DISCUSSION PAPER ON MEASURES TO CHECK EXCESS DEMATERIALISATION OF SECURITIES AND PRE-LISTING GREY MARKET IN SECURITIES ISSUED IN INITIAL PUBLIC OFFERS (IPOs) – PROPOSED AMENDMENTS TO THE SEBI (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

I. BACKGROUND

1. The past few years have seen a phenomenal growth in the securities market, leading to an explosion in transaction volumes on account of changes in the market microstructure due to technological developments. The markets have also witnessed significant regulatory reforms. One such reform includes introduction of the depository system. The advent of depositories resolved the biggest chunk of the market risk, i.e. bad deliveries, delayed transfers, fake certificates, loss/theft of certificates, etc.

2. In the new system, the ownership of records is kept in electronic form and the physical movement of securities is replaced by a book entry system. This system was seen as a solution to the problems associated with the process of physical movement, such as, long delays in transfer, bad deliveries due to faulty completion of paper work, signature difference with the specimen on record with the listed companies and other procedural lapses.

3. However, certain irregularities have also been observed in the demat system like, problem of securities having been issued in demat form by listed companies in excess of listed capital/issued capital and transfer of securities by the investors (through off-market) before trading permission was given by all the stock exchanges to whom listing application was made under section 73(1) of the Companies Act, 1956, by the issuer companies.

II PROBLEM OF SECURITIES ISSUED IN DEMAT FORM BY LISTED COMPANIES IN EXCESS OF LISTED CAPITAL/ISSUED CAPITAL

1. In terms of section 9 (1) of the Depositories Act, 1996, all securities held by a depository shall be dematerialised and shall be in a fungible form. In the past, SEBI had come across some cases where the listed companies had dematted more securities than their listed/issued capital. As the securities in the dematerialized environment are fungible, once these fungible securities enter the market, it has been found to be almost impossible to distinguish these securities from the other securities. This has enabled duplicate or fake securities to find way into the system. This

is a matter of concern for the regulator and therefore, has been engaging the attention of SEBI for quite some time.

2. There appears to be two kinds of "excess securities" in the system.

   (i) One is where the dematerialisation is in excess of listed capital of a listed company. This may be a temporary phenomenon arising out of the fact that the company has made further issue of securities and dematerialised such fresh capital without having received the listing approval from one or more or all of the stock exchanges where the securities of the company are listed. The allotment of this "excess" capital could be in demat or physical form. This "excess" dematerialisation may get regularized once the final listing approval/s are granted by all the stock exchanges. However, till the listing approval is granted, these securities are "technically unlisted" and therefore, could not be delivered in the stock exchanges. But due to the fungibility, if these securities are delivered, it would not be possible to distinguish them from the original listed securities.

   (ii) The other kind of 'excess securities' is where the securities in existence (physical and demat) are in excess of issued capital of a listed company. This would imply that duplicate securities are in existence.

III. MEASURES TAKEN IN THE PAST TO ADDRESS THE CONCERNS

1. In order to address the concerns arising out of 'dematerialisation of securities in excess of listed capital', SEBI had issued a circular on March 8, 2001 advising the stock exchanges to amend the listing agreement, stating, inter-alia, that "the company agrees to obtain 'in-principle' approval for listing from the exchange before issuing further shares or securities". It was also mandated in the said circular that the stock exchanges shall inform depositories the grant of 'in-principle' listing approval immediately. The stock exchanges having connectivity with the depositories would upload this information electronically. This circular was modified by a Circular dated September 29, 2003, stating that "if a company is listed on any stock exchange which is having nationwide trading terminals, it would be a sufficient compliance of the SEBI circular (dated March 8, 2001), if it obtains 'in-principle' approval from such stock exchange(s) for further issue of shares or securities. Where the company is not so listed on any stock exchange having nationwide terminals, it shall continue to obtain 'in-principle' approval from all the exchanges where it is listed as was provided in the aforesaid circular dated March 8, 2001".

Further, in September 2003 vide Regulation 54(5) of the SEBI (D&P)(second Amendment) Regulations, 2003, it was provided that within 15 days of receipt of the certificate of security from the participant, the issuer shall confirm to the depository that securities comprised in the said certificate have been listed on the stock exchange or exchanges where the earlier issued listed securities are listed and shall also after due verification immediately mutilate and cancel the certificate 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. These efforts have resulted in considerable reduction in the number of cases where the dematerialized capital was in excess of the listed capital of a listed company. However, a blanket ban on dematerialization of any unlisted securities of a listed company was not feasible in view of the provisions of section 8 of the Depositories Act, 1996, in terms of which the investor has the option to receive security certificate or hold securities with depository in a dematerialised form.

