

**THE GAZETTE OF INDIA**

**EXTRAORDINARY**

**PART -III – SECTION 4**

**PUBLISHED BY AUTHORITY**

**NEW DELHI, SEPTEMBER 11, 2012**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**NOTIFICATION**

**Mumbai, the 11<sup>th</sup> September, 2012**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**(DEPOSITORIES AND PARTICIPANTS) (AMENDMENT) REGULATIONS, 2012**

No. LAD-NRO/GN /2012-13/15/20426 - In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with section 25 of the Depositories Act, 1996 (22 of 1996), the Board hereby makes the following Regulations to amend the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, namely:-

1. These Regulations may be called the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2012.
2. They shall come into force on the date of their publication in the Official Gazette.
3. In the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996,-

(i). In regulation 2,-

- (a) in sub-regulation (1), for the opening sentence, the following sentence shall be substituted, namely:-

"In these regulations, unless the context otherwise requires, the terms used in these regulations shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly,- "

(b) clause "(aa)" shall be renumbered as "(ab)";

(c) after clause (a), the following clause shall be inserted, namely:-

"(aa) "associate" shall have the same meaning as assigned to it under clause (b) of sub-regulation (1) of regulation 2 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 or any modification thereof;"

(d) after renumbered clause "(ab)" the following clause shall be inserted, namely:-

"(ac) "control" shall have the same meaning as assigned to it under clause (e) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any modification thereof;"

(e) after clause (d), the following clause shall be inserted, namely:-

"(da) "governing board" means the board of directors of a depository;"

(f) after clause (e), the following clauses shall be inserted, namely:-

"(ea) "key management personnel" means a person serving as head of any department or in such senior executive position that stands higher in hierarchy to the head(s) of department(s) in the depository or in any other position as declared so by such depository;

(eb) "persons acting in concert" in the context of acquisition or holding of shares or voting rights or control shall mutatis mutandis have the same meaning as assigned to it in clause (q) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any modification thereof;

(ec) "public interest director" means an independent director, representing the interests of investors in securities market and who is not having any association, directly or indirectly, which in the opinion of the Board, is in conflict with his role;

(ed) "regulatory department" means a department of a depository which is entrusted with regulatory powers and duties and includes such department as may be specified by the Board;"

(g) after clause (f), the following clause shall be inserted, namely:-

"(fa) "shareholder director" means a director who represents the interest of shareholders, and elected or nominated by such shareholders;"

(g) for sub-regulation (2), the following sub-regulation shall be substituted, namely:-

"(2) Words and expressions used and not defined in these regulations but defined in the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, the Companies Act, 1956 or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be."

(ii). In regulation 6,

(a) the existing regulation shall be numbered as sub-regulation (1).

(b) the clause (viii) of so numbered sub-regulation (1), shall be omitted.

(c) after sub-regulation (1), the following sub-regulation shall be inserted, namely:-

"(2) The Board shall not consider an application under regulation 3, unless the applicant/sponsor is a fit and proper person."

(iii). For regulation 6A, the following shall be substituted, namely:-

**"Requirement of fit and proper.**

**6A.** (1) Every depository, its sponsor, shareholder and participant shall satisfy the fit and proper criteria at all times.

(2) For the purpose of determining whether an applicant, depository, its sponsor, shareholder, director and key management personnel or a participant, is a 'fit and proper person' under these regulations, the Board may take into consideration the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

(3) If any question arises as to whether a person is fit and proper, the Board's decision on such question shall be final."

(iv). After regulation 6A, the following regulation shall be inserted, namely:-

**"Eligibility for acquiring or holding shares in a depository.**

**6B.** (1) No person shall, directly or indirectly, acquire or hold equity shares or voting rights of a depository unless he is a fit and proper person.

(2) Any person who, directly or indirectly, either individually or together with persons acting in concert, acquires equity shares such that his shareholding exceeds two per

cent. of the paid up equity share capital of a depository, shall seek approval of the Board within fifteen days of the acquisition.

