whether the amendment is consequential to any directive/circulars/guidelines from SEBI/ Government and the details thereof.
- iii Whether such amendments necessitate any consequential amendments to any other Bye Laws/ Rules/ Regulations.
- iv The proceedings of the Governing Board or Governing Council, as the case may be, wherein these proposed amendments were approved by the Exchanges/ Depositories.
- v If documents other than Bye Laws/ Rules/ Regulations are sent for approval, the justification and need for forwarding the same to SEBI, indicating whether it forms a part of any Bye Law/ Rule/ Regulation.

Further, all Exchanges shall ensure that requests for dispensation of the requirement of pre-publication shall be accompanied with proper justification and indicate how the public interest or interest of trade shall be served by such dispensation of pre-publication.

³⁹ Reference Circular MRD/DoP/Dep/SE/Cir-22/06 dated December 18, 2006.

⁴⁰ Reference Circular LGL/Cir-2/2003 dated February 19, 2003.



3.3 Preservation of Records⁴¹

- i. Depositories and Depository Participants are required to preserve the records and documents for a minimum period of 5 year.
- ii. Depositories and DPs shall preserve respective original forms of documents either in physical form or an electronic record, copies of which have been taken by CBI, Police or any other enforcement agency during the course of their investigation till the trial is completed.

3.4 Foreign investments in infrastructure companies in securities markets⁴²

Pursuant to Government of India Policy, foreign investments in infrastructure companies in the securities markets, namely Stock Exchanges, Depositories and Clearing Corporations shall be as under:

- a) Foreign investment shall be allowed in such companies up to 49% with a separate Foreign Direct Investment (FDI) cap of 26% and Foreign Institutional Investment (FII) cap of 23%;
- b) FDI shall be allowed with specific prior approval of FIPB;
- c) FII shall be allowed only through purchases in the secondary market;
- d) FII shall not seek and will not get representation on the Board of Directors;
- e) No foreign investor, including persons acting in concert, will hold more than 5% of the equity in these companies.

The aforesaid limits for foreign investment in respect of recognised Stock Exchanges shall be subject to 5% shareholding limit as prescribed under the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006.

3.5 Activity schedule for depositories for T+2 rolling Settlement⁴³

⁴¹Reference Circular SEBI/MRD/DEP/Cir-24/05 dated December 22, 2005, circular SEBI/MRD/SE/Cir-16/2005 dated August 04, 2005 and circular MRD/DoP/DEP/Cir- 20 /2009 dated December 9, 2009.

⁴² Reference Circular MRD/DSA/SE/Dep/Cust/Cir-23/06 dated December 22, 2006.

⁴³Reference Circular DCC/FITTC/Cir-19/2003 dated March 4, 2003 and Circular MRD/DoP/SE/Dep/Cir-18/2005 dated September 2, 2005.

The activity schedule for T+2 Rolling Settlement is as under:

Sr. No.	Day	Time	Description of activity
1	T		Trade Day
2	T+1	By 1.00 pm	Completion of custodial confirmation of trades to CC/CH. (There is no separate extended time limit for late confirmations).
		By 2.30 pm	Completion of process and download obligation files to brokers/ custodians by the CC/CH.
3	T+2	By 11.00 am	Pay-in of securities and funds.
		By 1.30 pm	Pay-out of securities and funds.

All Depositories shall adhere to the aforementioned activity schedule to implement T+2 rolling settlement. DPs shall adhere to the designated activities within the prescribed time limits as under:

1. DPs shall accept instructions for pay-in of securities from clients in the physical form atleast upto 4 p.m. and in electronic form atleast upto 6 p.m. on T+1.
2. DPs shall complete execution of pay-in instructions latest by 10:30 a. m. on T+2.
3. Depositories shall download the processed pay-in files to the Exchange / Clearing House / Clearing Corporation latest by 11:00 a.m. on T+2.
4. Pay-out of securities by the Exchange / Clearing House / Clearing Corporation to the Depositories shall be executed by 1:30 p.m. on T+2.
5. Pay-out of securities shall be completed by the Depositories by 2:00 p.m. on T+2.

All instructions received by the DPs shall have an execution date, which may be either a current date or a future date. Instructions shall be valid till the pay-in deadline or till 'end of day' (EOD) of the execution date, whichever is earlier. DPs shall ensure that the validity period of instructions is brought to the notice of the client while accepting the instructions. In case the client account does not have sufficient balance before pay-in deadline or till EOD, such instructions shall fail.

