



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

MASTER CIRCULAR

CIR/MRD/DP/6/2015

May 07, 2015

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 March 31, 2015 and shall come into force from the date of its issue.

This Master Circular shall supersede previous Master Circular CIR/MRD/DP/11/2014 dated April 07, 2014.

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Section 1: Beneficial Owner (BO) Accounts

1.1 Opening of BO Account by non body corporates

1.1.1 Proof of Identity (PoI)

- i. **Permanent Account Number (PAN) to be the sole identification number for all transactions in the securities market¹**

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

- a. Put necessary systems in place so that the databases of the clients and their transactions are linked to the PAN details of the client.
- b. Build necessary infrastructure to enable accessibility and query based on PAN thereby enabling retrieval of all the details of the clients.
- c. 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.
- d. 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.

List of documents admissible as Proof of Identity³

- a. Unique Identification Number (UID) (Aadhaar)/ Passport/ Voter ID card/ Driving license.
- b. PAN card with photograph.
- c. Identity card/ document with applicant's Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks.

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

² Income Tax Department since changed the link for verification to:

<https://incometaxindiaefiling.gov.in/e-Filing/Services/KnowYourPanLink.html>

³ Reference Circular MIRSD/SE/Cir-21/2011 dated October 05, 2011



- d. e-KYC service launched by UIDAI shall also be accepted as a valid process for KYC verification. The information containing the relevant client details and photograph made available from UIDAI as a result of e-KYC process shall be treated as a valid proof of Identity.⁴
- e. With a view to bring about operational flexibility and in order to ease the PAN verification process, the intermediaries may verify the PAN of their clients online at the Income Tax website without insisting on the original PAN card, provided that the client has presented a document for Proof of Identity other than the PAN card.⁵

1.1.2 Proof of Address (PoA)⁶

List of documents admissible as Proof of Address:

(*Documents having an expiry date should be valid on the date of submission.)

- a. Passport/ Voters Identity Card/ Ration Card/ Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.
- b. Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.
- c. Bank Account Statement/Passbook -- Not more than 3 months old.
- d. Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
- e. Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-Operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary public/elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
- f. Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.
- g. For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostilled or consularised) that gives the registered address should be taken.

⁴ Reference Circular SEBI/MIRSD/09/2013 dated October 08, 2013

⁵ Reference Circular SEBI/MIRSD/01/2013 dated January 04, 2013

⁶Reference Circular MIRSD/SE/Cir-21/2011 dated October 05, 2011



- h. The proof of address in the name of the spouse may be accepted.
- i. Aadhaar Letter issued by UIDAI shall be admissible as Proof of Address in addition to Proof of Identity.⁷
- j. e-KYC service launched by UIDAI shall also be accepted as a valid process for KYC verification. The information containing the relevant client details and photograph made available from UIDAI as a result of e-KYC process shall be treated as a valid proof of address.⁸

DP shall ensure that all documents pertaining to proof of identity and proof of address are collected from all the account holders.⁹ 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 diligence¹⁰ 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 address¹¹

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

⁷Reference Circular MIRSD/09/2012 dated August 13, 2012

⁸ Reference Circular SEBI/MIRSD/09/2013 dated October 08, 2013

⁹ Reference Circular MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004

¹⁰ Reference point 5 of part II on 'Customer Due Diligence' of master circular no. ISD/AML/CIR-1/2008 dated December 19, 2008

¹¹ Reference Circular CIR/MRD/DP/37/2010 dated December 14, 2010



1.2 Exemptions from and clarifications relating to mandatory requirement of PAN

1.2.1 Mandatory requirement of Permanent Account Number (PAN)¹²

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 Courts¹³

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.¹⁴

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 Sikkim¹⁵

Investors residing in the state of Sikkim are exempted from the mandatory requirement of furnishing PAN card details for their demat accounts.¹⁶ 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

¹² Reference Circular MRD/DP/22/2010 dated July 29, 2010

¹³ Reference Circular MRD/DoP/Cir-20/2008 dated June 30, 2008

¹⁴ Reference Rule 114C (1)(c) of Income Tax Rules

¹⁵ Reference Circular MRD/DoP/Dep/Cir-09/06 dated July 20, 2006

¹⁶ Reference Hon'ble High Court of Sikkim judgment dated March 31, 2006



1.2.4 UN entities and multilateral agencies exempt from paying taxes/ filling tax returns in India¹⁷

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 Clients¹⁸

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.¹⁵

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 Difference in maiden name and current name of investors.¹⁵

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.¹⁹

¹⁷ Reference Circular MRD/DoP/Dep/Cir-09/06 dated July 20, 2006

¹⁸ Reference Circular MRD/DoP/Dep/SE/Cir-13/06 dated September 26, 2006

¹⁹ Reference Circular MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004



1.2.8 NRI/PIOs²⁰

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.²¹

1.3 *Simplification of demat account opening process*²²

- i. SEBI has taken a number of steps in the recent past to simplify the Account opening and KYC process in the securities markets. In continuation of the efforts in the same direction, it has now been decided in consultation with both the Depositories and Associations of stock brokers and Depository Participants to further simplify and rationalize the demat account opening process.
- ii. The existing Beneficial Owner-Depository Participant Agreements shall be replaced with a common document "Rights and Obligations of the Beneficial Owner and Depository Participant". The document annexed herewith shall be mandatory and binding on all the existing and new clients and depository participants. This will harmonize the account opening process for trading as well as demat account. This will also rationalise the number of signatures by the investor, which he is required to affix at present on a number of pages.
- iii. The Depository Participant shall provide a copy of Rights and Obligations Document to the beneficial owner and shall take an acknowledgement of the same. They shall ensure that any clause in any voluntary document neither dilutes the responsibility of the depository participant nor it shall be in conflict with any of the clauses in this Document, Rules, Bye-laws, Regulations, Notices, Guidelines and Circulars issued by SEBI and the Depositories from time to time. Any such clause introduced in the existing as well as new documents shall stand null and void.

²⁰ Reference Circular MRD/DoP/Dep/SE/Cir-17/06 dated October 27, 2006

²¹ Reference Income Tax (Systems) PAN Circular No. 4 dated October 11, 2006

²² Reference Circular SEBI/MIRSD/ 12/2013 dated December 04, 2013



ANNEXURE

Rights and Obligations of Beneficial Owner and Depository Participant as prescribed by SEBI and Depositories

General Clause

1. The Beneficial Owner and the Depository participant (DP) shall be bound by the provisions of the Depositories Act, 1996, SEBI (Depositories and Participants) Regulations, 1996, Rules and Regulations of Securities and Exchange Board of India (SEBI), Circulars/Notifications/Guidelines issued there under, Bye Laws and Business Rules/Operating Instructions issued by the Depositories and relevant notifications of Government Authorities as may be in force from time to time.
2. The DP shall open/activate demat account of a beneficial owner in the depository system only after receipt of complete Account opening form, KYC and supporting documents as specified by SEBI from time to time.

Beneficial Owner information

3. The DP shall maintain all the details of the beneficial owner(s) as mentioned in the account opening form, supporting documents submitted by them and/or any other information pertaining to the beneficial owner confidentially and shall not disclose the same to any person except as required by any statutory, legal or regulatory authority in this regard.
4. The Beneficial Owner shall immediately notify the DP in writing, if there is any change in details provided in the account opening form as submitted to the DP at the time of opening the demat account or furnished to the DP from time to time.

Fees/Charges/Tariff

5. The Beneficial Owner shall pay such charges to the DP for the purpose of holding and transfer of securities in dematerialized form and for availing depository services as may be agreed to from time to time between the DP and the Beneficial Owner as set out in the Tariff Sheet provided by the DP. It may be informed to the Beneficial Owner that "no charges are payable for opening of demat accounts"



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6. In case of Basic Services Demat Accounts, the DP shall adhere to the charge structure as laid down under the relevant SEBI and/or Depository circulars/directions/notifications issued from time to time.
7. The DP shall not increase any charges/tariff agreed upon unless it has given a notice in writing of not less than thirty days to the Beneficial Owner regarding the same.

Dematerialization

8. The Beneficial Owner shall have the right to get the securities, which have been admitted on the Depositories, dematerialized in the form and manner laid down under the Bye Laws, Business Rules and Operating Instructions of the depositories.

Separate Accounts

9. The DP shall open separate accounts in the name of each of the beneficial owners and securities of each beneficial owner shall be segregated and shall not be mixed up with the securities of other beneficial owners and/or DP's own securities held in dematerialized form.
10. The DP shall not facilitate the Beneficial Owner to create or permit any pledge and /or hypothecation or any other interest or encumbrance over all or any of such securities submitted for dematerialization and/or held in demat account except in the form and manner prescribed in the Depositories Act, 1996, SEBI (Depositories and Participants) Regulations, 1996 and Bye-Laws/Operating Instructions/Business Rules of the Depositories.

Transfer of Securities

11. The DP shall effect transfer to and from the demat accounts of the Beneficial Owner only on the basis of an order, instruction, direction or mandate duly authorized by the Beneficial Owner and the DP shall maintain the original documents and the audit trail of such authorizations.
12. The Beneficial Owner reserves the right to give standing instructions with regard to the crediting of securities in his demat account and the DP shall act according to such instructions.



Statement of account

13. The DP shall provide statements of accounts to the beneficial owner in such form and manner and at such time as agreed with the Beneficial Owner and as specified by SEBI/depository in this regard.
14. However, if there is no transaction in the demat account, or if the balance has become Nil during the year, the DP shall send one physical statement of holding annually to such BOs and shall resume sending the transaction statement as and when there is a transaction in the account.
15. The DP may provide the services of issuing the statement of demat accounts in an electronic mode if the Beneficial Owner so desires. The DP will furnish to the Beneficial Owner the statement of demat accounts under its digital signature, as governed under the Information Technology Act, 2000. However if the DP does not have the facility of providing the statement of demat account in the electronic mode, then the Participant shall be obliged to forward the statement of demat accounts in physical form.
16. In case of Basic Services Demat Accounts, the DP shall send the transaction statements as mandated by SEBI and/or Depository from time to time.

Manner of Closure of Demat account

17. The DP shall have the right to close the demat account of the Beneficial Owner, for any reasons whatsoever, provided the DP has given a notice in writing of not less than thirty days to the Beneficial Owner as well as to the Depository. Similarly, the Beneficial Owner shall have the right to close his/her demat account held with the DP provided no charges are payable by him/her to the DP. In such an event, the Beneficial Owner shall specify whether the balances in their demat account should be transferred to another demat account of the Beneficial Owner held with another DP or to rematerialize the security balances held.
18. Based on the instructions of the Beneficial Owner, the DP shall initiate the procedure for transferring such security balances or rematerialize such security balances within a period of thirty days as per procedure specified from time to time by the depository. Provided further, closure of demat account shall not affect the rights, liabilities and obligations of either the



Beneficial Owner or the DP and shall continue to bind the parties to their satisfactory completion.

Default in payment of charges

19. In event of Beneficial Owner committing a default in the payment of any amount provided in Clause 5 & 6 within a period of thirty days from the date of demand, without prejudice to the right of the DP to close the demat account of the Beneficial Owner, the DP may charge interest at a rate as specified by the Depository from time to time for the period of such default.
20. In case the Beneficial Owner has failed to make the payment of any of the amounts as provided in Clause 5&6 specified above, the DP after giving two days notice to the Beneficial Owner shall have the right to stop processing of instructions of the Beneficial Owner till such time he makes the payment along with interest, if any.

Liability of the Depository

21. As per Section 16 of Depositories Act, 1996,
 - a. Without prejudice to the provisions of any other law for the time being in force, any loss caused to the beneficial owner due to the negligence of the depository or the participant, the depository shall indemnify such beneficial owner.
 - b. Where the loss due to the negligence of the participant under Clause (1) above, is indemnified by the depository, the depository shall have the right to recover the same from such participant.

Freezing/ Defreezing of accounts

22. The Beneficial Owner may exercise the right to freeze/defreeze his/her demat account maintained with the DP in accordance with the procedure and subject to the restrictions laid down under the Bye Laws and Business Rules/Operating Instructions.
23. The DP or the Depository shall have the right to freeze/defreeze the accounts of the Beneficial Owners on receipt of instructions received from any regulator or court or any statutory authority.



Redressal of Investor grievance

24. The DP shall redress all grievances of the Beneficial Owner against the DP within a period of thirty days from the date of receipt of the complaint.

Authorized representative

25. If the Beneficial Owner is a body corporate or a legal entity, it shall, along with the account opening form, furnish to the DP, a list of officials authorized by it, who shall represent and interact on its behalf with the Participant. Any change in such list including additions, deletions or alterations thereto shall be forthwith communicated to the Participant.

Law and Jurisdiction

26. In addition to the specific rights set out in this document, the DP and the Beneficial owner shall be entitled to exercise any other rights which the DP or the Beneficial Owner may have under the Rules, Bye Laws and Regulations of the respective Depository in which the demat account is opened and circulars/notices issued there under or Rules and Regulations of SEBI.
27. The provisions of this document shall always be subject to Government notification, any rules, regulations, guidelines and circulars/ notices issued by SEBI and Rules, Regulations and Bye-laws of the relevant Depository, where the Beneficial Owner maintains his/ her account, that may be in force from time to time.
28. The Beneficial Owner and the DP shall abide by the arbitration and conciliation procedure prescribed under the Bye-laws of the depository and that such procedure shall be applicable to any disputes between the DP and the Beneficial Owner.
29. Words and expressions which are used in this document but which are not defined herein shall unless the context otherwise requires, have the same meanings as assigned thereto in the Rules, Bye-laws and Regulations and circulars/notices issued there under by the depository and /or SEBI.
30. Any changes in the rights and obligations which are specified by SEBI/Depositories shall also be brought to the notice of the clients at once.
31. If the rights and obligations of the parties hereto are altered by virtue of change in Rules and regulations of SEBI or Bye-laws, Rules and Regulations



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of the relevant Depository, where the Beneficial Owner maintains his/her account, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this document.