(3) Any person holding more than two per cent. of the paid up equity share capital of the depository on the date of commencement of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2012, shall seek approval of the Board within a period of ninety days from the date of such commencement.

(4) If approval under sub-regulation (2) or (3) is not granted by the Board to any person, such person shall forthwith divest his excess shareholding.(5) Any person holding more than two per cent. of the paid up equity share capital in a depository shall file a declaration within fifteen days from the end of every financial year to the depository that he complies with the fit and proper criteria.

(6) Save as otherwise provided in these regulations, the shareholding or voting rights of any person in a depository shall not exceed the limits specified in these regulations at any point of time.

(7) For determining the shareholding of any person in a depository as specified in these regulations, any instrument held, owned or controlled, directly or indirectly, by him that entitles him the voting rights or provides for entitlement to voting rights or equity shares or any other rights over equity shares at any future date, shall also be included."

(v). In regulation 7,

(a) after clause (c), the following clause shall be inserted, namely:-

"(cc) the depository complies with the shareholding and governance structure requirements specified in these regulations;"

(b) in clause (d), for the full stop, a colon shall be substituted.

(c) after clause (d), the following provisos shall be inserted, namely:-

"Provided that a recognised stock exchange that is a sponsor of any depository shall not hold more than twenty four per cent. of the paid up equity share capital of that depository:

Provided further that any such recognised stock exchange holding more than twenty four per cent. of the paid up equity share capital in a depository as on the date of commencement of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2012, shall reduce its holding in the depository to twenty four per cent. within a period of three years from the date of such commencement;"

(d) after clause (i), the following clause shall be inserted, namely:-

"(j) any other condition as the Board may deem fit in the interest of securities market."

(vi). After Chapter II, the following Chapter shall be inserted, namely,-

**"CHAPTER IIA**  
**GOVERNANCE OF DEPOSITORY**

**Governing board, disclosures and corporate governance.**

**9A(1)** The governing board of every depository shall include:

- (a) shareholder directors;
- (b) public interest directors; and,
- (c) managing director.

(2) Subject to prior approval of the Board, the chairperson shall be elected by the governing board from amongst the public interest directors.

(3) The number of public interest directors shall not be less than the number of shareholder directors in a depository.

(4) The managing director shall be an ex-officio director on the governing board and shall not be included in either the category of public interest directors or shareholder directors.

(5) Any employee of a depository may be appointed on the governing board in addition to the managing director, and such director shall be deemed to be a shareholder director.

(6) Atleast one public interest director shall be present in the meetings of the governing board to constitute the quorum.

(7) The disclosure requirements and corporate governance norms as specified for listed companies shall *mutatis mutandis* apply to a depository.

(8) Every existing depository shall comply with this regulation within a period of three months from the date of commencement of Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2012.

**Conditions of appointment of directors.**

**9B. (1)** The appointment and re-appointment of all shareholder directors on the governing board of every depository shall be with the prior approval of the Board.

(2) The public interest directors on the governing board of a depository shall be nominated by the Board.

(3) Public interest directors shall be nominated for a term of three years, or for such extended period, as may be approved by the Board:

Provided that such term shall be subject to retirement and reappointment.

(4) If any issue arises as to whether an assignment or position of a public interest director is in conflict with his role, the Board's decision shall be final.

(5) Upon completion of a term of three years as per sub-regulation (3), a public interest director may be renominated after a cooling-off period of one year or such period as the Board may deem fit in the interest of the securities market.

(6) Public interest directors shall be paid only sitting fees as specified in the Companies Act, 1956.

**Appointment of managing director.**

**9C.** (1) The appointment, renewal of appointment and termination of service of the managing director of a depository shall be subject to prior approval of the Board.

(2) Every depository shall, subject to the guidelines issued by the Board from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities relating to the selection/ appointment of the managing director.

(3) The appointment of the managing director shall be for a tenure not less than three years and not exceeding five years.