3.6 Settlement of transactions in case of holidays⁴⁴

⁴⁴ Reference Circular SEBI/MRD/Policy/AT/Cir- 19/2004 dated April 21, 2004



Due to lack of uniformity of holidays and force majeure conditions which necessitate sudden closure of one or more Stock Exchanges and banks in a particular state, result in situations where multiple settlements have to be completed by the Stock Exchanges on the working day immediately following the day(s) of the closure of the banks. Accordingly the Stock Exchanges/Depositories are advised to follow the guidelines and adhere to the time line.

- The Stock Exchanges shall clear and settle the trades on a sequential basis i.e., the pay-in and the pay-out of the first settlement shall be completed before the commencement of the pay-in and pay-out of the subsequent settlement/s.
- The cash/Securities pay out from the first settlement shall be made available to the member for meeting his pay-in obligations for the subsequent settlement/s.
- Further, in-order to meet his pay-in obligations for the subsequent settlement, the member may need to move securities from one depository to another. The Depositories shall, therefore, facilitate the inter-depository transfers within one hour and before pay-in for the subsequent settlement begins.
- The Stock Exchanges/Depositories shall follow a strict time schedule to ensure that the settlements are completed on the same day.
- The Clearing Corporation/Clearing House of the Stock Exchanges shall execute Auto DO facility for all the settlements together, so as to make the funds and the securities available with the member on the same day for all the settlements, thereby enabling the availability of the funds/securities at the client level by the end of the same day.

3.7 Supervision of branches of DPs⁴⁵

To ensure compliance with Regulation 46 of the SEBI (Depositories and Participants) Regulations, 1996, and Clause 19 of the Code of Conduct for Participants contained in the Third Schedule to the Regulations the DP shall ensure that it has satisfactory internal control procedure in place, inclusive of their branch offices. DPs are therefore required in terms of these provisions to put in place appropriate mechanisms to ensure that their branches are carrying on the operations in compliance with the applicable regulations, bye-laws, etc. DPs are also required to put in place suitable internal control systems to ensure that all branches exercise due diligence in opening accounts, complying with KYC requirements, in ensuring systems safety in complying with client instructions, manner of uploading client instructions, in verifying signatures and

⁴⁵ Reference Circular MIRSD/DPS-III/Cir-9/07 dated July 3, 2007.



maintaining client records, etc. DPs shall also ensure that the branches are suitably integrated.

Depositories shall examine the adequacy of the above mechanisms during their inspections of DPs. The Depositories shall also carry out surprise inspections/ checks of the DP branches apart from the regular inspection of the DPs. Depositories shall also put in place appropriate mechanisms for monitoring opening of branches by DPs.

3.8 Designated e-mail ID for regulatory communication with SEBI⁴⁶

Depositories shall create a designated e-mail id for regulatory communication and inform it to SEBI. This e-mail id shall be exclusive and shall not be person-centric.

3.9 Disclosure of investor complaints and arbitration details on Depository website⁴⁷

Depositories shall disclose the details of complaints lodged by Beneficiary Owners (BO's)/ investors against Depository Participants (DPs) in their website. The aforesaid disclosure shall also include details pertaining to arbitration and penal action against the DPs.

The format for the reports for the aforesaid disclosure consists of the following reports:

- a. Report 1A: Complaints received against DPs during 2009-10
- b. Report 1B: Redressal of Complaints received against DPS during 2008-09
- c. Report 1C: Redressal of Complaints received against DPs during 2009-10
- d. Report 2A: Details of Arbitration Proceedings (where Investor is a party) during 2008-09:
- e. Report 2B: Details of Arbitration Proceedings (where Investor is a party) during 2009-10
- f. Report 3A: Penal Actions against DPs during 2008-09
- g. Report 3B: Penal Actions against DPs during 2009-10
- h. Report 4A: Redressal of Complaints lodged by investors against Listed Companies during 2008 -09
- i. Report 4B: Redressal of Complaints lodged by investors against Listed Companies during 2009 -10

⁴⁶ Reference Circular MIRSD/DPS- III/Cir-23/08 dated July 25, 2008.

⁴⁷ Reference Circular SEBI/MRD/ OIAE/ Dep/ Cir- 4/2010 dated January 29, 2010.



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Securities and Exchange Board of India

Total										
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*including against its authorized persons, employees, etc.