1.4 *Opening of demat account in case of HUF²³*

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.

1.5 *Operation of minor's demat account²⁴*

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.

1.6 *Facility for a Basic Services Demat Account (BSDA)²⁵*

1.6.1 All depository participants (DPs) shall make available a "Basic Services Demat Account" (BSDA) with limited services as per terms specified herein.

1.6.2 **Eligibility:** Individuals shall be eligible to opt for BSDA subject to the following conditions-

- i. All the individuals who have or propose to have only one demat account where they are the sole or first holder.
- ii. Individuals having any other demat account/s where they are not the first holder shall be eligible for BSDA in respect of the single demat account where they are sole or first holder.
- iii. The individual shall have only one BSDA in his/her name across all depositories.

²³ Reference: SEBI/ MRD/CDSL/ 149156 /2009 dated January 01, 2009

²⁴ Reference: SMDRP/NSDL/4615 /2000 dated March 13, 2000

²⁵ Reference Circular CIR/MRD/DP/22/2012 dated August 27, 2012 and Modified vide Circular CIR/MRD/DP/21/2014 dated July 01, 2014 and Circular CIR/MRD/DP/31/2014 dated November 12, 2014



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- iv. Value of securities held in the demat account shall not exceed Rupees Two Lakhs at any point of time.

1.6.3 Option to open BSDA: The DP shall give option:

- i. To open BSDA to all eligible individuals who open a demat account after the date of applicability of this circular;
- ii. To all the existing eligible individuals to convert their demat account into BSDA on the date of the next billing cycle based on value of holding of securities in the account as on the last day of previous billing cycle.

1.6.4 Charges:

- i. The charge structure may be on a slab basis as indicated below:
 - a. No Annual Maintenance Charges (AMC) shall be levied, if the value of holding is upto Rs. 50,000.
 - b. For the value of holding from Rs 50,001 to Rs 200,000, AMC not exceeding Rs 100 may be charged.
- ii. The value of holding shall be determined by the DPs on the basis of the daily closing price or NAV of the securities or units of mutual funds, as the case may be. Where such price is not available the last traded price may be taken into account and for unlisted securities other than units of mutual funds, face value may be taken in to account. The value of suspended securities may not be considered for the purpose of determining eligibility of demat account as BSDA.
- iii. If the value of holding in such BSDA exceeds the prescribed criteria at any date, the DPs may levy charges as applicable to regular accounts (non BSDA) from that date onwards.
- iv. The DPs shall reassess the eligibility of the BOs at the end of every billing cycle and give option to the BOs who are eligible to opt for BSDA.

1.6.5 Services for Basic Services Demat Accounts:

- i. Transaction statements:
 - a. Transaction statements shall be sent to the BO at the end of each quarter. If there are no transactions in any quarter, no transaction statement may be sent for that quarter.
 - b. If there are no transactions and no security balance in an account, then no further transaction statement needs to be provided.



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- c. Transaction statement shall be required to be provided for the quarter in which the account became a zero balance account.
- ii. Holding Statement:
 - a. DP shall send atleast one annual physical statement of holding to the stated address of the BO in respect of accounts with no transaction and nil balance even after the account has remained in such state for one year. The DP shall inform the BO that the dispatch of the physical statement may be discontinued if the account continues to remain zero balance even after one year.
 - b. One annual statement of holding shall be sent in respect of remaining accounts in physical or electronic form as opted for by the BO.
- iii. Charges for statements: Electronic statements shall be provided free of cost. In case of physical statements, the DP shall provide at least two statements free of cost during the billing cycle. Additional physical statement may be charged at a fee not exceeding Rs.25/- per statement.
- iv. All BOs opting for the facility of BSDA, shall register their mobile number for availing the SMS alert facility for debit transactions.
- v. At least Two Delivery Instruction Slips (DIS) shall be issued at the time of account opening.
- vi. All other conditions as applicable to regular demat accounts, other than the ones mentioned in this circular shall continue to apply to basic services demat account.

1.6.6 Rationalisation of services with respect to regular accounts.

In partial modification of the earlier directions, the following rationalisation measures shall be available for regular demat accounts:

- i. Accounts with zero balance and nil transactions during the year: DP shall send atleast one annual physical statement of holding to the stated address of the BO in respect of accounts with no transaction and nil balance even after the account has remained in such state for one year. The DP shall inform the BO that if no Annual Maintenance Charge (AMC) is received by the DP, the dispatch of the physical statement may be discontinued for the account which continues to remain zero balance even after one year.



- ii. Accounts which become zero balance during the year: For such accounts, no transaction statement may be sent for the duration when the balance remains nil. However, an annual statement of holding shall be sent to the BO.
- iii. Accounts with credit balance: For accounts with credit balance but no transactions during the year, half yearly statement of holding for shall be sent to the BO.

1.7 Change of Name in the Beneficial Owner (BO) Account²⁶

1.7.1 In order to simplify the procedure of change of name in individual Beneficial Owner's (BO) account, it has been decided that an individual BO may be allowed to change his/ her name, subject to the submission of following documents at the time of change of name of the individual in the BO account.

- i. In case of change in name on account of marriage following documents shall be submitted:
 - a. Marriage Certificate or copy of Passport showing husband's name or publication of name change in official gazette.
- ii. In case of change in name on account of reasons other than marriage
 - a. Publication of name change in official gazette.
- iii. In case of change in father's name
 - a. Publication of name change in official gazette.

1.7.2 The Depository Participants (DPs) shall collect the self attested copies of above documents and maintain the same in their records after verifying with the original document.

1.8 Fees/Charges to be paid by BO

1.8.1 Account opening, custody and credit of securities²⁷

With effect from February 1, 2005

²⁶ Reference Circular CIR/MRD/DP/27/2012 dated November 01, 2012

²⁷ Reference Circular MRD/DoP /SE/Dep/Cir-4/2005 dated January 28, 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.

1.8.2 Account Closure²⁸

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

1.8.3 Inter Depository Transfer²⁹

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

1.8.4 Transfer of a BO Account³⁰

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.

1.8.5 Account Maintenance Charges collected upfront on annual/ half yearly basis on demat accounts³¹

- i. 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

²⁸ Reference Circular D&CC/FITTC/CIR - 12/2002 dated October 30, 2002

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

³⁰ Reference Circular MRD/DoP/Dep/Cir-22 /05 dated November 9, 2005

³¹ Reference Circular MRD/DP/20/2010 dated July 1, 2010



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.

- ii. For the purpose of the above requirement the year shall begin from the date of opening of the account in quarterly rests.
- iii. The above requirements shall be applicable to all existing and new accounts held with DPs which collect annual/half yearly upfront AMC. It is clarified that the above requirements shall not be applicable to those DPs who collect quarterly/ monthly AMC.

1.8.6 Dissemination of tariff/charge structure of DPs on the website of depositories³²

- i. 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.
- ii. 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.

1.9 *Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode³³*

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

- i. 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

³² Reference Circular MRD/Dep/Cir- 20/06 dated December 11, 2006

³³Reference Circular SEBI/MRD/Dep/Cir-03/2007 dated February 13, 2007 and Circular SEBI/MRD/Dep/Cir-03/2008 dated February 28, 2008



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or signed” DIS with the Depository Participants (DPs) or any other person/entity.

- ii. The DPs shall not accept pre-signed DIS with blank columns from the BO(s).
- iii. 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.
- iv. 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
- v. 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
- vi. The DPs shall put in place appropriate checks and balances with regard to verification of signatures of the BOs while processing the DIS.
- vii. The DPs shall cross check with the BOs under exceptional circumstances before acting upon the DIS.
- viii. 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 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.



1.10 Delivery Instruction Slip (DIS) Issuance and Processing³⁴

Standardization of DIS

- i. Depositories shall ensure that the DIS is standardized across all DPs in terms of:
 - a. Serial Numbering of Delivery Instruction Slips so as to enable system level checks by the depositories.
 - b. Layout and size of DIS so as to facilitate scanning and easy retrievability of records
- ii. The DIS must bear a pre-printed serial number, DP ID, and a pre-printed/pre stamped Beneficial Owner (BO) ID. The depositories shall prescribe a standard method of serial numbering and ensure that serial numbers issued by a DP are unique within the DP-ID.
- iii. DPs shall ensure that
 - a. same DIS shall not be used for giving both market and off-market instructions
 - b. a single DIS shall not be used for transactions with multiple execution dates.

Monitoring of DIS

- iv. Upon issuance of DIS booklets or loose slips to BO, the DPs shall make available immediately the following details of the DIS to the depository system electronically:
 - a. the DIS serial number
 - b. BO ID
 - c. date of issuance, and
 - d. any other relevant details as decided by the depository
- v. At the time of execution of DIS, DPs shall enter the serial number of DIS in the depository system for validation. The depositories shall make provisions in their systems to facilitate the same.
- vi. In respect of all the transfer instructions on a DIS, Depositories shall validate the serial number of DIS and shall ensure that no instructions accompanied by a used DIS or unissued DIS are processed.

³⁴ Circular SEBI/MRD/DOP/01/2014 dated January 07, 2014



Scanning of DIS

- vii. DPs shall scan every DIS executed during a day along with all Annexures/ Computer printouts, if any, by the end of the next working day in the manner specified by the depository.
- viii. The depositories shall ensure that their DPs have adequate infrastructure, systems and processes to implement scanning, storage and transfer of the scanned DIS in the manner specified by the depositories.
- ix. The depositories shall ensure that the systems set up by the DPs maintain proper records of all scanned DIS images including audit trails for changes made, if any and put in place adequate checks and procedures to prevent unauthorized changes to scanned DIS.
- x. Depositories shall utilize the archived scanned images for off-site inspection.
- xi. Provisions of this circular shall not be applicable for the instructions received from the clients by the DPs electronically in a manner approved by the Depository.
- xii. Once a new DIS booklet is issued to a BO as per provisions of this circular, old DIS issued to such a BO shall not be accepted by the DP. A period of one month may be given for receipt of DIS by the BOs. The DPs may accept old DIS during this transit period.³⁵ All DIS issued prior to this circular shall be phased out within a period of 2 years from the date of this circular. The measures listed above under the head 'Monitoring of DIS' shall be made applicable to the DIS issued as per the provisions of this circular.

1.11 Transmission of shares^{36,37}

- 1.11.1 In cases of transmission of shares of a deceased security holder, where the shareholding in the BO account of the deceased member, as calculated on the date of application for transmission, is within the threshold limit of Rupees Five lakh in value, the DPs shall not insist on additional documents other than any one or more of the documents mentioned below.

³⁵ Reference: CIR/MRD/DP/22/2014 dated July 04, 2014

³⁶ Reference: MRD/DoP/Dep/VM/182963/2009 dated November 12, 2009

³⁷ Reference: CIR/MIRSD/10/2013 dated October 28, 2013



- i. Affidavit – to the effect of the claim of legal ownership of the shares
- ii. Deed of indemnity – indemnifying the depository and DP
- iii. NOC from other legal heir(s), wherever applicable, along with the Claim Form/TRF and copy of death certificate duly notarized/ attested by a Gazetted officer or Family Settlement Deed as an alternate to the NOC duly executed by all the legal heirs of the deceased Beneficial Owner, provided that:
 - a. The Family Settlement Deed clearly vests the securities in favour of the person seeking transmission in his/ her name.
 - b. Vesting of securities in favour of the person seeking transmission in his/ her name is not contingent upon any other onerous conditions in such Family Settlement Deed.

Note: If the division of shares as per the Family Settlement Deed is amongst more than one person, then the Family Settlement Deed can be considered as an NOC for transmission of shares to each legal heirs applying for transmission. However, if DPs still have problems in comprehending the contents of the Family Settlement Deed, they should refer the matter to Depositories for necessary advice on case-to-case basis.

- 1.11.2 DP(s) shall automatically open new account in the name of the surviving members(s), in the same order as in the original account, on an application by the surviving member(s) based on existing documents required as per the KYC norms. Submission of new account opening form shall not be insisted upon.
- 1.11.3 A uniform time frame of 7 days, after receipt of all requisite documents, shall be prescribed for processing of Transmission requests.
- 1.11.4 In case of multiple successors, NOC of non-applicants shall be recorded on the TRF of the applicant instead of insisting separate TRF from each of the successors.
- 1.11.5 Nomination facility shall be encouraged by the Depositories specifically targeting BOs who have not opted for nomination. As regards new accounts, it shall be provided for at the account opening stage itself. In case the person (both an existing and new account holder) is not interested to



nominate, then such person would have to give a positive declaration to that effect.

1.11.6 In case of transmission of securities held in physical mode:

- i. Where the securities are held in single name with a nominee, STAs/issuer companies shall follow the standardized documentary requirement as given in Annexure A.
- ii. Where the securities are held in single name without a nominee, the STAs/issuer companies shall follow, in the normal course, the simplified documentation as given in Annexure A, for a threshold limit of ` 2,00,000 (Rupees Two lakh only) per issuer company. However, the Issuer companies, at their discretion, may enhance the value of such securities.