(4) The managing director of a depository shall not—

(a) be a shareholder or an associate of a shareholder of a depository or shareholder of an associate of a depository;

(b) be a depository participant, or his associate and agent, or shareholder of a depository participant or shareholder of an associate and agent of a depository participant; or

(c) hold any position concurrently in the subsidiary of a depository or in any other entity associated with a depository:

Provided that the managing director of a depository may be appointed on the governing board, but not as managing director, of the subsidiary or associate of a depository.

(5) The managing director shall be liable for removal or termination of services by the governing board of the depository with the prior approval of the Board for failure to give effect to the directions, guidelines and other orders issued by the Board, or the rules, instructions, the articles of association and bye-laws of the depository.

(6) The Board may *suo motu* remove or terminate the appointment of the managing director if deemed fit in the interest of securities market:

Provided that no managing director shall be removed unless he has been given a reasonable opportunity of being heard.

**Code of Conduct for directors and key management personnel.**

**9D.** (1) Every director of a depository shall abide by the Code of Conduct specified under Part-A of Fourth Schedule of these regulations.

(2) Every director and key management personnel of a depository shall abide by the Code of Ethics specified under Part-B of Fourth Schedule of these regulations.

(3) Every director and key management personnel of a depository shall satisfy the fit and proper person criteria at all times as per sub-regulation (2) of regulation 6A.

(4) The Board may, for any failure by the directors to abide by these regulations or the Code of Conduct or Code of Ethics or in case of any conflict of interest, either upon a reference from the depository or *suo motu*, take appropriate action including removal or termination of the appointment of any director, after providing him a reasonable opportunity of being heard.

**Compensation and tenure of key management personnel.**

**9E.** (1) A depository shall constitute a compensation committee comprising a majority of public interest directors and chaired by a public interest director.

(2) The compensation committee shall determine the compensation of key management personnel in terms of a compensation policy.

(3) The compensation policy shall be in accordance with the norms specified by the Board.

(4) The compensation payable to the managing director shall be as approved by the Board and the terms and conditions of the compensation of the managing director shall not be changed without prior approval of the Board.

(5) The compensation given to the key management personnel shall be disclosed in the Report of the depository under section 217 of the Companies Act, 1956.

(6) The tenure of a key management personnel, other than a director, in a department, shall be for a fixed period, as may be decided by the compensation committee.

**Segregation of regulatory departments.**

**9F.** The depository shall segregate its regulatory departments from other departments in the manner specified in Fifth Schedule of these regulations."

(vii). After regulation 13, the following regulation shall be inserted, namely:-

**"Networth certificate.**

**13A.** (1) Every depository shall maintain networth as specified under regulation 13 at all times and submit an audited networth certificate from the statutory auditor on a yearly basis by the thirtieth day of September of every year for the preceding financial year.

*Explanation.* – For the purposes of this regulation, ‘networth of a depository’ means the aggregate value of paid up equity share capital *plus* free reserves (excluding statutory funds, benefit funds and reserves created out of revaluation) reduced by the investments in businesses, whether related or unrelated, aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off.

(2) Every depository shall within one month of the date of the holding of its annual general meeting, furnish to the Board a copy of its audited balance-sheet and profit and loss account for the preceding financial year.”

(viii). After regulation 14, the following regulation shall be inserted, namely:-

**"Depository to abide by the Code of Conduct.**

**14A.** The depository holding a certificate of commencement of business shall, at all times, abide by the Code of Conduct as specified in the Sixth Schedule."

(ix). After regulation 35, the following regulation shall be inserted, namely:-

**"Business Continuity Plan.**

**35A.** A depository shall have adequate Business Continuity Plan for data and electronic records to prevent, prepare for, and recover from any disaster."

(x). After regulation 53B, the following regulation shall be inserted, namely:-

**"Investor Protection Fund.**

**53C.**(1) Every depository shall establish and maintain an Investor Protection Fund for the protection of interest of beneficial owners:

Provided that this Fund shall not be used by the depository for the purpose of indemnifying the beneficial owner under section 16 of the Depositories Act, 1996.

(2) Every depository shall credit twenty five per cent. of its profits every year to the Investor Protection Fund.

(3) The contribution to and utilization of the Investor Protection Fund shall be in accordance with the norms specified by the Board."