****Non actionable** means the complaint that are incomplete / outside the scope of Depository
(Arrange the DPs in descending number of complaints filed against them during the period)



(In case of panel of arbitrators, the cases / awards would appear against every member of the panel)
(Arrange the arbitrators in descending number of awards passed by them during the period)



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N					
Total					

***Non actionable** means the complaints that are incomplete / outside the scope of Depository
(Arrange the companies in descending number of complaints filed against them during the period)



Table 1 A

Type	Details
Type I	Account Opening Related
I a	Denial in opening an account
I b	Account opened in another name than as requested
I c	Non receipt of Account Opening Kit
I d	Delay in activation/ opening of account
I e	Non Receipt of copy of DP Client Agreement/Schedule A of Charges
Type II	Demat/Remat Related
II a	Delay in Dematerialisation request processing
II b	Delay in Rematerialisation request processing
II c	Delay in/ Non-Receipt of Original certificate after demat rejection
II d	Non Acceptance of demat/remat request
Type III	Transaction Statement Related
III a	Delay in/ Non-Receipt of Statements from DP
III b	Discrepancy in Transaction statement
Type IV	Improper Service Related
IV a	Insistence on Power of Attorney in its favour
IV b	Deactivation/ Freezing/ Suspension related
IV c	Defreezing related
IV d	Transmission Related
IV e	Pledge Related
IV f	SMS Related
IV g	Non-updation of changes in account (address/ signatories/bank details/ PAN/ Nomination etc.)
Type V	Charges Related
V a	Wrong/ Excess Charges
V b	Charges paid but not credited
V c	Charges for Opening/closure of Account
Type VI	Delivery Instruction Related (DIS)
VI a	Non acceptance of DIS for transfer
VI b	Delay in/ non Execution of DIS
VI c	Delay in Issuance / Reissuance of DIS Booklet
Type VII	Closure
VII a	Non closure/ delay in closure of account
VII b	Closure of a/c without intimation by DP
Type VIII	Manipulation/ Unauthorised Action
VIII a	Unauthorised Transaction in account



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VIII b	Manipulation
VIII c	Unauthorised changes in account (address/ signatories/bank details/PAN etc.)
Type IX	Company/ RTA related
IX a	Action – Cash
IX b	Action – Non–Cash
IX c	Initial Public Offer/ Follow-on Public Offer Related
Type X	Others

** Status	
Type	Description
I	Non actionable
I a	Complaint incomplete
I b	Outside the scope of Depository
I c	Pertains to non-responding company.
II	Resolved
III	Under Process
IV	Referred to Arbitration
V	Forwarded to Company/RTA for appropriate action.



3.10 *Disclosure of regulatory orders and arbitration awards on Depository website*⁴⁸

Depositories shall post all their regulatory orders and arbitration awards issued since April 1, 2007. Further, all regulatory orders and arbitration awards as and when issued shall be posted on their website immediately.

⁴⁸ Reference Circular SEBI/MRD/ DP/ 19/2010 dated June 10, 2010.

Section 4: Other Communications to Depositories having Policy Implications

4.1. Pledge of Shares through depository system⁴⁹

Section 12 of the Depositories Act and Regulation 58 of the SEBI (Depositories and Participants) Regulations, 1996 along with the relevant Bye Laws of the Depositories clearly enumerate the manner of creating pledge. It is felt that there is a need to communicate to the BOs that any procedure followed other than as specified under the aforesaid provisions of law shall not be treated as pledge.

In order to clarify the same, the depositories are advised to issue a communiqué to the DPs advising them to inform BOs about the procedure for pledging of shares held in demat form as enumerated in the relevant sections of the Depositories Act and SEBI (Depositories and Participants) Regulations, 1996. Depositories may also advise DPs that an off-market transfer of shares leads to change in ownership and cannot be treated as pledge. Further, this issue may also be taken up in the investor awareness programs wherein the manner of creation of pledge can be effectively communicated to the BOs directly.

4.2. SMS alerts for demat accounts operated by Power of Attorney⁵⁰

Subscription to SMS Alert facility for depository accounts operated through Power of Attorney (POA) would be mandatory except in case of accounts held by non-individuals, foreign nationals, and NRIs.

4.3. Opening of demat account in case of HUF⁵¹

It is noted that as per law, in case of HUF, shares can be held in the name of Existing Karta on behalf of HUF. Therefore, HUF demat accounts can be opened in the name of Existing Karta but not in the name of Deceased Karta and HUF entity.

4.4. Exemption from sending quarterly statements of transactions by depository participants (DPs) to clients in respect of demat accounts with no transactions and no security balances⁵²

⁴⁹ Reference MRD/DoP/MAS - OW/16723/2010 dated August 17, 2010

⁵⁰ Reference: SEBI/MRD/DEP/VM/169784 /09 dated July 15, 2009

⁵¹ Reference: SEBI/ MRD/CDSL/ 149156 /2009 dated January 01, 2009

SEBI has provided exemption to Depository Participants from sending quarterly transaction statements to the clients in respect of demat accounts with no transactions and no security balances subject to the following conditions:

- Client is informed in advance that it will not be receiving Transaction Statements for such accounts till there are any transactions or security holdings in the demat account.
- KYC and PAN requirement in respect of all such depository accounts are complied.
- No Annual Maintenance Charges are levied for such an account.
- Information which is required to be disseminated by Participants by way of a note in the Transaction Statements will be required to be communicated to such Clients separately.
- The Internal Auditor of the Participant shall comment in its internal audit report on compliance of the aforesaid requirements.