2. In order to address the problem arising out of "'dematerialisation of securities in excess of issued capital of a listed company', SEBI issued a circular dated December 31, 2002, mandating all companies to subject themselves to secretarial audit on a quarterly basis. With the objective of strengthening the regulatory framework to address the aforesaid problem, SEBI brought in changes in the manner of handling share registry work by inserting regulation 53A in SEBI (D&P) Regulations, 1996 with effect from September 2, 2003. This regulation provides that "All matters relating to transfer of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with the depositories shall be handled and maintained at a single point i.e. either in-house by the issuer or by a Share Transfer Agent registered with the Board". Further, with the insertion of Regulation 55A in SEBI (D&P) Regulations, 1996, on September 2, 2003, the requirement of submission of secretarial audit by listed companies to stock exchanges, with effect from September 30, 2003, has been made a regulatory requirement. A circular was also issued on March 3, 2004 re-emphasizing the need to comply with the provisions of Regulation 55A.

IV **NEED FOR FURTHER PREVENTIVE STEPS**

1. Despite the various measures initiated by SEBI as enumerated above, the problems arising out of "excess demat" have not been completely resolved. Therefore, it is felt that certain further preventive steps would be necessary, in the interest of securities market, to tackle this issue. While

the measures taken in the past include casting a responsibility on the listed company and the stock exchanges, the issue now needs a fresh look from the point of systemic issues with the depositories. One of the preventive steps could be to put certain responsibilities on the depositories to ensure that the securities are not dematted in excess of listed/issued capital.

2. Section 23F of the Securities Contracts (Regulation) Act, 1956 as inserted by Securities Laws (Amendment) Act, 2004 provides for the following:

Penalty for excess dematerialisation or delivery of unlisted securities

23F. If any issuer dematerialises securities more than the issued securities of a company or delivers in the stock exchanges the securities which are not listed in the recognised stock exchange or delivers securities where no trading permission has been given by the recognised stock exchange, he shall be liable to a penalty not exceeding twenty-five crore rupees.

The aforesaid section deals with two distinct things, and provides for imposition of deterrent penalty of upto Rs.25 crores.:

i. dematerialization in excess of issued capital; and,
ii. Delivering unlisted securities or securities for which no trading permission has been given in the stock exchanges.

As far as improper dematerialization is concerned, the 'person' referred to above could mean those who are involved in the process, i.e. the issuer, its registrar, the depository participant and the depository, apart from the investor who holds the securities. As such, it is felt that the responsibility would be on each such person to ensure that dematerialization is not done in excess of issued capital. For this purpose, a system of tracking distinctive numbers of securities admitted to a depository system seems to be a *sine qua non* – to ensure that certificates which have already been dematerialized are not again tendered and dematerialized. This provision needs to be clarified further in the SEBI (D&P) Regulations, 1996, by defining the responsibility of each such person in this regard.

As regards delivery of unlisted securities on a stock exchange, though in terms of the section every person who has so delivered is liable for monetary penalty, it is felt that innocent parties such as clients or brokers, who may not be in the know, should not suffer penalty. The way to ensure that such securities are not delivered on the stock exchange would be to ensure that they are not dematerialized or allotted without blocking

unlisted securities allotted in demat form in the first instance and by making suitable provisions to prevent or lessen the possibility of fraudulent demat of physical securities which are unlisted or which are forged. The modalities for ensuring this have been discussed in the subsequent paragraphs. Any person who manipulates and circumvents even the new system (modalities) and delivers unlisted securities could then be punished.