1.11.7 The timeline for processing the transmission requests for securities held in dematerialized mode and physical mode shall be 7 days and 21 days respectively, after receipt of the prescribed documents.

1.11.8 To improve the awareness of nomination facility, all Registrars to an Issue and Share Transfer Agents shall publicize nomination as an additional right available to investors, while sending communications to the investors.



Annexure A

Documentary requirement for securities held in physical mode

- 1 For securities held in single name with a nominee:
 - i. Duly signed transmission request form by the nominee.
 - ii. Original or Copy of death certificate duly attested by a Notary Public or by a Gazetted Officer.
 - iii. Self attested copy of PAN card of the nominee. (*Copy of PAN card may be substituted with ID proof in case of residents of Sikkim after collecting address proof*)

- 2 For securities held in single name without a nominee, following additional documents may be sought:
 - i. Affidavit made on appropriate non judicial stamp paper – to the effect of identification and claim of legal ownership to the securities
 - ii. For value of securities upto Rs. 2,00,000 (Rupees Two lakh only) per issuer company as on date of application, one or more of the following documents:
 - a. No objection certificate [NOC] from all legal heir(s) who do not object to such transmission (or) copy of Family Settlement Deed duly notarized or attested by a Gazetted Officer and executed by all the legal heirs of the deceased holder.
 - b. Indemnity made on appropriate non judicial stamp paper – indemnifying the STA/Issuer Company.
 - iii. For value of securities more than ` 2,00,000 (Rupees Two lakh only) per issuer company as on date of application:
 - a. Succession certificate (or) Probate of will (or) Letter of Administration (or) Court decree.



1.12 *SMS alerts for demat accounts operated by Power of Attorney*³⁸

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.

1.13 *Exemption from sending quarterly statements of transactions by depository participants (DPs) to clients in respect of demat accounts with no transactions and no security balances*³⁹

- i. 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:
 - a. 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.
 - b. KYC and PAN requirement in respect of all such depository accounts are complied.
 - c. No Annual Maintenance Charges are levied for such an account.
 - d. 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.
 - e. The Internal Auditor of the Participant shall comment in its internal audit report on compliance of the aforesaid requirements.
- ii. Further, depository may like to consider whether, DPs should send a consolidated Transaction Statements for the entire financial year in case of the BOs to whom quarterly Transaction Statements are not sent.

1.14 *Discontinuation of sending transaction statements by depository participants to clients*⁴⁰

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

³⁸ Reference: SEBI/MRD/DEP/VM/169784 /09 dated July 15, 2009

³⁹ 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

⁴⁰ Reference: MRD/NSDL/VM/158886 /2009 dated March 30, 2009



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

1.15 *Exemption to Depository Participants (DPs) from providing hard copies of transaction statements to BOs⁴¹*

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 (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.

1.16 *Transfer of funds and securities from Clearing Member pool account to BO Account⁴²*

- i. 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

⁴¹ Reference Circular MRD/DoP/Dep/Cir-27/2004 dated August 16, 2004

⁴²Reference Circular SMDRP/Policy/Cir-05/2001 dated February 1, 2001 & Circular SEBI/MRD/Policy/AT/Cir-19/2004 dated April 21, 2004



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.

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

1.17 Consolidated Account Statement (CAS) for all securities assets⁴³

- i. Pursuant to the Interim Budget announcement in 2014 to create one record for all financial assets of every individual, it has been decided to enable a single consolidated view of all the investments of an investor in Mutual Funds (MF) and securities held in demat form with the Depositories.
- ii. The Depositories and the Asset Management Companies (AMCs)/ MF-RTAs shall put in place systems to facilitate generation and dispatch of single Consolidated Account Statements (CAS) for investors having MF investments and holding demat accounts. AMCs/ RTAs shall share the requisite information with the Depositories on monthly basis to enable generation of CAS.
- iii. Consolidation of account statement shall be done on the basis of PAN. In case of multiple holding, it shall be PAN of the first holder and pattern of

⁴³ Circular CIR/MRD/DP/31/2014 dated November 12, 2014



holding. Based on the PANs provided by the AMCs/MF-RTAs, the Depositories shall match their PAN database to determine the common PANs and allocate the PANs among themselves for the purpose of sending CAS. For PANs which are common between depositories and AMCs, the Depositories shall send the CAS. In other cases (i.e. PANs with no demat account and only MF units holding), the AMCs/ MF-RTAs shall continue to send the CAS to their unit holders as is being done presently in compliance with the Regulation 36(4) of the SEBI (Mutual Funds) Regulations.

- iv. In case investors have multiple accounts across the two depositories, the depository having the demat account which has been opened earlier shall be the default depository which will consolidate details across depositories and MF investments and dispatch the CAS to the investor. However, option shall be given to the demat account holder by the default depository to choose the depository through which the investor wishes to receive the CAS.
- v. The CAS shall be generated on a monthly basis. The AMCs /MF-RTAs shall provide the data with respect to the common PANs to the depositories within three days from the month end. The depositories shall then consolidate and dispatch the CAS within ten days from the month end.
- vi. Where statements are presently being dispatched by email either by the Mutual Funds or by the Depositories, CAS shall be sent through email. However, where an investor does not wish to receive CAS through email, option shall be given to the investor to receive the CAS in physical form at the address registered in the Depository system.
- vii. A proper grievance redressal mechanism shall be put in place by the depositories and the AMCs/MF-RTAs which shall also be communicated to the investors through CAS. AMCs/MF-RTAs would be accountable for the authenticity of the information provided through CAS in respect of MF investments and timely sharing of such information with Depositories. The Depositories would be responsible for the timely dispatch of CAS to the investors serviced by them and the demat account information.
- viii. The depositories and the AMCs/ MF-RTAs shall ensure data integrity and confidentiality in respect of the shared information. The depositories shall utilise the shared data only for the purpose of providing CAS and shall not share the same with their Depository Participants. Where Depositories are required to share such information with unregulated entities like third party printers, the depositories shall enter into necessary data confidentiality agreements with them.



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- ix. The CAS shall be implemented from the month of March 2015 with respect to the transactions carried out during the month of February 2015.
- x. If an investor does not wish to receive CAS, an option shall be given to the investor to indicate negative consent. Depositories shall accordingly inform investors in their statements from the month of January 2015 about the facility of CAS and give them information on how to opt out of the facility if they do not wish to avail it.
- xi. Where such an option is exercised, the concerned depository shall inform the AMC/MF-RTA accordingly and the data with respect to the said investor shall not be shared by the AMC/MF-RTA with the depository.
- xii. If there is any transaction in any of the demat accounts of the investor or in any of his mutual fund folios, then CAS shall be sent to that investor on monthly basis. In case there is no transaction in any of the mutual fund folios and demat accounts then CAS with holding details shall be sent to the investor on half yearly basis. However, in case of demat accounts with nil balance and no transactions in securities and in mutual fund folios, the requirement to send physical statement shall be applicable as specified at para 1.6.5 and 1.6.6 of this chapter.
- xiii. Further, the holding statement dispatched by the DPs to their BOs with respect to the dormant demat accounts with balances shall also be dispatched half-yearly.
- xiv. The dispatch of CAS by the depositories to BOs would constitute compliance by the Depository Participants with requirement under Regulation 43 of SEBI (Depositories and Participants) Regulations, to provide statements of account to the BOs as also compliance by the MFs with the requirement under Regulation 36(4) of SEBI (Mutual Funds) Regulations.



Section 2: Depository Participants Related

2.1 *Supervision of branches of DPs⁴⁴*

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

2.2 *Printing of Grievances Redressal Mechanism on Delivery Instruction Form Book⁴⁵*

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.

In case you have grievances against a listed company or intermediary registered with SEBI, you should first approach the concerned company or intermediary against whom you have grievance. If you are not satisfied with their response,

⁴⁴ Reference Circular MIRSD/DPS-III/Cir-9/07 dated July 3, 2007

⁴⁵ Reference Circular No. SEBI/MRD/DP/25/2012 dated September 21, 2012



you may approach SEBI or other regulatory bodies. You can approach SEBI for following type of grievances.

<p>Listed Companies</p> <ul style="list-style-type: none"> • Refund / Allotment/ Bonus/ Dividend/ Rights/ Redemption/ Interest • Prelisting offer documents (shares) • Prelisting offer documents (debentures and bonds) • Delisting of Securities • Buyback of Securities • Takeover and Restructuring • Corporate Governance and Listing conditions 	<p>Brokers and stock exchanges</p> <ul style="list-style-type: none"> • Stock Brokers • Sub brokers • Portfolio managers • Stock exchanges
<p>Registrar and Transfer Agents</p>	<p>Other entities Collective Investment Schemes Debenture Trustees Merchant Bankers Bankers to Issue Credit Rating Agencies Custodian of Securities Foreign Institutional Investors Underwriters Venture Capital Funds KYC Registration Agency(KRA) Alternative Investment Fund</p>
<p>Mutual Funds</p>	
<p>Depository and Depository Participants</p>	
<p>Information to SEBI:</p> <ul style="list-style-type: none"> • Price Manipulation • Insider trading 	
<p>You can file your complaints online at http://scores.gov.in or alternately send your complaints to Office of Investor Assistance and Education of SEBI at Mumbai or Regional Offices at the following addresses:</p>	
<p>Address of SEBI Offices</p>	
<ul style="list-style-type: none"> • <u>Office of Investor Assistance and Education</u>, SEBI Bhavan, Plot No.C4-A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 Tel: 022-26449188 / 26449199 (http://scores.gov.in) 	
<ul style="list-style-type: none"> • SEBI, Northern Regional Office, 5th Floor, Bank of Baroda Building, 16, Sansad Marg, New Delhi -110001 Tel: 011-23724001-05 (sebinro@sebi.gov.in) 	



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For more information visit our website - <http://scores.gov.in>



SECTION 3: Issuer Related

3.1 Charges paid by Issuers ^{46,47}

- i. With effect from April 27, 2011 depositories may levy and collect the charges towards custody from the issuers, on the basis of average no. of folios (ISIN position) during the previous financial year, as per the details given below:
- ii. 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*

- iii. The average no. of folios (ISIN positions) for an Issuer may be arrived at by dividing the total number of folios for the entire financial year by the total number of working days in the said financial year.
- iv. If the issuer fails to make the payment, Depositories may charge penal interest subject to a maximum of 12% per annum.

3.2 Activation of ISIN in case of IPO and additional issue of shares/ securities

- i. Depositories shall activate the ISINs only on the date of commencement of trading on the stock exchanges in case of IPOs for both the equity and debt securities.⁴⁸
- ii. Further, in order to curtail the transfer of additional issue of shares/ securities including by way of further public offerings, rights issue, preferential allotment, bonus issue etc of the listed company, prior to

⁴⁶ 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

⁴⁷ Reference Circular CIR/MRD/ DP/05/2011 dated April 27, 2011

⁴⁸ Reference Circular SEBI/MRD/DEP/Cir-2/06 dated January 19, 2006 and Circular CIR/MRD/DP/ 21 /2012 dated August 02, 2012



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receipt of final listing / trading approval, the depositories shall devise a mechanism so that such new securities created shall be frozen till the time final listing/ trading permission is granted by the exchange.⁴⁹

- iii. In order to achieve the above, the Depositories are advised to allot such additional shares/securities under a new temporary ISIN which shall be kept frozen. Upon receipt of the final listing/ trading permission from the exchange for such additional shares/ securities, the shares/securities credited in the new temporary ISIN shall be debited and the same would get credited in the preexisting ISIN for the said security. Thereafter, the additional securities shall be available for trading.
- iv. The stock exchanges are advised to provide the details to the depositories whenever final listing / trading permission is given to securities. Further, in case of issuance of equity shares by a company, listed on multiple stock exchanges, the concerned stock exchanges shall synchronize their effective dates of listing / trading approvals and intimate the same to depositories in advance.³⁴

3.3 *Registrar and Share Transfer Agent*

3.3.1 **Appointment of a single agency for share registry work⁵⁰**

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.

3.3.2 **Inter-Depository transfers⁵¹**

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

- i. A Depository does not have adequate balance of securities in its account or
- ii. there is mismatch of transfer requests from the Depositories.

⁴⁹ Reference Circular CIR/MRD/DP/24/2012 dated September 11, 2012

⁵⁰ Reference Circular D&CC/FITTC/Cir-15/2002 dated December 27, 2002

⁵¹ Reference Circular no. SMDRP/Policy/Cir-28/99 dated August 23, 1999



3.3.3 Common Registrars and Share Transfer agents⁵²

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

3.3.4 Dematerialisation requests^{51, 53}

- i. 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.
- ii. 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.

3.4 *Mandatory admission of debt instruments on both the Depositories⁵⁴*

Debt instruments shall necessarily be admitted on both the Depositories.

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

3.5.1 Delivery of underlying shares of GDRs/ADRs in dematerialised form⁵⁵

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.

⁵² Reference Circular SMDRP/Policy/Cir-28/99 dated August 23, 1999

⁵³ Reference: D&CC/ 1099 / 2002 dated November 01, 2002

⁵⁴Reference Circular D&CC/FITTC/Cir-13/2002 dated November 1, 2002 and Circular MRD/DoP/SE/Dep/Cir-36/04 dated October 27, 2004

⁵⁵ Reference Circular SMDRP/Policy/Cir-9/99 dated May 6, 1999



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.

3.5.2 Tracking of underlying shares of GDRs/ADRs⁵⁶

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:

- i. Total number of shares at the beginning of the month
- ii. Number of shares transferred into the account (credited) during the month
- iii. Number of shares transferred out of the account (debited) during the month.
- iv. Balance at the end of the month.