4.5. Withdrawal by issuers from the depository⁵³

As regards voluntary withdrawal by issuers from the depository, it is informed that listed companies may not be allowed to withdraw from the depository system unless they delist their securities from the stock exchanges.

As regards companies under liquidation are concerned, it is informed that deactivation of the ISIN may be only done in cases where companies have been liquidated. In other cases where companies are being liquidated, deactivation of ISIN resulting in total freezing may not be desirable as it will disallow investors to hold shares in dematerialized form

4.6. Discontinuation of sending transaction statements by depository participants to clients⁵⁴

SEBI allowed discontinuation of sending transaction statements by depository participants to clients subject to the following conditions:

- Transaction statements were returned undelivered on three consecutive occasions.
- The depository participant (DP) maintains proof that the transaction statements were returned undelivered.

⁵² Reference: MRD/CDSL/VM/155773/2009 dated February 27, 2009, MRD/DoP/NSDL/VM/168994/2009 dated July 07, 2009 and MRD/CDSL/VM/168989/2009 dated July 07, 2009

⁵³ Ref: MRD/DoP/NSDL/VM/162378/2009 dated May 06, 2009

⁵⁴ Reference: MRD/NSDL/VM/158886/2009 dated March 30, 2009

- The transaction statements were returned undelivered for the reasons which clearly establish that the client no longer resides at the given address (i.e. party shifted, etc.) and not for other reasons (i.e. residence/office closed, address incorrect, address incomplete, etc.).
- The DP informs such clients through alternative means (such as outbound call, SMS or email) that their transaction statements are returned undelivered and they need to communicate the proper (new) address.
- The DP ensures that on receipt of request for address modification from the client as per the stipulated procedure, the dispatch of transaction statements is immediately started. Further, the DP ensures that transaction statements that were not delivered and dispatched due to discontinuation are also dispatched immediately without any additional cost to the clients.

4.7. Further issue of shares under Section 86 of Companies Act and Companies (Issue of Share capital with Differential Voting Rights) Rules, 2001⁵⁵

In all cases of shares issued by companies under Section 86(a) (ii) of Companies Act and Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001, separate ISIN may be allotted to differentiate such shares from ordinary shares.

4.8. Updation of bank accounts details, MICR code and IFSC of bank branches by Depository Participants (DPs)⁵⁶

- Please refer to SEBI Circular No. SEBI/MRD/DEP/Cir- 3/06 dated February 21, 2006³⁸ whereby depositories were advised to instruct Depository Participants (DPs) to update the MICR code and bank details of the client in database of depositories.
- It has been informed by RBI that they have been receiving complaints from managers to the issues that the funds routed through the electronic mode are getting returned by destination banks because of incorrect or old account numbers provided by beneficiary account holders.
- RBI has stated that Investors will have to ensure through their DPs that bank account particulars are updated in master record periodically, to ensure that their refunds, dividend payments etc. reach the correct account, without loss of time. RBI has also suggested incorporation of

⁵⁵ Reference: MRD/DoP/MC/141442 /2008 dated October 17, 2008

⁵⁶ Reference: MRD/DEP/PP/123624 /2008 dated April 23, 2008

Indian Financial System Code (IFSC) of customer's bank branches apart from 9 digit MICR code; since IFSC of bank's branches is used for remittance through National Electronic Funds Transfer (NEFT).

- It is advised that necessary action be taken in this matter to ensure that correct account particulars of investors are available in the database of depositories.

4.9. Establishment of connectivity by Clearing House / Clearing Corporation (CH/CC) with the Depository - Clarification⁵⁷

- On examination of the provisions of Regulations 19(a) and 31 of the SEBI (Depositories and Participants) Regulations, 1996, it is advised that registration of a CC/CH of a stock exchange as a DP with SEBI is not mandatory and a pre-requisite for it to obtain connectivity with the depositories. However, if the CC/CH of a stock exchange desires to function as any other "Depository Participant", i.e. to open BO accounts for investors or clearing member account, registration as DP with SEBI is mandatory.
- In view of the above, Depositories are advised to provide continuous electronic means of communication / connectivity to the CH/CC of the Exchanges without insisting for a mandatory registration as DP with SEBI with a condition that such entities would not be permitted to open BO accounts for investors or clearing member account.