3. The Securities Laws (Amendment) Act, 2004 also inserted Section 19E in the Depositories Act, 1996 which reads as follows:

Penalty for failure to reconcile records.—

19E. *If a depository or participant or any issuer or its agent or any person, who is registered as an intermediary under the provisions of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), fails to reconcile the records of dematerilaised securities with all the securities issued by the issuer as specified in the regulations, such depository or participant or issuer or its agent or intermediary shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.*

In terms of the aforesaid provision, the primary responsibility for correct reconciliation of total issued securities with those dematerialized is on the depository. In the absence of further clarification, there would be indiscriminate liability to penalty under this section on all concerned, while there would be no system whereby the other players would be able to ensure proper reconciliation. In such a case, levy of penalty on any innocent person other than the depository may not be justified. There is a need for correctly identifying the respective responsibilities of the depository, depository participant, issuer, share transfer agent and the investor in the dematerialization process and casting an obligation on the depository to develop the systems. This would require suitable amendments to SEBI (D&P) Regulations, 1996. Once the system is established by the depository, each of the other persons will be responsible to fulfill his part of the duty properly and will be liable for any lapse in his sphere of duty.

V. PROPOSED AMENDMENTS TO SEBI (D&P) REGULATIONS, 1996 TO PREVENT THE EXCESS DEMAT

1. These issues were discussed by the Legal Advisory Committee of SEBI (LAC). In the light of the foregoing and based on the recommendations of

LAC, it has been proposed to make certain amendments to the SEBI (D&P) Regulations, 1996, as detailed in the Annexure hereto. The proposed amendments cover three distinct classes of transactions which are explained below :

(a) Preventing excess dematerialization – Cases of direct allotment of further securities in dematerialized form

There are cases where demat allotments are made by issuers which involve various irregularities and violations. At a later point of time, the stock exchanges while examining the listing application, detect these violations. In the meantime, the securities, being fungible with existing regularly allotted securities, are offloaded in the stock exchanges, even though listing permission is not given for them. This is sought to be prevented by regulations 53C(1), (3) and (4) and 53D. Post amendment, the process flow of a demat allotment may be as follows:

i. The issuer takes in-principle approval from the stock exchanges where securities of the same kind are listed under clause 24(a) of the Listing Agreement. Where such securities are listed on BSE or NSE or both, among other exchanges, it would be sufficient if the in-principle approval is taken only from BSE or NSE or both, as the case may be.[1] The issuer shall complete other approvals and other pre-issue procedures before approaching the exchange for in-principle approval.
ii. The issuer makes demat allotment of the securities to the allottees. The depositories give credit to the demat accounts of the allottees. However, they will be required to block / freeze such securities in the said demat accounts until confirmation as in (iv) below is received from the issuer and the designated stock exchange [proposed regulation 53C(3)].
iii. The issuer makes listing application for the new securities to all the stock exchanges where the original securities are listed. [clause 24(a) of the Listing Agreement].
iv. Post allotment, listing and trading permission is either granted or refused by the exchanges. If all the exchanges grant listing and trading permission to the new securities, the issuer and the designated stock exchange shall confirm such fact independently to the depositories with whom the issuer has an agreement [proposed regulation 53C(1)]. In case the original securities are listed in BSE or NSE or both, the confirmation

[1] As per SEBI circular dated September 29, 2003, which has done away with the requirement of obtaining in-principle approval from smaller exchanges where the securities are listed in NSE or BSE.

ought to be given as soon as BSE or NSE or both, as the case may be, grant the permissions.[2]

v. After receipt of confirmations as above, the depositories shall lift the freeze / block and the demat securities will become freely transferable.

As a corollary to the above, the issue of securities subject to lock-in period also arises. At present, depositories have operational mechanisms to block such securities in the relevant demat accounts during the lock-in period. But there is no obligation upon them to do so. It may be recalled that during the physical regime, the share certificates which were subject to lock-in period were inscribed with a seal mentioning 'locked in till ___', which enabled brokers and clearing houses to identify them. In the demat era, such identification is not possible and, in the absence of any legal obligation on the depositories to block such securities during the lock-in period, there is a possibility of such securities being off loaded in the market before expiry of the lock-in period, as has already happened in some cases. Proposed regulation 53D seeks to address this situation by casting suitable obligation on depositories.