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

3.6 *Electronic Clearing System (ECS) facility*

3.6.1 Use of ECS for refund in public/ rights issues.⁵⁷

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.

3.6.2 Updation of bank accounts details, MICR code and IFSC of bank branches by Depository Participants (DPs)⁵⁸

⁵⁶Reference Circular D&CC/FITTC/Cir-09/2002 dated July 4, 2002 and Circular D&CC/FITTC/Cir-10/2002 dated September 25, 2002

⁵⁷Reference Circular SEBI/MRD/DEP/Cir-3/06 dated February 21, 2006 and circular SEBI/CFD/DIL/DIP/29/2008/01/02 dated February 1, 2008

⁵⁸ Reference: MRD/DEP/PP/123624 /2008 dated April 23, 2008



- i. 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.
- ii. 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 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).
- iii. 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.

3.6.3 Usage of electronic payment modes for making cash payments to the investors⁵⁹

- i. For making cash payments to the investors, companies whose securities are listed on the stock exchanges shall use, either directly or through their Registrars to an Issue and Share Transfer Agent (RTI & STA), any RBI (Reserve Bank of India) approved electronic mode of payment such as Electronic Clearing Services (ECS) [LECS (Local ECS) / RECS (Regional ECS) / NECS (National ECS)], National Electronic Fund Transfer (NEFT), etc.
- ii. In order to enable usage of electronic payment instruments, companies whose securities are listed on the stock exchanges (or their RTI & STA) shall maintain requisite bank details of their investors -
 - a. For investors that hold securities in demat mode, companies or their RTI & STA shall seek relevant bank details from the depositories. To this end, vide circular SEBI/MRD/DEP/Cir-3/06 dated February 21, 2006 and letter MRD/DEP/PP/123624/2008 dated April 23, 2008, depositories have been advised to ensure that correct account particulars of investors are available in the database of depositories.

⁵⁹ Reference Circular CIR/MRD/DP/10/2013 dated March 21, 2013



- b. For investors that hold physical share / debenture certificates, companies or their RTI & STA shall take necessary steps to maintain updated bank details of the investors at its end.
- iii. In cases where either the bank details such as MICR (Magnetic Ink Character Recognition), IFSC (Indian Financial System Code), etc. that are required for making electronic payment are not available or the electronic payment instructions have failed or have been rejected by the bank, companies or their RTI & STA may use physical payment instruments for making cash payments to the investors. Companies shall mandatorily print the bank account details of the investors on such payment instruments.
- iv. Depositories are directed to provide to companies (or to their RTI & STA) updated bank details of their investors.

3.7 *Withdrawal by issuers from the depository*⁶⁰

- i. 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.
- ii. 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

3.8 *Further issue of shares under Section 86 of Companies Act and Companies (Issue of Share capital with Differential Voting Rights) Rules, 2001*⁶¹

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.

⁶⁰ Reference: MRD/DoP/NSDL/VM/ 162378 /2009 dated May 06, 2009

⁶¹ Reference: MRD/DoP/MC/141442 /2008 dated October 17, 2008



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SECTION - 4: Depositories Related

4.1 Activity schedule for depositories for T+2 rolling Settlement⁶²

- i. 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.

- ii. 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:
- b. 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.
 - c. DPs shall complete execution of pay-in instructions latest by 10:30 a. m. on T+2.
 - d. Depositories shall download the processed pay-in files to the Exchange / Clearing House / Clearing Corporation latest by 11:00 a.m. on T+2.
 - e. 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.
 - f. Pay-out of securities shall be completed by the Depositories by 2:00 p.m. on T+2.
- iii. 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

⁶²Reference Circular DCC/FITTC/Cir-19/2003 dated March 4, 2003 and Circular MRD/DoP/SE/Dep/Cir-18/2005 dated September 2, 2005



the client account does not have sufficient balance before pay-in deadline or till EOD, such instructions shall fail.

4.2 Settlement of transactions in case of holidays⁶³

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.

- i. 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.
- ii. 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.
- iii. 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.
- iv. The Stock Exchanges/Depositories shall follow a strict time schedule to ensure that the settlements are completed on the same day.
- v. 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.

4.3 Deadline time for accepting non pay-in related instructions⁶⁴

- i. 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

⁶³ Reference Circular SEBI/MRD/Policy/AT/Cir- 19/2004 dated April 21, 2004

⁶⁴ Reference: MRD/VSS/ARR/ 12255/2004 dated June 10, 2004



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.

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

4.4 *Approval of amendments to Bye Laws / Rules of Stock Exchanges and Depositories*⁶⁵

- i. Depositories and exchanges shall submit the following information while seeking SEBI approval for amendment to Bye Laws/ Rules/ Regulations and amendments thereto:
 - a. The objective/purpose of amendments.
 - b. Whether the amendment is consequential to any directive/circulars/guidelines from SEBI/ Government and the details thereof.
 - c. Whether such amendments necessitate any consequential amendments to any other Bye Laws/ Rules/ Regulations.
 - d. The proceedings of the Governing Board or Governing Council, as the case may be, wherein these proposed amendments were approved by the Exchanges/ Depositories.
 - e. 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.
- ii. 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.

⁶⁵ Reference Circular LGL/Cir-2/2003 dated February 19, 2003



4.5 *Preservation of Records*⁶⁶

- 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.

4.6 *Pledge of Shares through depository system*⁶⁷

- i. 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.
- ii. 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.

4.7 *Foreign investments in infrastructure companies in securities markets*⁶⁸

- i. 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;

⁶⁶Reference 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

⁶⁷ Reference: MRD/DoP/MAS – OW/16723/2010 dated August 17, 2010

⁶⁸ Reference Circular MRD/DSA/SE/Dep/Cust/Cir-23/06 dated December 22, 2006



- 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.
- ii. 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.

4.8 *Designated e-mail ID for regulatory communication with SEBI*⁶⁹

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.

4.9 *Designated e-mail ID for redressal of investor complaints*⁷⁰

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

4.10 *Redressal of complaints against Stock Exchanges (SEs) and Depositories through SEBI Complaints Redress System (SCORES)*⁷¹

- i. The complaints received by SEBI against SEs and Depositories shall be electronically sent through SCORES. Depositories are advised to view the pending complaints at <http://scores.gov.in/admin> and submit the Action Taken Report (ATR) along with supporting documents electronically in SCORES. Updation of action taken shall not be possible with physical ATRs. Hence, submission of physical ATR shall not be accepted for complaints lodged in SCORES.

⁶⁹ Reference Circular MIRSD/DPS- III/Cir-23/08 dated July 25, 2008

⁷⁰ Reference Circular MRD/DoP/Dep/SE/Cir-22/06 dated December 18, 2006

⁷¹ Reference Circular CIR/MRD/ICC/16/2012 dated June 15, 2012



- ii. The SEs and Depositories shall do the following:
 - a. indicate a contact person in case of SCORES, who is an employee heading the complaint services division/cell/department. Contact detail (i.e. phone no., email id, postal address) of the said contact person be made widely available for e.g. on the websites of Depositories.
 - b. address/redress the complaints within a period of 15 days upon receipt of complaint on SCORES. In case additional information is required from the complainant, the same shall be sought within 7 days of receipt on SCORES. In such case, the period of 15 days will be counted upon the receipt of additional information.
 - c. maintain a monthly record of the complaints which are not addressed/redressed within 15 days from the date of receipt of the complaint/information, alongwith the reason for such pendency.
 - d. Upload/update the ATR on the SCORES. Failure to do so shall be considered as non-redressal of the complaint and the complaint shall be shown as pending.

4.11 *Limitation period for filing an arbitration reference*⁷²

- i. It is decided that the limitation period for filing an arbitration reference shall be governed by the law of limitation, i.e., The Limitation Act, 1963. The modified limitation period shall also be applicable to cover inter alia the following cases:
 - a. where the limitation period (in terms of Limitation Act 1963) have not yet elapsed and the parties have not filed for arbitration with the depository,
 - OR
 - b. where the arbitration application was filed but was rejected solely on the ground of delay in filing within the earlier limitation period; and the limitation period (in terms of Limitation Act 1963) have not yet elapsed.

⁷² Reference Circular CIR/MRD/DP/4/2011 dated April 7, 2011



4.12 *Disclosure of investor complaints and arbitration details on Depository website*⁷³

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:

- i. Report 1A: Complaints received against DPs during 2009-10
- ii. Report 1B: Redressal of Complaints received against DPS during 2008-09
- iii. Report 1C: Redressal of Complaints received against DPs during 2009-10
- iv. Report 2A: Details of Arbitration Proceedings (where Investor is a party) during 2008-09:
- v. Report 2B: Details of Arbitration Proceedings (where Investor is a party) during 2009-10
- vi. Report 3A: Penal Actions against DPs during 2008-09
- vii. Report 3B: Penal Actions against DPs during 2009-10
- viii. Report 4A: Redressal of Complaints lodged by investors against Listed Companies during 2008 -09
- ix. Report 4B: Redressal of Complaints lodged by investors against Listed Companies during 2009 -10

⁷³ Reference Circular SEBI/MRD/ OIAE/ Dep/ Cir- 4/2010 dated January 29, 2010



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N												
Total												

*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)



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****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)



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N									
Total									

(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



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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
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.



4.13 *Disclosure of regulatory orders and arbitration awards on Depository website⁷⁴*

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.

4.14 *Establishment of connectivity by Clearing House / Clearing Corporation (CH/CC) with the Depository - Clarification⁷⁵*

- i. 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.
- ii. 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.

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

- i. 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 excluded⁷⁶.
- ii. In view of the potential risk to the system and also to maintain the integrity

⁷⁴ Reference Circular SEBI/MRD/ DP/ 19/2010 dated June 10, 2010

⁷⁵ Reference: MRD/DoP/ Dep/82334 /2006 dated December 14, 2006

⁷⁶ Reference: SMDRP/RKD /NSDL/2494 /98 dated November 18, 1998, SMDRP/CDSL / 18300 /2000 dated November 16, 2000



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: For this purpose, the depositories may monitor the value of securities with its SBDPs on an "end of the day" basis.]⁷⁷

4.16 *Rajiv Gandhi Equity Savings Scheme, 2012 (RGESS)*⁷⁸

- i. Vide notification 51/2012 dated November 23, 2012, Department of Revenue, Ministry of Finance (MoF) has notified the Rajiv Gandhi Equity Savings Scheme (RGESS), 2012. The notification is available on the website of Income Tax Department under section "Notifications".
- ii. With regard to implementation of the MoF notification, the following is clarified:
 - a. For RGESS eligible close-ended Mutual Funds schemes, advice given by AMCs to the depository for extinguishment of units of close ended schemes upon maturity of the scheme shall be considered as settled through depository mechanism and therefore RGESS compliant.
 - b. AMCs shall disclose that the concerned RGESS eligible Exchange Traded Funds and Mutual Fund schemes is in compliance with the provisions of RGESS guidelines notified by Ministry of Finance vide notification no. 51/2012 F. No. 142/35/2012-TPL dated November 23, 2012, in Scheme Information Document (SID), in case of new fund offer, or by way of addendum, in case of existing RGESS eligible Exchange Traded Funds and Mutual Fund schemes.
 - c. Section 6(c) of the notification states that the eligible securities brought into the demat account will automatically be subject to lock-in during the first year, unless the new investor specifies otherwise and for such specifications, the new retail investors shall submit a declaration in Form B indicating that such securities are not to be included within the above limit of investment. It is clarified that such declaration shall be

⁷⁷ Reference: MRD/DRK/SU/16034/2003 dated August 22, 2003

⁷⁸ Reference Circular CIR/MRD/DP/32/201 dated December 06, 2012



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submitted by an investor to its Depository Participant within a period of one month from the date of transaction.

- d. For transactions undertaken by investors through their RGESS designated demat account, Depositories may seek necessary transactional details from stock exchanges viz. Actual Trade value, Trading date, Settlement number, etc, for the purpose of enforcing lock-in and for generating reports mandated vide MoF notification on RGESS. On receipt of such request from depositories, stock exchanges shall provide the details to depositories on an immediate basis. It shall also be ensured that a uniform file structure is used by stock exchanges and depositories for such intimation of transaction details.
 - e. With regard to point 3(ix) (a) & (b) of RGESS notification, depositories may seek confirmation, as applicable, from stock exchanges.
 - f. With regard to the securities held in the RGESS designated account, treatment of the corporate actions shall be as given at Annexure A.
- iii. Stock exchanges shall furnish list of RGESS eligible stocks / ETFs / MF schemes on their website. Further, the list shall also be forwarded to the depositories at monthly intervals and whenever there is any change in the said list. For this purpose, Mutual Funds / AMCs shall communicate list of RGESS eligible MF schemes / ETFs to the stock exchanges.



Annexure A

Treatment of corporate actions

(i) Involuntary corporate actions: In case of corporate actions where investors has no choice in the matter, for example: demerger of companies, etc, the compliance status of RGESS demat account shall not change.

(ii) Voluntary corporate actions: In case of corporate actions where investors has the option to exercise his choice and thereby result in debit of securities, for example: buy-back, etc, the same shall be considered as a sale transaction for the purpose of the scheme.