4.10. Computing and monitoring of the Aggregate Value of Portfolio of Securities (AVPS) of the BOs held in dematerialised form by Stock Broker DPs

For the purpose of computing the AVPS of the beneficial owners held in dematerialised form under Regulation 19(a)(viii) of SEBI (Depositories and Participant) Regulations, 1996, the securities held by bank and financial institutions as well as promoters holdings of a company held in dematerialised form, may be excluded⁵⁸.

In view of the potential risk to the system and also to maintain the integrity of the market, the depositories are advised to develop an appropriate systemic alert in the depository system, so as to enable the system to generate and convey automatic alerts to those SBDPs that reach a pre-determined level of exposure. These alerts would serve as forewarnings to the SBDPs to the fact that they are approaching their respective maximum exposure limits. [Note:

⁵⁷ Reference: MRD/DoP/ Dep/82334 /2006 dated December 14, 2006

⁵⁸ Reference: SMDRP/RKD /NSDL/2494 /98 dated November 18, 1998, SMDRP/CDSL / 18300 /2000 dated November 16, 2000

For this purpose, the depositories may monitor the value of securities with its SBDPs on an "end of the day" basis.]⁵⁹

4.11. Deadline time for accepting non pay-in related instructions⁶⁰

4.13.1. The depositories are advised that any overrun of the time specified for 'spot delivery contract' in the SCRA would result in the contract becoming illegal under section 16 of the SCRA (unless it is put through the stock exchange). The DP-BO agreement cannot add anything to or subtract anything from this position. However, it should be the responsibility of the DP to ensure that the client's contract is not rendered illegal on account of delayed execution of the delivery instruction.

4.13.2. Keeping the hardships to change all the existing DP-BO agreements to enforce the above into consideration, it is advised that suitable bye laws can be made under section 26(2)(e) and (d) of Depositories Act, 1996 for imposing such obligation on the DPs. Therefore, it is advised to amend/insert bye laws which should expressly provide that the DPs shall execute the non pay-in related instructions on the same day or on the next day of the instruction. Further, pending such amendment, suitable instructions may be issued to DPs to adhere to such time limit.

4.13.3. to The above clause may be suitably incorporated in the DP-BO agreement while opening new accounts.

4.12. Clarification on our circular no. SMDRP/Policy/Cir-28/99 dated August 23, 1999⁶¹.

Please refer to para 4 of the captioned circular which is reproduced below :-

"In cases where a DP has already sent information about dematerialisation electronically to a Registrar but physical shares have not been received, the registrar will accept the demat request and carry out dematerialization on the indemnity given by the DP and proof of dispatch of document given by DP." para2.3.4

It is clarified that the above provision shall be applicable to all the securities like scrips, bonds, debentures, debenture stock or other marketable securities eligible to be held in dematerialised form in a depository as defined in Regulation 28 of the SEBI (Depository and Participants) Regulations, 1996.

⁵⁹ Reference:MRD/DRK/SU/16034/2003 dated August 22, 2003

⁶⁰ Reference: MRD/VSS/ARR/ 12255/2004 dated June 10, 2004

⁶¹ Reference: D&CC/ 1099 / 2002 dated November 01, 2002

4.13. Voting rights in respect of securities held in pool account⁶²

It was informed that the corporate benefits availed by the clearing member, clearing corporation and intermediaries shall be held in trust on behalf of beneficiary owners. Therefore, the clearing member, clearing corporation as well as the intermediaries cannot have voting rights in respect of securities held in the pool account.

4.14. Operation of minor's demat account⁶³

Under [The] Hindu Minority and Guardianship Act, 1956, permission of Court is required in the case of transfer by a natural guardian of immovable property of a minor. However, shares are not immovable property. Section 2(7) of Sale of Goods Act, 1930 includes shares within the definition of "goods". Neither the Indian Contract Act nor the Sale of Goods Act provide for transfer by sale or otherwise by guardian /natural guardian of goods/movable property in the name of minor to the effect that permission of court is required in the matter of such transfer. In the case of accounts of minor in banks also, the guardian is entitled to open, operate and even close the account also. The DP account can, therefore, be operated by a natural guardian without any order from the court though the same is neither expressly permitted nor prohibited.

4.15. Guidelines for dematerialisation of shares sent for transfer by (A) Investors and (B) Custodians.⁶⁴

The operational guidelines for dematerialisation of shares sent for transfer by (A) Investors and (B) Custodians are as under. The guidelines are framed in order to reduce the to and fro movement of shares between companies and investors/custodians. The implementation of the guidelines is subject to the condition that the company shall get a certificate from a Chartered Accountant or a Company Secretary holding a Certificate of Practice that the company has followed the procedure mentioned in the schemes and to the effect that:

- the company has followed the necessary procedures for effecting the original transfer.
- the Register of Members of the company was accordingly amended and the shares were transferred in favour of the transferee.