(b) <u>Preventing excess dematerialization – Subsequent demat of securities originally allotted in physical form</u>

i. It is more difficult to tackle this situation since such dematerialization is done directly by the issuer, when the certificate is forwarded by a depository participant. The dematerialization process in existing provisions of regulation 54 requires that an investor holding physical securities may approach a depository participant, who would forward the certificate to the issuer. The issuer would then destroy the certificate and enter the name of depository as holder of <u>those particular securities</u> (by their distinctive numbers as required by section 150 of the Companies Act) in its books after giving confirmation to the depository as regards the listed status of those particular securities. It has to be noted that the depository participant who forwards the certificate to the issuer would have to forward details of the physical security certificate to the depository and maintain record of the details of such certificate and the investor who tendered them [regulations 54(2) & (3)]. Thus, it is seen that existing

[2] flowing from SEBI circular dated September 29, 2003.

provisions require the depositories to maintain details of distinctive numbers at least of the securities dematerialized with it. However –

a) There is no express provision saying so.
b) Even so distinctive numbers of securities of an issuer which are still in physical form are not required to be maintained by the depository.
c) The problem is compounded because of existence of two depositories, which may not have identical data.

ii. It is seen that in one of the depositories there was a mechanism of communication between the depository participant and the depository even before forwarding to the issuer and that non genuine cases such as demat of (duplicate or forged) certificates bearing same distinctive number as those already dematted are capable of being eliminated at the first stage itself. This system has now been discontinued. It is felt based on SEBI's experience that this system should be made compulsory for all demat requests and for all depositories after plugging the loopholes mentioned in (a) to (c) above. Any other view could make the provisions of regulations 54(2) and (3) redundant and would provide no means of checking whether the dematerialized securities are within the limit of total issued capital. Further**,** such a provision will only be clarificatory of section 19E of the Depositories Act (Penalty for failure to reconcile records), which has been inserted by the Securities Laws (Amendment) Act, 2004.

iii. Accordingly, regulations 54(4A) to (4C) and 54A are proposed. Since the depositories do not have a system to track distinctive numbers and share the information with depository participants today, a transitional period would have to be provided for them to collect the requisite information from the issuers (listed companies). A corresponding obligation is also sought to be imposed on issuers. The process flow could take place in two stages, as detailed below :

<u>Stage I – For establishment of the new system</u>

1) The issuers would be required to provide information of distinctive numbers of securities which are

dematerialized, in physical form, listed, unlisted, etc. as in the proposed regulation 54A(4) within the time specified by SEBI. Flexibility is retained for SEBI to specify different time limits for different classes of issuers, so that this could be done in phases.

2) The depositories shall use the above information and create a system of tracking distinctive numbers of the securities which are dematerialized. This would also require tracking distinctive numbers of securities which are validly issued and remaining in physical form. To prevent fraudulent demat of unlisted securities, they would also track distinctive numbers of physical securities which have been allotted but not listed in all stock exchanges where original securities are listed [or BSE or NSE or both alone, where relevant. This data shall be made available online to depository participants and shall be established within such time as may be specified by SEBI. Flexibility is retained for SEBI to specify different time limits for creation of record in respect of different classes of issuers [proposed regulations 54A(2) & (3)].
3) Corresponding obligation is cast on the designated stock exchange and the issuers to continually provide information about developments regarding the listing status of the securities [proposed regulation 54A(5)].
4) Companies coming out with initial public offers (IPOs) shall be required to give this information while entering into an agreement with the depositories for dematerialization of their securities.
5) As far as requiring both depositories to set up a single online system is concerned, SEBI may supplement this with administrative instructions (circulars).
6) It is to be noted that the depositories' obligations do not end with creating the system of tracking the distinctive numbers. As in the proposed regulation 54A(1), it shall be their responsibility to "establish and maintain systems and safeguards designed to reconcile records of issued, listed and dematerialized securities of each class of securities of every issuer and to prevent dematerialization of securities in excess of total issued and listed securities" of which the distinctive number tracking system is only an illustration. SEBI may supplement this provision with administrative

instructions (circulars) from time to time, if found necessary.