Consolidated list of 'corporate actions'

Sr. No.	Corporate Action	Classification (Involuntary or Voluntary)
1	Amalgamation	Involuntary
2	Scheme of Arrangement	Involuntary
3	Reduction of Capital	Involuntary
4	Bonus issue	Involuntary
5	Buy Back of Shares	Voluntary (Involuntary in case of court intervention)
6	Stock Split	Involuntary
7	Consolidation of Shares	Involuntary
8	Conversion of Partly Paid up	Involuntary
9	Dividend [Final/ Interim/ Special]	Involuntary
10	Exchange of Share Certificate [Name change]	Involuntary
11	Rights Issue	Voluntary
12	Conversion (compulsory)*	Involuntary
13	Conversion (optionally)*	Involuntary
14	Redemption	Involuntary (voluntary, if there is option to continue with revised terms)
15	Dividend on Mutual Fund	Involuntary
16	Redemption of Mutual Fund	Involuntary on maturity (voluntary, if there is option to shift between different scheme(s) or on account of exit



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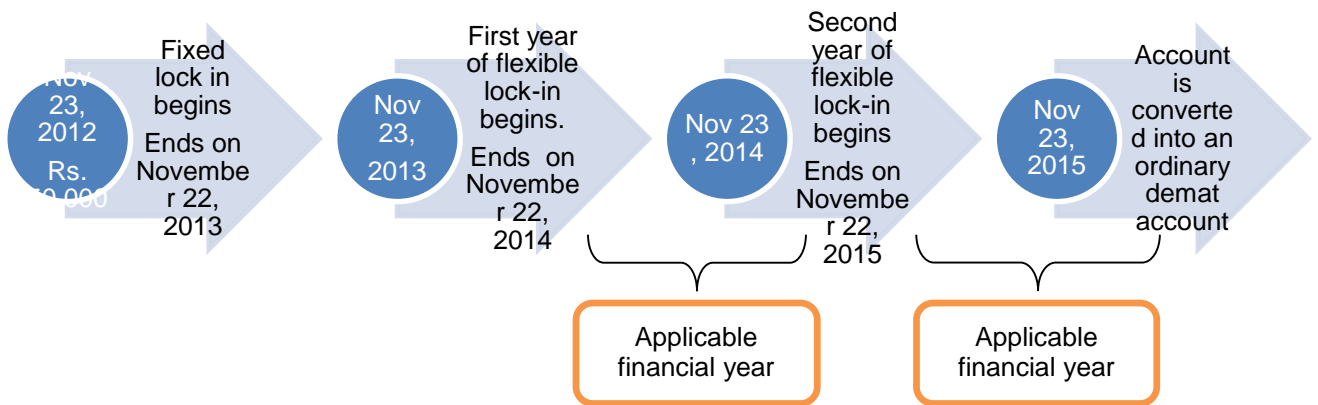
		option due to change in fundamental attributes of scheme)
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* Considering any conversion into equities (e.g.: Conversion of warrants into equities)



Annexure B - Illustration of lock-in period in RGESS

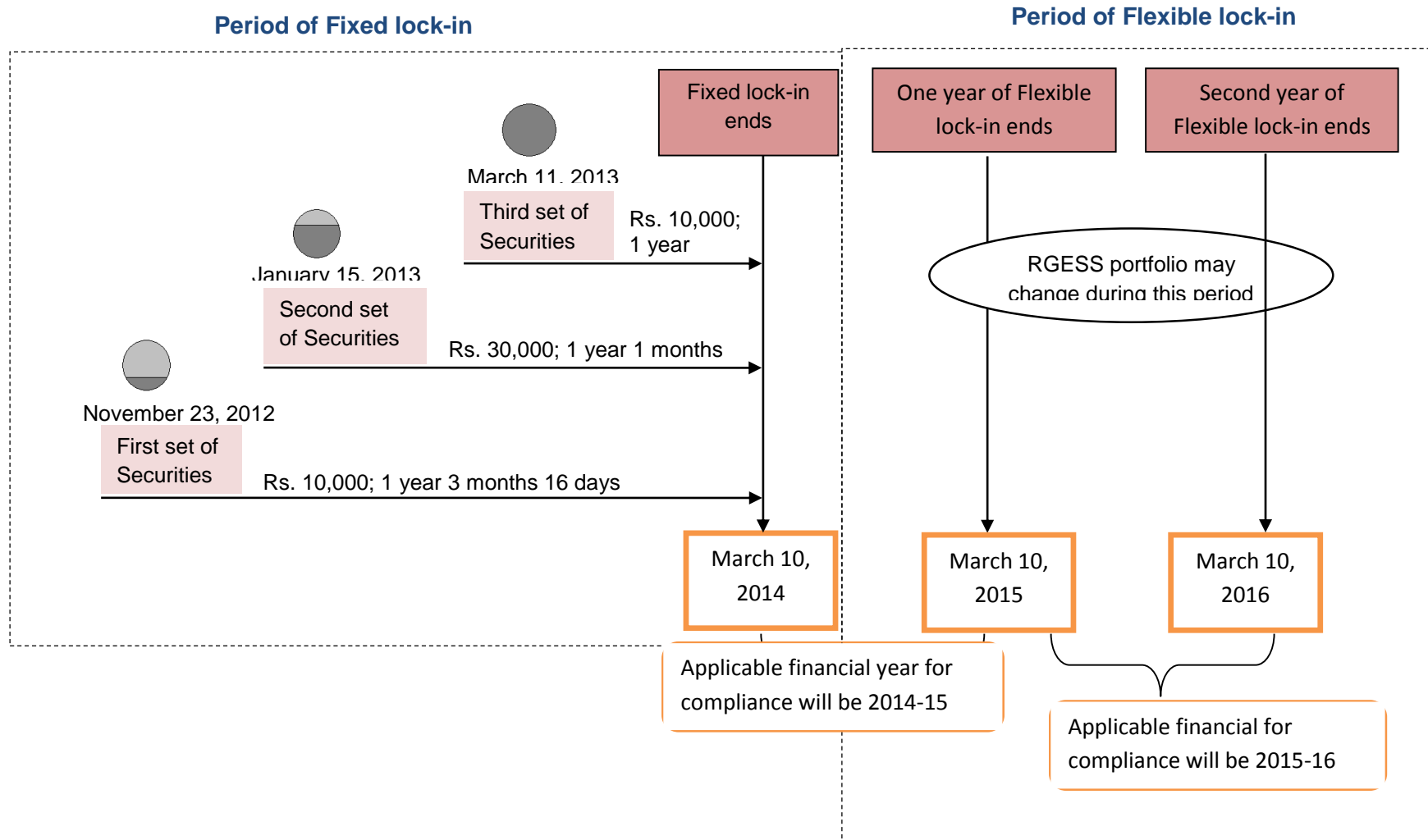
I. RGESS lock-in period if investments are brought in at once





Annexure B - Illustration of lock-in period in RGESS

I. RGESS lock-in period if investments are brought in installments





4.17 *Principles of Financial Market Infrastructures (PFMIs)*⁷⁹

Background

- i. To promote and sustain an efficient and robust global financial infrastructure, the Committee on Payments and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) published the *Principles for financial market infrastructures*¹ (PFMIs) on April 2012. They replace the three existing sets of international standards set out in the Core Principles for Systemically Important Payment Systems (CPSIPS); the Recommendations for Securities Settlement Systems (RSSS); and the Recommendations for Central Counterparties (RCCP). CPSS and IOSCO have strengthened and harmonised these three sets of standards by raising minimum requirements, providing more detailed guidance and broadening the scope of the standards to cover new risk-management areas and new types of FMIs.
- ii. The PFMIs comprise of **24 principles** (Annex 1) for Financial Market Infrastructure to provide for effective regulation, supervision and oversight of FMIs. They are designed to ensure that the infrastructure supporting global financial markets is robust and well placed to withstand financial shocks.
- iii. Full, timely and consistent implementation of the PFMIs is fundamental to ensuring the safety, soundness and efficiency of key FMIs and for supporting the resilience of the global financial system. In addition, the PFMIs play an important part in the G20's mandate that all standardized over-the-counter (OTC) derivatives should be centrally cleared. Global central clearing requirements reinforce the importance of strong safeguards and consistent oversight of derivatives CCPs in particular.

Financial Market Infrastructure (FMI)

- iv. The Principles apply to systematically important financial market infrastructures entities such as Central Counterparty (CCP), Central Securities Depository (CSD)/ Securities Settlement System (SSS), Payment and Settlement systems, and Trade Repository (TR) which are responsible

⁷⁹ Reference Circular SEBI/MRD/DRMNP/26/2013 dated September 04, 2013



for providing clearing, settlement and recording of monetary and other financial transactions. The principles are international standards set forth to –

- a. Enhance safety and efficiency in payment, clearing, settlement, and recording arrangements,
 - b. Reduce systemic risk.
 - c. Foster transparency and financial stability and
 - d. Promote protection of participants and investors.
- v. Financial Market Infrastructure (FMI) are critically important institutions responsible for providing clearing, settlement and recording of monetary and other financial transactions. The different categories of FMIs, as identified under PFMI, are listed below -

Payment Systems (PSS)

A payment system is a set of instruments, procedures, and rules for the transfer of funds between or among participants. The system includes the participants and the entity operating the arrangement. Payment systems are typically based on an agreement between or among participants and the operator of the arrangement, and the transfer of funds is effected using an agreed-upon operational infrastructure.

Central Securities Depositories (CSD)

Central securities depository provides securities accounts, central safekeeping services, and asset services, which may include the administration of corporate actions and redemptions, and plays an important role in helping to ensure the integrity of securities issues (that is, ensure that securities are not accidentally or fraudulently created or destroyed or their details changed). A CSD can hold securities either in physical form (but immobilised) or in dematerialised form (that is, they exist only as electronic records). A CSD may maintain the definitive record of legal ownership for a security; in some cases, however, a separate securities registrar will serve this notary function.

Securities Settlement Systems (SSS)

A securities settlement system enables securities to be transferred and settled by book entry according to a set of predetermined multilateral rules.



Such systems allow transfers of securities either free of payment or against payment. When transfer is against payment, many systems provide delivery versus payment (DvP), where delivery of the security occurs if and only if payment occurs. An SSS may be organised to provide additional securities clearing and settlement functions, such as the confirmation of trade and settlement instructions.

Central Counterparties (CCP)

A central counterparty interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the performance of open contracts. A CCP becomes counterparty to trades with market participants through novation, an open-offer system, or through an analogous legally binding arrangement. CCPs have the potential to significantly reduce risks to participants through the multilateral netting of trades and by imposing more effective risk controls on all participants. For example, CCPs typically require participants to provide collateral (in the form of initial margin and other financial resources) to cover current and potential future exposures. CCPs may also mutualise certain risks through devices such as default funds. As a result of their potential to reduce risks to participants, CCPs also can reduce systemic risk in the markets they serve.

Trade Repositories (TR)

A trade repository is an entity that maintains a centralised electronic record (database) of transaction data. TRs have emerged as a new type of FMI and have recently grown in importance, particularly in the OTC derivatives market. By centralising the collection, storage, and dissemination of data, a well designed TR that operates with effective risk controls can serve an important role in enhancing the transparency of transaction information to relevant authorities and the public, promoting financial stability, and supporting the detection and prevention of market abuse. An important function of a TR is to provide information that supports risk reduction, operational efficiency and effectiveness, and cost savings for both individual entities and the market as a whole. Such entities may include the principals to a trade, their agents, CCPs, and other service providers offering complementary services, including central settlement of payment obligations, electronic novation and affirmation, portfolio compression and reconciliation, and collateral.



Adoption of Principles of Financial Market Infrastructures

- vi. All CPSS and IOSCO members are required to strive to adopt the PFMI and implement them in their respective jurisdictions.
- vii. SEBI as a member of IOSCO is committed to the adoption and implementation of the new CPSS-IOSCO standards of PFMI in its regulatory functions of oversight, supervision and governance of the key financial market infrastructures under its purview.
- viii. Depositories and Clearing Corporations regulated by SEBI are FMIs in terms of the criteria described above. These systemically important financial infrastructures provide essential facilities and perform systemically critical functions in the market and shall hence be required to comply with the principles of financial market infrastructures specified by CPSS-IOSCO as applicable to them. The list of SEBI regulated FMIs is provided in **Annexure 2**.
- ix. All FMIs in the securities market shall be monitored and assessed against the PFMI on a periodic basis.



Annexure 1

Principles for financial market infrastructures

General Organisation

Principle 1: Legal basis

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

Principle 2: Governance

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

Principle 3: Framework for the comprehensive management of risks

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks. Credit and liquidity risk management.

Principle 4: Credit risk

An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the



participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions.

Principle 5: Collateral

An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.

Principle 6: Margin

A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed.

Principle 7: Liquidity risk

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.

Settlement

Principle 8: Settlement finality

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

Principle 9: Money settlements

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should



minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.

Principle 10: Physical deliveries

An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.

Central securities depositories and exchange-of-value settlement systems

Principle 11: Central securities depositories

A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry.

Principle 12: Exchange-of-value settlement systems

If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.

Default management

Principle 13: Participant-default rules and procedures

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

Principle 14: Segregation and portability

A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.



General business and operational risk management

Principle 15: General business risk

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

Principle 16: Custody and investment risks

An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

Principle 17: Operational risk

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfillment of the FMI's obligations, including in the event of a wide-scale or major disruption.

Access

Principle 18: Access and participation requirements

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

Principle 19: Tiered participation arrangements

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

Principle 20: FMI links



An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.

Efficiency

Principle 21: Efficiency and effectiveness

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

Principle 22: Communication procedures and standards

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

Transparency

Principle 23: Disclosure of rules, key procedures, and market data

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

Principle 24: Disclosure of market data by trade repositories

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.