⁶² Reference: SMDRP/NSDL/26563/2001 dated April 10, 2001

⁶³ Reference: SMDRP/NSDL/4615/2000 dated March 13, 2000

⁶⁴ Reference: SMDRP/NSDL/3055/1998 dated August 11, 1998

- the company has adequate procedures and has satisfied itself that the transferee and the entity requesting dematerialisation are one and the same and before confirming the dematerialisation request, the company has further amended its Register of Members to indicate the transfer from the transferee to NSDL,
- the company has defaced and cancelled/mutilated all the certificates.
- the company has adequate systems to ensure that the investor does not lose his corporate benefits on account of the transfer entries made in favour of NSDL.

4.13.1. GUIDELINES FOR DEMATERIALISATION OF SHARES SENT FOR TRANSFER BY THE INVESTORS

1. The Issuer or its Registrar & Transfer Agent shall on completion of the process of registration of shares submitted for transfer, intimate the investor providing an option to dematerialise such shares. The investor intending to exercise the option of dematerialising shares shall be required to send the dematerialisation request within 15 days of the date of the option letter, failing which the Issuer or its Registrar & Transfer Agent shall proceed to despatch the certificates. Requests received subsequent to despatch of the certificates shall be rejected. The format of the letter to the investor is enclosed in Appendix.
2. Investors exercising the option (on receipt of a letter mentioned in 1 above) of dematerialising the shares shall submit the following documents to the Participant:
 - Dematerialisation Request Form (DRF)
 - Original option letter received from the Issuer or its Registrar & Transfer Agent.
3. The words "*as mentioned in the letter have already been* " shall be inserted in place of words "are hereby" on the Client portion of the Dematerialisation Request Form (DRF).
4. The Participant shall add the words "*an option letter in respect of*" after the words "*We hereby acknowledge the receipt of*" in the acknowledgment portion of the DRF and return the counterfoil of the DRF to the investor duly signed and stamped.
5. The Participant shall add the words "*option letter in respect of*" after the words "*The application form is verified with the*" and replace the words "*option letter*" in place of the word "*certificates* " on the Participant Authorisation portion of the DRF.
6. The Participant shall affix its seal and signature on the original option letter.
7. The Participant shall execute the request for dematerialisation in the Depository Participant Module (DPM).
8. The Participant shall forward such details of the certificate of security



to the depository and shall confirm to the depository that an agreement has been entered between the participant and the beneficial owner.

9. 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 sent for dematerialisation.
10. The Participant shall despatch the DRF along with the original option letter to the Issuer or its Registrar & Transfer Agent and keep a copy thereof for its records.
11. The Issuer or its Registrar & Transfer Agent shall process the dematerialisation request for its validity and verify the signature(s) on the DRF with the signature(s) on the transfer deed.
12. If the request is in order, the Issuer or its Registrar & Transfer Agent shall deface the certificates with the words "Dematerialised" and then confirm the dematerialisation request.
13. The Issuer or its Registrar Transfer Agent shall substitute in its records the name of the depository as the registered owner and shall send a certificate to the depository and to every Stock Exchange where the security is listed.
14. Immediately upon the receipt of information from the Issuer or its Registrar & Transfer Agent regarding confirmation of dematerialisation, 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 guideline no. 8 and shall sent an intimation of the same to participant.
15. The Issuer or its Registrar & Transfer Agent shall maintain a record of certificates of securities which have been dematerialised.
16. If the request is rejected, the Issuer or its Registrar & Transfer Agent shall despatch the certificates to the investor.
17. NSDL shall obtain from the company a certificate certified by a Chartered Accountant or a Company Secretary holding a Certificate of Practice that the company has followed the above procedure and to the effect that:
 - the company has followed the necessary procedure for effecting the original transfer.
 - the Register of Members (RoM) of the company was accordingly amended and the shares were transferred in favour of the transferee.
 - the company has adequate procedures and has satisfied itself that the transferee and the entity requesting for dematerialisation are one and the same and before confirming the dematerialisation



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request, the company has further amended its Register of Members (RoM) to indicate the transfer from the transferee to NSDL.

- the company has defaced and cancelled/mutilated all the certificates.
- the company has adequate systems to ensure that the investor does not lose his corporate benefits on account of the transfer entries made in favour of NSDL.