(xi). After regulation 58B, the following regulation shall be inserted, namely:-

**"Equal, fair and transparent access.**

**58C.** A depository shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities."

(xii). After Chapter V, the following Chapter shall be inserted, namely:-

**"CHAPTER VA**  
**LISTING OF SECURITIES**

**Listing.**

**58D.** (1) Subject to the provisions of applicable laws in force, a depository may apply for listing of its securities on a recognised stock exchange if,—

- (a) it is compliant with the provisions of these regulations particularly those relating to ownership and governance;
- (b) it has completed three years of continuous depository operations immediately preceding the date of application of listing; and
- (c) it has obtained approval of the Board.

(2) The Board may specify such conditions as it may deem fit in the interest of the securities market including those in relation to transfer of shares held by any person.

(3) A depository or its associates shall not list its securities on a recognized stock exchange that is a sponsor or associate of the depository."

(xiii). After Chapter VII, the following Chapter shall be inserted, namely:-

**"CHAPTER VIIA**  
**MISCELLANEOUS**

**Power to call for information.**

**70.** The Board may from time to time call for any information, documents or records from the depository or its governing board or any shareholder or sponsor thereof and from depository participant.

**Directions by the Board.**

**71.** Without prejudice to exercise of its powers under the provisions of the Act, Depositories Act, 1996 and rules and regulations made thereunder, the Board may, either *suo motu* or on receipt of any information or during pendency of any inspection, inquiry or investigation or on completion thereof, in the interest of public or trade or investors or the securities market, issue such directions as it deems fit, including but not limited to any or all of the following:—

- (a) directing a person holding equity shares or rights over equity shares in a depository in contravention of these regulations to divest his holding, in

- such manner as may be specified in the direction;
- (b) directing transfer of any proceeds or securities to the Investor Protection Fund of a depository;
  - (c) debarring any depository, any shareholder of such depository, or any associate and agent of such shareholder, or any transferee of shares from such shareholder, or sponsor(s), director(s) and key management personnel(s) of the depository from accessing the securities market and/or dealing in securities for such period as may be determined by the Board.

**Power to remove difficulties.**

**72.** In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Board shall have the power to issue directions through guidance notes or circulars.

**Power to specify procedures, etc. and issue clarifications.**

**73.** For the purposes of implementation of these regulations and matters incidental thereto, the Board may specify norms, procedures, processes, manners or guidelines as specified in these regulations, by way of circulars."

(xiv). After Third Schedule, the following schedules shall be inserted, namely:-

*“FOURTH SCHEDULE*

SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORY  
AND PARTICIPANTS) REGULATIONS, 1996  
[See regulation 9D]

Part-A

**CODE OF CONDUCT FOR DIRECTORS**

**i. Meetings and minutes.**

Every director of the depository shall:

- a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;
- b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require;
- c) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
- d) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
- e) endeavour to have the date of next meeting fixed at each governing board meeting in consultation with other members of the governing board;

- f) endeavour that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within fifteen days for considering the remaining items.

**ii. Code of Conduct for the public interest directors.**

- a) In addition to the conditions stated in Para (i) above, public interest directors of the depository shall, endeavour to attend all the governing board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the governing board or do not attend seventy five per cent. of the total meetings of the governing board in a calendar year.
- b) Public interest directors shall meet separately, at least once in six months to exchange views on critical issues.

**iii. Strategic planning.**

Every director of the depository shall:

- a) participate in the formulation and execution of strategies in the best interest of the depository and contribute towards pro-active decision making at the governing board level;
- b) give benefit of their experience and expertise to the depository and provide assistance in strategic planning and execution of decisions.

**iv. Regulatory compliances.**

Every director of the depository shall:

- a) endeavour to ensure that the depository abides by all the provisions of the Securities and Exchange Board of India Act, 1992, Depositories Act, 1996, rules and regulations framed thereunder and the circulars, directions issued by the Board from time to time;
- b) endeavour compliance at all levels so that the regulatory system does not suffer any breaches;
- c) endeavour to ensure that the depository takes commensurate steps to honour the time limit prescribed by Board for corrective action;
- d) not support any decision in the meeting of the governing board which may adversely affect the interest of investors and shall report forthwith any such decision to the Board.