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Annexure 2

1. Clearing Corporations

- a. Indian Clearing Corporation Ltd. (ICCL)
- b. MCX-SX Clearing Corporation Ltd. (MCX-SXCCL)
- c. National Securities Clearing Corporation Ltd. (NSCCL)

2. Depositories

- a. Central Depository Services Ltd. (CDSL)
- b. National Securities Depository Ltd (NSDL)



4.18 *Annual System Audit of Depositories*⁸⁰

- i. The depositories should annually conduct System Audit as per the System Audit Framework. The system audit framework encompasses the System Audit Process, Auditor Selection Norms, Terms of Reference (TOR), and Audit Report Guidelines as per the annexure below.
- ii. The Systems Audit Reports and Compliance Status should be placed before the Governing Board of the depositories and the system audit report along with comments of depositories should be communicated to SEBI. Further, along with the audit report, depositories are advised to submit a declaration from the MD / CEO certifying the security and integrity of their IT Systems.

Annexure

System Audit Framework

Audit Process

Following steps would be repeated annually to ensure that the process is comprehensive & effective:

1. The Audit shall be conducted according to the Norms, Terms of References (TOR) and Guidelines issued by SEBI.
2. Stock Exchange / Depository (Auditee) may negotiate and the board of the Stock Exchange / Depository shall appoint the Auditors based on the prescribed Auditor Selection Norms and TOR. The Auditors can perform a maximum of 3 successive audits. The proposal from Auditor must be submitted to SEBI for records.
3. Audit schedule shall be submitted to SEBI at-least 2 months in advance, along with scope of current audit & previous audit.
4. The scope of the Audit may be extended by SEBI, considering the changes which have taken place during last year or post previous audit report
5. Audit has to be conducted and the Audit report be submitted to the Auditee. The report should have specific compliance / non-compliance issues, observations for minor deviations as well as qualitative comments for scope for improvement. The report should also take previous audit reports in consideration and cover any open items therein.
6. The Auditee management provides their comment about the Non-

⁸⁰ Circular No. CIR/MRD/DMS/13/2011 dated November 29, 2011



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Conformities (NCs) and observations. For each NC, specific time-bound (within 3 months) corrective action must be taken and reported to SEBI. The auditor should indicate if a follow-on audit is required to review the status of NCs. The report along with Management Comments shall be submitted to SEBI, within 1 month of completion of the audit.

7. Follow-on audit, if any, has to be scheduled within 3 months of the Audit to ensure that the corrective actions have been taken.
8. If follow-on audit is not required, the Auditee management has to submit a report of actions taken and evidence of corrections to the Auditors & SEBI within 3 months. This report should include updated Issue-Log to indicate the corrective actions taken, verified by the auditors.

Auditor Selection Norms

1. Auditor must have minimum 3 years of experience in IT audit of Securities Industry participants e.g. stock exchanges, clearing houses, depositories etc. The audit experience should have covered all the Major Areas mentioned under SEBI's Audit Terms of Reference (TOR).
2. The Auditor must have experience in / direct access to experienced resources in the areas covered under TOR. It is recommended that resources employed shall have relevant industry recognized certifications e.g. CISA (Certified Information Systems Auditor) from ISACA, CISM (Certified Information Securities Manager) from ISACA, GSNA (GIAC Systems and Network Auditor), CISSP (Certified Information Systems Security Professional) from International Information Systems Security Certification Consortium, commonly known as (ISC)².
3. The Auditor should have IT audit/governance frameworks and processes conforming to industry leading practices like CobIT.
4. The Auditor must not have any conflict of interest in conducting fair, objective and independent audit of the Exchange / Depository. It should not have been engaged over the last three years in any consulting engagement with any departments / units of the entity being audited.
The Auditor may not have any cases pending against its previous auditees, which fall under SEBI's jurisdiction, which point to its incompetence and/or unsuitability to perform the audit task.

Terms of Reference (ToR)

1. General Controls for Data Center Facilities - It must include
 - > Application access - Segregation of duties, Database & Application access



etc.

- > Maintenance access - Vendor engineers.
- > Physical access - Permissions, logging, exception reporting & alerts.
- > Environmental controls - Fire protection, AC monitoring etc.
- > Fault resolution mechanism.
- > Folder sharing and Back-up controls - Safeguard critical information on local desktops
- > Incidences of violations in last year & corrective actions taken

2. Software Change Control - It must include

- > User awareness
- > Processing of new feature request
- > Fault reporting / tracking mechanism & process for resolutions
- > Testing of New releases / Bug-fixes - Testing process (automation level)
- > Version Control - History, Change Management process etc.
- > Development / Test/ Production environment - Segregation
- > New release in Production - Promotion, Release note approvals
- > Production issues / disruptions reported during last year & corrective actions taken.

3. Data communication / Network controls - It must include

- > Network Administration - Redundancy, Monitoring, breakdown resolution etc.
- > WAN Management - Connectivity provisions for business continuity.
- > Encryption - Router based as well as during transmission
- > Connection Permissions - Restriction on need to have basis
- > Fallback mechanism - Dial-up connections controls etc.
- > Hardware based Signing Process
- > Incidences of access violations in last year & corrective actions taken

4. Security Controls - General office infrastructure - It must include

- > Security Policy & quality of implementation of the same
- > LAN security control and monitoring
- > OS & Database Security controls & monitoring
- > Internet connection controls - Firewall protection, Intrusion Detection System, Access rights and privileges.
- > Virus protection - Controls to mitigate the Virus attacks / Outbreaks.
- > Secured (digitally signed) e-mail with other entities like SEBI, other partners
- > Email Archival Implementation



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- > Incidences of security violations in last year & corrective actions taken.
- 5. Access policy and controls
- 6. Electronic Document controls
- 7. General Access controls
- 8. Performance audit - It must include
 - > Comparison of changes in transaction volumes since previous audit
 - > Review of systems (hardware, software, network) performance over period
 - > Review of the current volumes against the last Performance Test performed
- 9. Business Continuity / Disaster Recovery Facilities - It must include
 - > BCP manual, including Business Impact Analysis, Risk Assessment and DR process
 - > Implementation of policies
 - > Back-up procedures and recovery mechanism using back-ups.
 - > Storage of Back-up (Remote site, DRS etc.)
 - > Redundancy - Equipment, Network, Site etc.
 - > DRS installation and Drills - Management statement on targeted resumption capability (in terms of time required & extent of loss of data)
 - > Evidence of achieving the set targets during the DRS drills in event of various disaster scenarios.
 - > Debrief / review of any actual event when the DR/BCP was invoked during the year
- 10. IT Support & IT Asset Management - It must include
 - > Utilization monitoring - including report of prior year utilization
 - > Capacity planning - including projection of business volumes
 - > IT (S/W, H/W & N/W) Assets, Licenses & maintenance contracts
 - > Insurance
 - > Disposal - Equipment, Media, etc.
- 11. Entity Specific Software
- 12. Any other Item
 - > Electronic Waste Disposal



- > Based upon previous Audit report as well as any other specific information given by SEBI

Audit Report Guidelines

The Audit report should have explicit coverage of each Major Area mentioned in the TOR, indicating any Nonconformity (NCs) or Observations (or lack of it). For each section - auditors should also provide qualitative input about ways to improve the process, based upon the best practices observed. The report should also include tabulated data to show NCs / Observations for each Major Area in TOR. Fully detailed report should be submitted, along with an Executive Summary in tabulated form including following information:

Issue Log Column Heading	Description	Responsibility
Major Area	Major area/relevant clause in Terms of Reference against which compliance is being audited	Auditor
Description of Finding/ Observation	Describe the findings in sufficient detail, referencing any accompanying evidence (e.g. procedure annual, interview notes, reports <i>etc.</i>)	Auditor
Reference	Reference to the section in detailed report - where full background information about the findings are available	Auditor
Process/ Unit	Process or unit where the audit is conducted and the finding pertains to	Auditor
Category of Findings	Major/Minor Nonconformity, Observation, Suggestion <i>etc.</i>	Auditor
Audited By	Which Auditor covered the findings	Auditor
Root Cause Analysis	A detailed analysis on the cause of the nonconformity	Auditee
Remediation	The action (to be) taken to correct the nonconformity	Auditee



Target Completion Date for Remedial Action	The date by which remedial action must be/will be completed	Auditor/ Auditee
Status	Status of finding on reporting date (open/close)	Auditor/ Auditee
Verified By	Auditing personnel (upon verification that finding can be closed)	Auditor
Closing Date	Date when finding is verified and can be closed	Auditor

The Executive Summary should also include an overall comment from the Auditors to indicate if a follow-on audit is required and the time lines of respective corrective action for non conformities. Further, along with the audit report, the Stock Exchange / Depository shall also submit a declaration from the MD / CEO certifying the integrity and security of IT Systems.

4.19 Guidelines for Business Continuity Plan (BCP) and Disaster Recovery (DR) ⁸¹

- i. The stock exchanges and depositories should have in place Business Continuity Plan (BCP) and Disaster Recovery Site (DRS) so as to maintain data and transaction integrity.
- ii. Apart from DRS, stock exchanges should have a Near Site (NS) to ensure zero data loss whereas, the depositories should also ensure zero data loss by adopting a suitable mechanism.
- iii. The DRS should be set up sufficiently away, i.e. in a different seismic zone, from Primary Data Centre (PDC) to ensure that both DRS and PDC are not affected by the same disasters.
- iv. The manpower deployed at DRS / NS should have similar expertise as available at PDC in terms of knowledge / awareness of various technological and procedural systems and processes relating to all operations such that DRS / NS can function at short notice, independently.
- v. Configuration of DRS / NS with PDC

⁸¹ Circular No. CIR/MRD/DMS/12/2012 dated April 13, 2012 and clarification issued vide Circular No. CIR/MRD/ DMS/17/2012 dated June 22, 2012



- a) Hardware, system software, application environment, network and security devices and associated application environments of DRS / NS and PDC should have one to one correspondence between them.
 - b) Exchanges / Depositories should have Recovery Time Objective (RTO) and Recovery Point Objective (RPO) not more than 4 hours and 30 minutes, respectively.
 - c) Solution architecture of PDC and DRS / NS should ensure high availability, fault tolerance, no single point of failure, zero data loss, and data and transaction integrity.
 - d) Any updates made at the PDC should be reflected at DRS / NS immediately (before end of day) with head room flexibility without compromising any of the performance metrics.
 - e) Replication architecture, bandwidth and load consideration between the DRS / NS and PDC should be within stipulated RTO and ensure high availability, right sizing, and no single point of failure.
 - f) Replication between PDC and NS should be synchronous to ensure zero data loss. Whereas the one between PDC and DR and between NS and DR may be asynchronous.
 - g) Adequate resources (with appropriate training and experience) should be available at all times to handle operations on a regular basis as well as during disasters.
- vi. DR Drills / Testing
- a) DR drills should be conducted on quarterly basis. In case of exchanges, these drills should be closer to real life scenario (trading days) with minimal notice to DR staff involved.
 - b) During the drills, the staff based at PDC should not be involved in supporting operations in any manner. To begin with, initial three DR drills from the date of this circular may be conducted with the support of staff based at PDC.
 - c) The drill should include running all operations from DRS for at least 1 full trading day.
 - d) Before DR drills, the timing diagrams clearly identifying resources at both ends (DRS as well as PDC) should be in place.
 - e) The results and observations of these drills should be documented and placed before the Governing Board of Stock Exchange / Depositories.



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Subsequently, the same along with the comments of the Governing Board should be forwarded to SEBI within a month of the DR drill.

- f) The system auditor while covering the BCP - DR as a part of mandated annual system audit should also comment on documented results and observations of DR drills.
- vii. BCP - DR Policy Document
 - a) The BCP - DR policy of stock exchanges and depositories should be well documented covering all areas as mentioned above including disaster escalation hierarchy.
 - b) The stock exchanges should specifically address their preparedness in terms of proper system and infrastructure in case disaster strikes during business hours.
 - c) Stock Exchanges / Depositories / Clearing Houses or Clearing Corporations of Stock Exchanges should also demonstrate their preparedness to handle any issue which may arise due to trading halts in stock exchanges and / or failure or stoppages at other Stock Exchanges / Depositories / Clearing Corporations
 - d) The policy document and subsequent changes / additions / deletions should be approved by Governing Board of the Stock Exchange / Depositories and thereafter communicated to SEBI.
- viii. Considering the above, stock exchanges and depositories are advised to submit their BCP - DR policy to SEBI within 3 months from the date of this circular. Further, they should also ensure that point 1 (vi) (f) mentioned above is also included in scope of system audit as mentioned in the circular no. CIR/MRD/DMS/13/2011 dated November 29, 2011.
- ix. These guidelines will be applicable to depositories, stock exchanges having nation-wide terminals and stock exchanges having trading on their own platforms. Further stock exchanges, currently having no trading on their own platforms, will be required to comply with these guidelines before recommencement of trading on their own platforms in terms of Circular No. MRD/DSA/SE/Cir-12/09 dated October 07, 2009.