Appendix

(letter head of the Issuer or its Registrar & Transfer Agent)

Reference No.: *(unique number)*

Date:

To,

Sole/First

Holder

Name

Address

Dear Sir/Madam,

Your request for transfer of the below mentioned shares has been approved. If you wish to hold these shares in the dematerialised form, you may send this letter along with the dematerialisation request forms through your Depository Participant with whom you have opened a Depository Account. If the dematerialisation request is not received within 15 days from the date of this letter, the relevant certificate(s) shall be despatched to you. Dematerialisation requests received after despatch of certificates or fifteen days from the date of this letter shall be rejected. However, if you desire to obtain the certificates immediately you may indicate the same to us.

Details of the certificates are as given below:

Name of the sole/first holder :

Name of the second holder :

Name of the third holder :

Folio No. :

Certificate Nos. :

Distinctive Nos. (from) :

Distinctive Nos. (to) :

Quantity :

(If the space is insufficient, an annexure containing the certificate details may be attached)

Yours faithfully,

Authorised Signatory

Participant shall affix its seal & sign below, after this letter is submitted by the investor

(Sign and Seal of Depository Participation)

4.13.2. GUIDELINES FOR DEMATERIALISATION OF SHARES SENT FOR TRANSFER BY CUSTODIANS

1. The Participant (who is also a Custodian), while lodging shares for transfer with the Issuer or its Registrar and Transfer (R&T) Agent, shall indicate its intention of dematerialisation of those shares after they are duly transferred in the name of the Beneficial Owner(s). This can be done by way of putting a stamp stating "*For Dematerialisation*" on the transfer deed(s).
2. The Issuer or its R&T Agent shall, on completion of the process of transfer / registration of shares, intimate the Participant about the same, giving details of the shares transferred and rejected, if any. Such details shall be provided on lodgement-wise (i.e. batch-wise) basis. In case there are some shares kept pending for transfer in respect of which a notice has been sent to the seller seeking confirmation of the sale, the Issuer or its R&T Agent shall inform the same to the Participant. On completion of the process of transfer/registration of such shares, the Issuer or its R&T Agent shall intimate the Participant in the manner mentioned before.
3. The Participant shall add the words "*letter in respect of*" after the words "*the application form is verified with the*" and replace the word "letter" in place of word "certificate" on the Participant Authorisation portion of the DRF.
4. The Participant shall replace the words "*as mentioned in the letter have already been*" in place of the words "*are hereby*" on the Client portion of the Dematerialisation Request Form (DRF).
5. The Participant shall affix its seal and signature on the letter received from Issuer or its R&T Agent.
6. The Participant shall execute the request for dematerialisation in the Depository Participant Module (DPM)
7. The Participant shall forward such details of the certificate of security to the depository and shall confirm to depository that an agreement has been entered between the Participant and the beneficial owner.
8. 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 sent for dematerialisation.
9. The Participant shall despatch the DRF along with the aforesaid letter (as mentioned at point 2 above) to the Issuer or its R&T Agent and keep a copy thereof for its records.
10. The Issuer or its R&T Agent shall process the dematerialisation request for its validity and verify the signature(s) on the DRF with the signature(s) on the transfer deed.



11. If the request is in order, the Issuer or its R&T Agent shall deface the certificates with the word "*Dematerialised*" and then confirm the dematerialisation request on the system.
12. The Issuer or its R&T Agent shall substitute in its records the name of the depository as the registered owner and shall send a certificate to the depository and to every Stock Exchange where the security is listed.
13. Immediately upon the receipt of information from the Issuer or its R&T Agent regarding confirmation of dematerialisation, 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 guideline no. 7 and shall sent an intimation of the same to Participant.
- 14- The Issuer or its R&T Agent shall maintain a record of certificates of securities which have been dematerialised.
15. If the request is rejected, the Issuer or its R&T Agent shall despatch the certificates and/or relevant documentation to the Participant, indicating the reasons for rejection.
16. NSDL shall obtain from the company a certificate certified by a Chartered Accountant or a Company Secretary holding a Certificate of Practice that the company has followed the above procedure and to the effect that:
 - the company has followed the necessary procedure for effecting the original transfer.
 - the Register of Members (RoM) of the company was accordingly amended and the shares were transferred in favour of the transferee.
 - the company has adequate procedures and has satisfied itself that the transferee and the entity requesting for dematerialisation are one and the same and before confirming the dematerialisation request, the company has further amended its Register of Members (RoM) to indicate the transfer from the transferee to NSDL.
 - the company has defaced and cancelled/mutilated all the certificates.
 - the company has adequate systems to ensure that the investor does not lose his corporate benefits on account of the transfer entries made in favour of NSDL.