Stage II – Dematerialization after establishment of the new system

1) A holder of physical securities desirous of dematerializing them has to surrender the physical security certificates to a depository participant with the prescribed form [existing regulation 54(1)].
2) The depository participant shall check the distinctive number contained in the certificate with the data contained in the online record maintained by the depository under proposed regulation 54A(2) to verify whether the same distinctive numbers have been dematerialized earlier and whether they are listed on all relevant stock exchanges.
3) If the depository participant finds that the securities are not already dematerialized and are duly listed in the relevant stock exchanges, it shall forward the security certificate to the issuer with requisite details, after entering them in its record. It shall forward the details to the depository also [existing regulations 54(2) to (4) and proposed regulation 54(4A)]. Where the depository participant is not so satisfied, it shall not forward the security to the issuer but shall report the fact to the issuer and the depository [proposed regulation 54(4B)].
4) The issuer upon receipt of the security certificate forwarded by the depository participant shall confirm to the depository that the securities comprised in the certificate have been listed on stock exchanges where the original securities are listed and shall after due verification mutilate and cancel the certificate and enter the depositories name as the registered owner. It shall send a confirmation to this effect to the depository and every stock exchange where the security is listed and update its record of dematerialized securities [existing regulations 54(5) and (7)].
5) Upon receipt of confirmation as above from the issuer, the depository shall enter the name of the person who has surrendered the security certificate, as beneficial owner in its records [existing regulation 54(6)].

VI PROPOSED AMENDMENTS TO SEBI (D&P) REGULATIONS, 1996 TO PREVENT PRE-LISTING GREY MARKET OPERATIONS IN IPOs

1. Section 68B of the Companies Act requires that every IPO in excess of Rs.10 crores is to be made in demat form. Practically all IPOs that take place today are in demat form. Having regard to the recent developments relating to transactions in the grey market (off-market) in securities of IPOs before grant of listing and trading permissions by the concerned stock exchanges, the depositories were advised by SEBI vide circular dated January 19, 2006 to activate the ISINs only on the date of commencement of trading on the stock exchanges.

2. Regulation 53D is proposed to supplement this by casting an obligation on the depositories to prevent transfer of such securities till listing and trading permission are given by all the stock exchanges to whom listing application is made under section 73(1) of the Companies Act. The process flow after insertion of the proposed regulation would be as follows:
    a) The issuer allots securities in an IPO after following due procedure.
    b) The depositories give credit to the successful applicants in the IPO.
    c) However, the depositories block / freeze the securities in the demat accounts of the allottees till the designated stock exchange and the issuer confirm to them that listing and trading permissions have been granted by all stock exchanges to whom listing application was made under section 73(1) of the Companies Act.
    d) Once confirmation as above is received, the depositories lift the freeze and the securities will become freely transferable.

VII CONCLUSION

1. The above amendments broadly cover (a) capturing of distinctive numbers in the depository system (b) casting responsibility of the depositories to obtain the confirmation from the issuer and the designated stock exchange regarding grant of listing permission, before permitting dematerialisation (c) casting responsibility on the depository to block the securities in the demat account of the beneficiary owner till trading permission is granted by the stock exchanges, in case of fresh issue of securities (d) casting responsibility on the depositories to reconcile records of issued, listed, and dematted securities. These proposed amendments cast responsibilities on the depositories, depository participants, issuer

companies, etc. The process of implementation would require system changes at the depositories, depository participants and RTI/STAs.

2. SEBI has been following a policy of extensive public consultation and debate before formulating and implementing any new regulation. In accordance with this policy, this Discussion Paper, along with proposed amendments to SEBI (D&P) Regulations, 1996, is being made available on SEBI's web site at www.sebi.gov.in for public comments.

3. All comments on this Discussion Paper should reach SEBI at the following address or may be sent by e-mail to excessdemat@sebi.gov.in by July 10, 2006.

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ANNEXURE
PROPOSED AMENDMENTS TO SEBI (D&P) REGULATIONS, 1996

✍ **"53C. Issue of securities in the dematerialised form**

(1) Where an issuer allots further securities in dematerialized form of a class of securities which are already listed on any recognized stock exchange, the issuer and the designated stock exchange shall confirm to the depositories that listing and trading permissions have been granted for the further securities by all stock exchanges in which the existing securities of the same class are listed, forthwith upon grant of such permission:
Provided that where such class of securities is listed on recognised stock exchanges which have nationwide trading terminals, among others, it would be sufficient for the issuer and the designated stock exchange to provide the above confirmation in respect of listing and trading permissions granted by such recognised stock exchanges having nationwide trading terminals alone.

(2) Where an issuer makes an initial public offering (IPO) of its securities, the issuer and the designated stock exchange shall confirm to the depositories that listing and trading permissions have been granted for such securities by all stock exchanges to which

listing applications were made under sub-section (1) of section 73 of the Companies Act, 1956, forthwith upon grant of such permission.