4.20 (Information Technology) IT Governance For Depositories⁸²

- i. SEBI constituted the Depository System Review Committee (DSRC) to undertake a comprehensive review of the Indian depository system. Based on the recommendations of DSRC, following guidelines are issued to strengthen the information Technology (IT) governance framework of depositories.
- ii. Depositories shall formulate an *IT strategy committee* at the Board level of depository to provide insight and advice to the Board in various areas that may include:
 - a. Developments in IT from a business perspective.
 - b. The alignment of IT with the business direction.
 - c. The availability of IT resources to meet strategic objectives.
 - d. Competitive aspects of IT Investments.
 - e. Alignment of the IT architecture to the organization needs and its approval.
 - f. Setting priorities and milestones.
- iii. Depositories shall formulate an executive level *IT Steering Committee* to assist the IT Strategy Committee in Implementation of IT strategy. The IT steering committee shall comprise of representatives from IT, Human Resources (HR), Legal and various business functions as felt appropriate.
- iv. The Depositories shall formulate an IT strategy document and an Information Security policy which should be approved by the Board and reviewed annually.
- v. The Depositories shall create an Office of Information Security and designate a senior official as Chief Information Security Officer (CISO) whose work would be to assess, identify and reduce information technology (IT) risks, respond to incidents, establish appropriate standards and controls, and direct the establishment and implementation of policies and procedures.
- vi. SEBI has laid down Guidelines for Business Continuity Plan (BCP) and Disaster Recovery (DR) for stock exchange and depositories vide circular

⁸² Reference: MRD/DMS/03/2014 dated January 21, 2014



CIR/MRD/DMS/12/2012 dated April 13, 2012 and CIR/MRD/DMS//17/2012 dated June 22, 2012. In Addition to the requirements of the aforementioned circulars, depositories shall designate a senior official as the head of BCP function.

4.21 *Guidelines for inspection of Depository Participants (DPs) by Depositories*⁸³

- i. Depository System Review Committee (DSRC) was constituted by SEBI to undertake a comprehensive review of the depository system of Indian Securities market.
- ii. As a first measure, DSRC has reviewed framework adopted by the depositories with regard to the inspection of depository participants (DPs). Considering the recommendations of the committee, it has been decided that depositories shall ensure the following while inspecting their DPs.

Inspection Areas and Sample Size

- iii. For conducting inspection of DPs, depositories shall inspect the areas as mentioned in Annexure - I. During inspection, depositories shall cover implementation of circulars / guidelines issued by SEBI and guidelines / operating instructions / directions by depositories in respect of these areas. In addition, Depositories may include such other areas as felt appropriate.
- iv. For the purpose of determining the size of sample, depositories shall be guided by 'Adaptive Sample Size determination methodology' as mentioned at Annexure - II.

Categorization / Risk Rating of DPs

- v. For the purpose of computing total risk score of DPs, depositories shall be guided by "DP Rating Model / Categorization" as mentioned at Annexure - III.
- vi. Depositories should periodically undertake risk - impact analysis for each of the inspection areas, assign appropriate risk weightage, calculate risk scores for each DPs in the lines mentioned below.

⁸³ Reference Circular SEBI/MRD/DMS/05/2014 dated February 07, 2014



- a. Risk Weightage: Depositories shall assign risk weights for each of inspection areas after taking into consideration following factors:
1. Operational risks in each of the inspection areas.
 2. Category of DPs (such as stock broker DPs, bank DP, etc)
 3. Size of Operation
 4. Repetitive violations
 5. IT Security and BCP
 6. Complaints received and redressed
- b. Quantitative Score Calculation: Depositories shall arrive at a Quantitative Risk Score for each inspection area by multiplying percentage of non-compliance to the sample size with the corresponding assigned risk weight.
- c. Qualitative Score Calculation: Depositories shall arrive at a Qualitative Risk Score for each qualitative area by multiplying the score assigned by inspection team to DP with corresponding assigned risk weight.
- d. Total DP Risk Score shall be the summation of quantitative and qualitative scores assigned to the DP.
- e. Depositories shall suitably normalize the scales of the qualitative and quantitative scores in arriving at the Total DP risk score.
- vii. Depositories shall categorize their DPs as 'High Risk', 'Medium to High Risk', 'Medium Risk', and 'Low Risk' DPs based on the percentile of risk score.

DP Risk Rating / Categorization	Percentile of Risk Score
High	≥ 80
Medium-High	46-79
Medium	21-45



Low	≤ 20
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- viii. After arriving at the risk rating / categorization as mentioned above, for subsequent inspections, depositories shall use the DP risk rating/ categorization to decide on the frequency of inspection of DPs
- ix. Apart from the above, depositories may undertake specific purpose inspections for DPs which score high in the specific inspection areas as mentioned at Annexure - I.
- x. Depositories shall jointly inspect DPs which are registered with both depositories to have better control over DPs, avoid duplicity of manpower, time and cost and also to reduce the possibility of regulatory arbitrage, if any. Depositories shall share the risk rating / categorization of common DPs with each other. For the purpose of determining sample size and frequency of the joint inspection of such common DPs, the higher risk categorization assigned by any of the Depository shall prevail.



Annexure -I
List of Inspection Areas

1. Depositories shall inspect the areas mentioned at para 2 below during inspection of DPs with regards to any
 - 1.1. Circulars / Guidelines issued by SEBI on the areas mentioned below.
 - 1.2. Guidelines / Operating Instructions / Directions from depositories on the areas mentioned below.
2. In case there are built in system checks at the depository that ensure compliance of any of the inspection areas / sub -areas with regard to point 1.1 and 1.2 above, the depository may decide on the including the same during the inspection of DPs

Inspection Areas

A. Account Opening / KYC Documents

- A.1. Account Opening forms
- A.2. KYC Documents
 - A.2.1. PAN Verification
 - A.2.2. In-person verification
 - A.2.3. Forwarding of Documents to KYC Registration Agency (KRA)
- A.3. Proof of Identity (POI)
- A.4. Proof of Address
- A.5. Correspondence Address
- A.6. Authorized Signatories
- A.7. Completeness / Validation of data entered into DPM with data provided in the Account Opening forms
- A.8. Minor BO / Joint / HUF accounts
- A.9. Account Activation
- A.10. PMS Accounts
- A.11. Nomination
- A.12. Any other area as may be specified by the depository



- B. Basic Service Demat Account (BSDA)
 - B.1. Procedures and Checks pertaining to BSDA
 - B.2. Any other area as may be specified by the depository
- C. Client Data Modification (CDM)
 - C.1. Procedure for CDM
 - C.2. Any other area as may be specified by the depository
- D. Demat / Remat / Conversion / Reconversion request
 - D.1. Procedure for receiving/processing requests pertaining to Demat / Remat / Conversion / Reconversion request
 - D.2. Procedure for forwarding requests pertaining to Demat / Remat / Conversion / Reconversion request to RTA / issuer
 - D.3. Arrangement for Safekeeping of Security / Share Certificates
 - D.4. Tracking of demat requests
 - D.5. Rejection of above requests attributable to DPs
 - D.6. Checks pertaining to processing of Demat / Remat / Conversion / Reconversion request
 - D.7. Any other area as may be specified by the depository
- E. Delivery Instruction Slip (DIS)
 - E.1. Issuance of DIS
 - E.2. Inventory Control of DIS
 - E.3. First Instruction Slip Booklet
 - E.4. Requisition Slip
 - E.5. Procedure for Loose DIS
 - E.6. Depository specific areas
 - E.7. Verification of DIS
 - E.8. Procedure for accepting DIS
 - E.9. Time Stamping and related Areas



- E.10. Accepting DIS by Fax
- E.11. Accepting DIS in form of Annexure
- E.12. Completeness of DIS
- E.13. Accepting DIS in electronic form
- E.14. Procedure for Verification of DIS
- E.15. Signature Verification
- E.16. Corrections / Cancellations to DIS
- E.17. Blocking of used / executed / lost / misplaced / Stolen DIS
- E.18. Procedure for processing of DIS
- E.19. Any other area as may be specified by the depository

F. Transaction

- F.1. Checks pertaining to setting up / processing of transactions
- F.2. Future dated transactions
- F.3. Transfer of all ISINs of BO account having 5 or more ISINs
- F.4. Any other area as may be specified by the depository

G. Transaction Statement (TS)

- G.1. Validation of TS
- G.2. Maintenance of records of TS
- G.3. Issuance of TS to BOs
- G.4. Any other area as may be specified by the depository

H. Compliance under Prevention of Money Laundering Act, 2002 (PMLA)

- H.1. Compliance with PMLA Act, 2002 and SEBI Guidelines on areas such as Customer due diligence, suspicious transaction monitoring , reporting and record keeping
- H.2. Appointment of Principal officer as required under PMLA Act,2002
- H.3. Mechanism to deal with alerts provided by Depository
- H.4. Suspicious Transactions reports to FIU



H.5. Any other area as may be specified by the depository

I. Maintenance of record and documents

I.1. Information regarding place(s) of record keeping

I.2. Outsourcing of record keeping activities

I.3. Any other area as may be specified by the depository

J. Service Centre Opening and closing/ modification of service centers

J.1. Procedure for Opening / Closure of Service centers

J.2. Details of Service centre on Depository website

J.3. Qualified persons at service centers

J.4. Any other area as may be specified by the depository

K. Information Technology areas

K.1. Hardware, Software and Network requirements / configurations

K.2. Logical and Physical restrictions / safeguards

K.3. IT Security

K.4. Procedure for alteration of parameters / configurations

K.5. Redundancy

K.6. Any other area as may be specified by the depository

L. Power of Attorney (POA)

L.1. Documents executed

L.2. Maintenance of POA Register

L.3. Clauses of POA

L.4. Registration of BO for SMS Alert facility for POA

L.5. Any other area as may be specified by the depository

M. Inter Depository Transfers (IDT)

M.1. Processing of IDT



- M.2. Checks pertaining to IDT
- M.3. Any other area as may be specified by the depository

N. Account Transfer

- N.1. Procedure followed for account transfer
- N.2. Checks pertaining to Account transfer
- N.3. Waiver claimed for inter depository transfer
- N.4. Any other area as may be specified by the depository

O. Transmission

- O.1. Procedure followed for transmission
- O.2. Checks pertaining to Transmission
- O.3. Waiver Claimed for inter depository transfer
- O.4. Any other area as may be specified by the depository

P. Pledge / Unpledge

- P.1. Procedure followed for Pledge / Unpledge
- P.2. Checks pertaining to Pledge / Unpledge
- P.3. Any other area as may be specified by the depository

Q. Freeze / Unfreeze

- Q.1. Freeze facility
- Q.2. Procedure followed for Freeze
- Q.3. Checks pertaining to freeze
- Q.4. Any other area as may be specified by the depository

R. Miscellaneous areas

- R.1. Investor Grievance
- R.2. Forms for various activities
- R.3. Execution of any supplementary agreement/ Letter of Confirmation



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- R.4. Submission of Internal Audit / Concurrent Audit / Net worth Certificate
- R.5. Submission of Annual Financial Statement
- R.6. Outsourcing of Activities
- R.7. Closure / transfer of Balances
- R.8. Submission of Information sought by Depositories specifically through Circulars / Letters.
- R.9. Half Yearly Compliance
- R.10. Any other area as may be specified by the depository

S. Status of compliance for deviations / observations noted in last inspection

T. Complaints

- T.1. Account Opening
- T.2. Demat / Remat
- T.3. Transaction Statement
- T.4. Improper Service
- T.5. Charges
- T.6. Delivery Instruction Related (DIS)
- T.7. Closure
- T.8. Manipulation / Unauthorized Action
- T.9. Monthly report for client complaints
- T.10. Other Complaints



Annexure -II

Adaptive Sample Size Determination methodology

1. Sample Size for inspection area of 'Account Opening'

- The sample selection for account opening shall cover all categories of clients such as individuals, HUF, Corporate, FIIs etc.
- Base sample size: 5% of Account Opening Forms (AOFs) or 150 AOFs whichever is higher, with a maximum cap of 1000 accounts.
- Final Sample Size: The final sample size shall also be dependent on past rating / categorization of DP. The following multipliers shall be used to determine the final sample size for the current inspection. In case the total number of instances / cases is less than the final sample size, then 100% of the samples shall be verified.

DP Rating / Categorization	Multiplier
High risk	3
Medium High risk	2
Medium risk	1.5
Low risk	1

- The selected sample shall maintain the proportion of new accounts opened in each category, except for Account Opening Forms (AOF) relating to FIIs where it shall be checked on a 100% basis.

2. Sample Size for inspection area relating to DIS

- Base sample size: 10% of total DIS processed or 200 processed DIS whichever is higher, with a maximum cap of 1000 DIS.
- Final Sample Size: The sample size shall also be dependent on rating / categorization of DP. The following multipliers shall be used to determine the final sample size for the current inspection. In case the total number of instances / cases is less than the final sample size, then 100% of the samples shall be verified.

DP Rating / Categorization	Multiplier
High risk	3
Medium High risk	2



Medium risk	1.5
Low risk	1

- Out of total intra depository instructions to be verified, the percentage of on and off market instructions would be in the ratio of 1/3 and 2/3.
 - DIS issuance sample size shall be 5% of the total samples verified for DIS.
- 3. Sample Sizes for inspection areas of 'Demat / Remat request' and 'Pledge / Unpledge'**
- 5% of Demat / Remat request processed or 100 requests whichever is higher with a maximum cap of 500 such requests.
 - 5% of Pledge / Unpledge request processed or 100 requests whichever is higher with a maximum cap of 500 such requests.
- 4. Sample Size for inspection area of 'Client Data Modification', 'Miscellaneous areas' and 'Other depository specific requirements'**
- Base Sample Size
 - Address change = 50
 - Samples from Urban, Semi Urban and Rural Areas shall be equally represented if available.
 - Nomination Change = 25
 - Signature change = 100
 - Addition / Deletion / Modification of POA = 100
 - Freeze / Unfreeze = 50
 - Bank Details Change = 100
 - PAN modification = 100
 - Account closure initiated by clients = 25
 - Closure initiated by DPs = 25
 - Demat rejection = 30
 - Transactions = 25
 - Change in e-mail Id = 25
 - Change in mobile number = 25



- Change in SMS flag = 50
- Change in standing instruction flag = 50
- Transmission = 50% of total transmission cases
- Previous compliance = 100% of total samples
- Final sample size shall be arrived at after multiplying with the respective multiplier corresponding to the DP Risk rating / categorization as given below. In case the total number of instances / cases is less than the final sample size, then 100% of the samples shall be verified.