SCHEDULE

CIRCULARS

- SMDRP/Policy/Cir-28/99 dated August 23, 1999
- SMDRP/POLICY/Cir-36/2000 dated August 4, 2000
- D&CC/FITTC/CIR-3/2001 dated October 15, 2001
- D&CC/FITTC/Cir- 04/2001 dated November 13, 2001
- SMDRP/Policy/Cir-05/2001 dated February 1, 2001
- D&CC/FITTC/Cir-13/2002 dated November 1, 2002
- D&CC/FITTC/Cir-09/2002 dated July 4, 2002
- D&CC/FITTC/Cir-10/2002 dated September 25, 2002
- D&CC/FITTC/Cir-15/2002 dated December 27, 2002
- D&CC/FITTC/CIR - 12/2002 dated October 30, 2002
- DCC/FITTC/Cir-19/2003 dated March 4, 2003
- LGL/Cir-2/2003 dated February 19, 2003
- MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004
- MRD/DoP/Dep/Cir-27/2004 dated August 16, 2004
- MRD/DoP/SE/Dep/Cir-36/04 dated October 27, 2004
- SEBI/MRD/DOP/Cir-22/2004 dated July 14, 2004
- SEBI/MRD/Policy/AT/Cir-19/2004 dated April 21, 2004
- SEBI/MRD/SE/DEP/Cir-4/2005 dated January 28, 2005
- SEBI/MRD/DEP/Cir-24/05 dated December 22, 2005
- SEBI/MRD/SE/Cir-16/2005 dated August 04, 2005
- MRD/DoP/Dep/Cir-22 /05 dated November 09, 2005
- MRD/DoP/SE/Dep/Cir-18/2005 dated September 2, 2005
- MRD/DoP/Dep/SE/Cir-22/06 dated December 18, 2006
- MRD/DSA/SE/Dep/Cust/Cir-23/06 dated December 22, 2006
- SEBI/MRD/DEP/Cir-3/06 dated February 21, 2006
- SEBI/MRD/DEP/Cir-2/06 dated January 19, 2006
- MRD/Dep/Cir- 20/06 dated December 11, 2006
- MRD/DoP/Dep/Cir-09/06 dated July 20, 2006
- MRD/DoP/Dep/SE/Cir-17/06 dated October 27, 2006
- MRD/DoP/Dep/SE/Cir-13/06 dated September 26, 2006
- MRD/DoP/Dep/Cir-09/06 dated July 20, 2006
- MRD/DoP/Cir- 5/2007 dated April 27, 2007
- MIRSD/DPS-III/Cir-9/07 dated July 3, 2007
- SEBI/MRD/Dep/Cir-03/2007 dated February 13, 2007
- SEBI/CFD/DILDIP/29/2008/01/02 dated February 1, 2008
- MIRSD/DPS- III/Cir-23/08 dated July 25, 2008
- SEBI/MRD/Dep/Cir-03/2008 dated February 28, 2008
- MRD/DoP/Cir-20/2008 dated June 30, 2008



- MRD/DoP/SE/Dep/Cir-2/2009 dated February 10, 2009
- CIR/MRD/DP/19/2010 dated June 10, 2010
- CIR/MRD/DP/20/2010 dated July 1, 2010
- CIR/MRD/DP/22/2010 dated July 29, 2010
- CIR/MRD/DO/37/2010 dated December 14, 2010

COMMUNICATIONS

- SMDRP/NSDL / 3055 /1998 dated August 11, 1998
- SMDRP/RKD /NSDL/2494 /98 dated November 18, 1998
- SMDRP/NSDL/4615 /2000 dated March 13, 2000
- SMDRP/CDSL / 18300 /2000 dated November 16, 2000
- SMDRP/NSDL/26563/2001 dated April 10, 2001
- D&CC/ 1099 / 2002 dated November 01, 2002
- MRD/DRK/SU/16034/2003 dated August 22, 2003
- MRD/VSS/ARR/ 12255/2004 dated June 10, 2004
- MRD/DoP/ Dep/82334 /2006 dated December 14, 2006
- MRD/DEP/PP/123624 /2008 dated April 23, 2008
- MRD/DoP/MC/141442 /2008 dated October 17, 2008
- SEBI/ MRD/CDSL/ 149156 /2009 dated January 01, 2009
- MRD/CDSL/VM/ 155773 /2009 dated February 27, 2009
- MRD/NSDL/VM/158886 /2009 dated March 30, 2009
- MRD/DoP/NSDL/VM/ 162378 /2009 dated May 06, 2009
- MRD/DoP/NSDL/VM/168994 /2009 dated July 07, 2009
- MRD/CDSL/VM/168989 /2009 dated July 07, 2009
- SEBI/MRD/DEP/VM/169784 /09 dated July 15, 2009
- MRD/DoP/MAS - OW/16723/2010 dated August 17, 2010