(3) The depository shall block the securities allotted in dematerialized form to any person in a case covered either by sub-regulation (1) or sub-regulation (2), in the demat account of such person until the confirmations as provided under those sub-regulations are received from the issuer and the designated stock exchange.

(4) For the purposes of this regulation –

(a) 'designated stock exchange' shall mean the stock exchange designated as such by the issuer for its IPO or any subsequent issue of securities under the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 and if no such stock exchange is specified, then any stock exchange designated by the issuer for the purpose of these regulations:
Provided that when the securities of the issuer are listed on stock exchanges which have installed nationwide trading terminals, the issuer shall designate one of them under the second part of this clause; and

(b) 'stock exchanges which have installed nationwide trading terminals' mean the Bombay Stock Exchange Limited, the National Stock Exchange of India Limited and any other stock exchange which may be specified as such by the Board.

✍ **53D. Issue of securities subject to lock-in period**

(1) Where any allotment of securities in an IPO or any allotment of further securities made in dematerialized form is subject to lock-in period under any regulations or guidelines made under the Act, the depository shall block such securities in the demat account of the person to whom the allotment was made, till the lock-in period is over.

(2) Sub-regulation (1) shall apply subject to such relaxation regarding the lock-in period as may be available under the relevant regulations or guidelines."

✍ "54 (4A) The participant shall not furnish the certificate of security to the issuer under sub-regulation (4), unless it examines the online records of distinctive numbers of securities maintained by the depository under sub-regulation (2) of regulation 54A and finds upon such examination –

(a) that the securities pertaining to the certificate have not already been dematerialized; and

(b) that listing and trading permissions have been given to such securities by the stock exchanges mentioned in sub-regulation (1) of regulation 53C or the proviso thereto.

✍ 54(4B) If upon such examination the participant finds that the securities pertaining to that certificate have already been dematerialized or that they have not been listed on the stock exchanges mentioned in sub-regulation (1) of regulation 53C, it shall forthwith –

(a) report the fact to the issuer and to the depository; and

(b) return the certificate to the beneficial owner after putting an indelible stamp on its face mentioning 'NOT ELIGIBLE FOR DEMATERIALISATION'.

✍ 54(4C) Nothing contained in sub-regulations (4A) and (4B) shall apply to any class of securities which is not listed on any recognized stock exchange."

✍ **"54A. Systems to reconcile records of issued, listed and dematerialized securities**

(1) Every depository shall establish and maintain systems and safeguards designed to reconcile records of issued, listed and dematerialized securities of each class of securities of every issuer and to prevent dematerialization of securities in excess of total issued and listed securities.

(2) The systems and safeguards shall include keeping a record of the distinctive number of securities which have been already dematerialized, those which are existing in the physical form and out of those, the securities which have been listed on all the stock exchanges mentioned in sub-regulation (1) of regulation 53C or the proviso thereto and the securities which have been allotted but not so listed.

(3) The record of distinctive number of shares mentioned in sub-regulation (2) shall be accessible online to all participants of the depository and shall be established by the depositories in respect of all issuers within such date as may be specified by the Board:

Provided that the Board may specify different dates for creation of such record in respect of different issuers or classes of issuers.

(4) All issuers shall provide the following information to the depositories, within such date as may be specified by the Board:

(a) the distinctive numbers of their securities which are already dematerialized;

(b) the distinctive numbers of their securities which are in physical form;

(c) the distinctive numbers of their securities for which listing permission have been granted by stock exchanges mentioned in

sub-regulation (1) of regulation 53C or the proviso thereto, as the case may be; and

(d) the distinctive numbers of their securities for which listing permission as above has been rejected or is pending or is not given for any other reason.

Provided that different dates may be specified by the Board for different issuers or classes of issuers.

Provided further that the information mentioned in clauses (c) and (d) shall be authenticated by the designated stock exchange.

(5) The designated stock exchange and the issuer shall forthwith provide information of all developments relating to issue of further securities in physical form made after commencement of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2006 and the status of their listing along with their distinctive numbers, to the depositories to enable them to update their records for the purpose mentioned in sub-regulation (1).

(6) Any issuer proposing to enter into an agreement with a depository for dematerialization of its securities after commencement of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2006, shall furnish the information mentioned in sub-regulation (4) to the depositories prior to entering into the agreement.

(7) Nothing contained in this regulation shall apply to any class of securities which is not listed on any recognised stock exchange."

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