DP Rating/ Categorisation	Multiplier
High risk	3
Medium High risk	2
Medium risk	1.5
Low risk	1

5. Other Aspects

- A uniform Base sample size of 100 shall be adopted in case of all other activities. In case the total number of samples is less than 100, then 100% of the samples shall be verified.



Annexure-III

DP Rating / Categorization Model

- I. **Quantitative Score Calculation:** Specific weights shall be assigned to each area as decided by each depository. The Total Quantitative Score shall be the summation of all individual inspection scores.

Table: Indicative Table for calculation of Quantitative Score

Sr No	Inspection Areas	Weight (A)	B = No of Instances divided by Sample size	Inspection Score IS = A*B
A.	Inspection Area 1			
A.1.	Inspection Sub Area A 1			
A.2.	Inspection Sub Area 2			
	Total Score for <i>Inspection Area 1</i>			
B.	Inspection Area 2			
B.1.	Inspection Sub Area B 1			
B.2.	Inspection Sub Area B 2			
B.3.	Inspection Sub Area B 3			
	Total Score for <i>Inspection Area 2</i>			

Depositories shall include all inspection areas and sub areas, as per Annexure -I (List of Inspection Areas) of this circular, in the above model to arrive at the Quantitative Score for a DP.



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Table: Indicative Table for calculation of Quantitative Score for Complaints Received

Sr No	Type and Nature of Complaint	Weight (A)	(Number of Complaints redressed) / Number of Complaints received)	Inspection Score IS = A*B
T	Complaints			
T.1	Complaint Sub Area 1			
T.2	Complaint Sub Area 2			
	Total Score for <i>Complaints</i>			

Quantitative Score = Σ (Scores of Inspection Areas including Total score for Complaints)

II. Qualitative Score Calculation: Specific weights shall be assigned to each area as decided by depository. The Total Qualitative Score shall be the summation of all area scores.

Sr. No	Qualitative Factors	Weight (A)	Point on the scale of 1 to 10. [10 being the Worst] (B)	Area score = (A) * (B)
1	Ownership and Governance			
2	IT security and Business Continuity			
3	Regulatory / procedural Compliance			
4	Automation of systems and processes for critical activities			
5	Quality of Management			
6	Financial Status / profitability of DPs			
7	Pending enquires / Penalties imposed by SEBI / Depositories on DP operations			



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8	Complaints redressal			
9	Adverse findings of other activities (eg. Broking / custodian / banks etc)			
Total Qualitative Score = Σ (Area Scores)				

Following indicative factors shall be taken into account for arriving at above mentioned qualitative score:

(a) **Ownership and Governance**

1. Constitution of Board of DP - Number of promoter directors, Independent Directors etc.
2. Role of non-executive directors / Independent directors.

(b) **Quality of Management**

1. Experience, Fit and Proper and Qualification of Key Personnel.
2. Existence of Succession planning for top management especially in control functions.
3. Chinese walls between the activities in terms of manpower, resources etc.
4. Training and development of employees.
5. Adequacy of staff strength.
6. Compliance level of previous inspection observations/ directions of regulatory bodies

(c) **IT security and Business Continuity**

1. High Availability.
2. Appropriate Interconnected Architecture.
3. Appropriate Recovery Time Objective (RTO) and Recovery Point Objective (RPO) and near "Zero Data Loss".
4. Periodic drills that simulate the real life disaster scenarios on a regular basis.
5. Technological glitches in the past period and remedies taken.
6. Information security.
7. Upgradation of technology



(d) **Financial Status / profitability of DPs**

1. The net-worth of the DPs (whether reducing or increasing from previous years)
2. Net Profits of DPs operations.

(e) **Complaints redressal**

1. Complaint redressal system
2. Percentage of complaints pending and resolved.

(f) **Other adverse findings**

1. Actions taken by Stock exchange and SEBI / RBI with respect to other activities
2. Actions taken by other depository.

III. Total Score = Qualitative Score + Quantitative Score



4.22 *Activity of Demat of warehouse receipts⁸⁴*

The aforesaid activity is not in compliance with Regulation 28 of SEBI (D&P) Regulations, 1996 and therefore depositories cannot carry out this activity. Depositories are therefore advised to take suitable steps in this regard, either to hive-off or to discontinue the activity.

4.23 *Voting rights in respect of securities held in pool account⁸⁵*

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.

4.24 *Risk Management Policy at the Depositories⁸⁶*

- i. The depositories are advised to establish a clear, comprehensive and well documented risk management framework which shall include the following:
 - a) an integrated and comprehensive view of risks to the depository including those emanating from participants, participants' clients and third parties to whom activities are outsourced etc.;
 - b) list out all relevant risks, including technological, legal, operational, custody and general business risks and the ways and means to address the same;
 - c) the systems, policies and procedures to identify, assess, monitor and manage the risks that arise in or are borne by the depository ;
 - d) the depository's risk-tolerance policy;
 - e) responsibilities and accountability for risk decisions and decision making process in crises and emergencies.

- ii. The Depositories shall put in place mechanism to implement the Risk Management Framework through a Risk Management Group/

⁸⁴ Reference: MRD/DP/SG-OW/202/2012 and MRD/DP/SG-OW/203/2012 dated January 4, 2012

⁸⁵ Reference: SMDRP/NSDL/26563/2001 dated April 10, 2001

⁸⁶ Reference: CIR/MRD/DP/1/2015 dated January 12, 2015



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Committee which shall be headed by a Chief Risk Officer (CRO). The responsibilities of the said Committee shall include the following:

- a) It shall meet periodically in order to continuously identify, evaluate and assess applicable risks in depository system through various sources such as investors complaints, inspections, system audit etc.;
- b) It shall suggest measures to mitigate risk wherever applicable;
- c) It shall monitor and assess the adequacy and effectiveness of the risk management framework and the system of internal control;
- d) It shall review and update the risk management framework periodically.

The Board of the depository shall approve the Risk Management Framework and the Chief Risk Officer shall have access to the Board. The CRO shall be responsible, accountable and answerable to the board on overall risk management issues.



SCHEDULE

CIRCULARS

1. SMDRP/Policy/Cir-28/99 dated August 23, 1999.
2. SMDRP/Policy/Cir-05/2001 dated February 1, 2001.
3. D&CC/FITTC/Cir-09/2002 dated July 4, 2002.
4. D&CC/FITTC/Cir-10/2002 dated September 25, 2002.
5. D&CC/FITTC/Cir-13/2002 dated November 1, 2002.
6. D&CC/FITTC/CIR - 12/2002 dated October 30, 2002.
7. D&CC/FITTC/Cir-15/2002 dated December 27, 2002.
8. LGL/Cir-2/2003 dated February 19, 2003.
9. DCC/FITTC/Cir-19/2003 dated March 4, 2003
10. SEBI/MRD/Policy/AT/Cir-19/2004 dated April 21, 2004.
11. MRD/DoP/Dep/Cir-27/2004 dated August 16, 2004.
12. MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004.
13. MRD/DoP/SE/Dep/Cir-36/04 dated October 27, 2004.
14. SEBI/MRD/SE/DEP/Cir-4/2005 dated January 28, 2005.
15. SEBI/MRD/SE/Cir-16/2005 dated August 04, 2005.
16. MRD/DoP/SE/Dep/Cir-18/2005 dated September 2, 2005.
17. MRD/DoP/Dep/Cir-22 /05 dated November 09, 2005.
18. SEBI/MRD/DEP/Cir-24/05 dated December 22, 2005.
19. SEBI/MRD/DEP/Cir-2/06 dated January 19, 2006.
20. SEBI/MRD/DEP/Cir-3/06 dated February 21, 2006.
21. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006.
22. MRD/DoP/Dep/SE/Cir-13/06 dated September 26, 2006.
23. MRD/DoP/Dep/SE/Cir-17/06 dated October 27, 2006.
24. MRD/Dep/Cir- 20/06 dated December 11, 2006.
25. MRD/DoP/Dep/SE/Cir-22/06 dated December 18, 2006.
26. MRD/DSA/SE/Dep/Cust/Cir-23/06 dated December 22, 2006.
27. SEBI/CFD/DILDIP/29/2008/01/02 dated February 1, 2008.
28. SEBI/MRD/Dep/Cir-03/2007 dated February 13, 2007.
29. MRD/DoP/Cir- 5/2007 dated April 27, 2007.
30. MIRSD/DPS-III/Cir-9/07 dated July 3, 2007.
31. MIRSD/DPS- III/Cir-23/08 dated July 25, 2008.
32. SEBI/MRD/Dep/Cir-03/2008 dated February 28, 2008.
33. MRD/DoP/Cir-20/2008 dated June 30, 2008.
34. MRD/DoP/SE/Dep/Cir-2/2009 dated February 10, 2009.
35. CIR/MRD/DP/19/2010 dated June 10, 2010.
36. CIR/MRD/DP/20/2010 dated July 1, 2010.



37. CIR/MRD/DP/22/2010 dated July 29, 2010.
38. CIR/MRD/DO/37/2010 dated December 14, 2010.
39. CIR/MRD/DP/04/2011 dated April 07, 2011.
40. CIR/MRD/DP/05/2011 dated April 27, 2011.
41. MIRSD/SE/Cir-21/2011 dated October 5, 2011.
42. CIR/MRD/DMS/13/2011 dated November 29, 2011.
43. CIR/MRD/DMS/12/2012 dated April 13, 2012
44. CIR/MRD/ DMS/17/2012 dated June 22, 2012
45. CIR/MRD/ICC/16/2012 dated June 15, 2012.
46. CIR/MRD/DP/21/2012 dated August 02, 2012.
47. CIR/MIRSD/09/2012 dated August 13, 2012.
48. CIR/MRD/DP/22/2012 dated August 27, 2012.
49. CIR/MRD/DP/24/2012 dated September 11, 2012.
50. CIR/MRD/DP/DA/25/2012 dated September 21, 2012.
51. CIR/MRD/DP/27/2012 dated November 01, 2012.
52. CIR/MRD/DP/32/2012 dated December 06, 2012.
53. CIR SEBI/MIRSD/01/2013 dated January 04, 2013.
54. CIR/MRD/DP/10/2013 dated March 21, 2013.
55. CIR SEBI/MRD/DRMNP/26/2013 dated September 04, 2013.
56. CIR SEBI/MIRSD/09/2013 dated October 08, 2013.
57. CIR/MIRSD/10/2013 dated October 28, 2013.
58. CIR SEBI/MIRSD/ 12/2013 dated December 04, 2013.
59. CIR SEBI/MRD/DOP/01/2014 dated January 07, 2014.
60. CIR MRD/DMS/03/2014 dated January 21, 2014.
61. CIR SEBI/MRD/DMS/05/2014 dated February 07, 2014.
62. CIR/MRD/DP/21/2014 dated July 01, 2014.
63. CIR/MRD/DP/22/2014 dated July 04, 2014.
64. CIR/MRD/DP/31/2014 dated November 12, 2014
65. CIR/MRD/DP/1/2015 dated January 12, 2015

COMMUNICATIONS

1. SMDRP/NSDL / 3055 /1998 dated August 11, 1998.
2. SMDRP/RKD /NSDL/2494 /98 dated November 18, 1998.
3. SMDRP/NSDL/4615 /2000 dated March 13, 2000.
4. SMDRP/CDSL / 18300 /2000 dated November 16, 2000.
5. SMDRP/NSDL/26563/2001 dated April 10, 2001.
6. D&CC/ 1099 / 2002 dated November 01, 2002.
7. MRD/DRK/SU/16034/2003 dated August 22, 2003.



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8. MRD/VSS/ARR/ 12255/2004 dated June 10, 2004.
9. MRD/DoP/ Dep/82334 /2006 dated December 14, 2006.
10. MRD/DEP/PP/123624 /2008 dated April 23, 2008.
11. MRD/DoP/MC/141442 /2008 dated October 17, 2008.
12. SEBI/ MRD/CDSL/ 149156 /2009 dated January 01, 2009.
13. MRD/CDSL/VM/ 155773 /2009 dated February 27, 2009.
14. MRD/NSDL/VM/158886 /2009 dated March 30, 2009.
15. MRD/DoP/NSDL/VM/ 162378 /2009 dated May 06, 2009.
16. MRD/DoP/NSDL/VM/168994 /2009 dated July 07, 2009.
17. MRD/CDSL/VM/168989 /2009 dated July 07, 2009.
18. SEBI/MRD/DEP/VM/169784 /09 dated July 15, 2009.
19. MRD/DoP/Dep/VM/182963/2009 dated November 12, 2009.
20. MRD/DoP/MAS - OW/16723/2010 dated August 17, 2010.
21. MRD/DP/SG-OW/202/2012 and MRD/DP/SG-OW/203/2012 dated January 4, 2012.
22. MRD/DP/SG-OW/2010/2012 dated January 20, 2012.