**v. General responsibility.**

Every director of the depository shall:

- a) place priority for redressing investor grievances;

- b) endeavour to analyze and administer the depository issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- c) submit the necessary disclosures/statement of holdings/dealings in securities as required by the depository from time to time as per their bye-laws or Articles of Association;
- d) unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty and no such information shall be used for personal gains;
- e) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;
- f) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;
- g) perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;
- h) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the depository.

#### Part-B

### **CODE OF ETHICS FOR DIRECTORS AND KEY MANAGEMENT PERSONNEL**

The 'Code of Ethics' for directors and key management personnel of the depository, is aimed at improving the professional and ethical standards in the functioning of depository thereby creating better investor confidence in the integrity of the market.

#### **i. Objectives and underlying principles.**

The Code of Ethics for directors and key management personnel of the depository seeks to establish a minimum level of business/ professional ethics to be followed by these directors and key management personnel, towards establishing a fair and transparent marketplace. The Code of Ethics is based on the following fundamental principles:

- Fairness and transparency in dealing with matters relating to the depository and the investors.
- Compliance with all laws/rules/regulations laid down by regulatory agencies/depositories.
- Exercising due diligence in the performance of duties.
- Avoidance of conflict of interest between self interest of directors/ key management personnel and interests of depository and investors.

#### **ii. Ethics committee.**

For overseeing implementation of this Code, an ethics committee shall be constituted by every depository under the governing board.

**iii. General standards.**

- a) Directors and key management personnel shall endeavour to promote greater awareness and understanding of ethical responsibilities.
- b) Directors and key management personnel, in the conduct of their business shall observe high standards of commercial honour and just and equitable principles of trade.
- c) The conduct of directors and key management personnel in business life should be exemplary.
- d) Directors and key management personnel shall not use their position to give/get favours to/from the executive or administrative staff of the depository, suppliers of the depository, or any issuer company admitted to the depository.
- e) Directors and key management personnel shall not commit any act which will put the reputation of the depository, in jeopardy.
- f) Directors, committee members and key management personnel of the depository, should comply with all rules and regulations applicable to the securities market.

**iv. Disclosure of dealings in securities by key management personnel of the depository.**

- a) Key management personnel of the depository shall disclose on a periodic basis as determined by the depository (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board/ethics committee/ Compliance Officer.
- b) The dealings in securities shall also be subject to trading restrictions for securities about which key management personnel in the depository may have non-public price sensitive information. Requirement laid down under Securities and Exchange Board of India(Prohibition of Insider Trading) Regulations, 1992 may be referred in this regard.
- c) All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased must be held for a minimum period of 60 days before they are sold. However, in specific/exceptional circumstances, sale can be effected anytime by obtaining pre-clearance from the Compliance Officer to waive this condition after recording in writing his satisfaction in this regard.

Explanation. -‘securities’ for the purpose of this Code shall not include units of mutual fund.

**v. Disclosure of dealings in securities by directors of the depository.**

- a) All transactions in securities by the directors and their family shall be disclosed to the governing board of the depository.
- b) All directors shall also disclose the trading conducted by firms/corporate entities in which they hold twenty per cent. or more beneficial interest or hold a controlling interest, to the Ethics Committee.

- c) Directors who are Govt. of India nominees or nominees of Govt. of India statutory bodies or financial institutions and are governed by their own codes shall be exempt from this requirement.

**vi. Avoidance of conflict of interest.**

- a) No director of the governing board or member of any committee of the depository shall participate in any decision making/adjudication in respect of any person /matter in which he is in any way, directly or indirectly, concerned or interested.
- b) Whether there is any conflict of interest or not in a matter, should be decided by the governing board.

**vii. Disclosures of beneficial interest.**

All directors and key management personnel shall disclose to the governing board, upon assuming office and during their tenure in office, whenever the following arises:-

- a) any fiduciary relationship of self and family members and directorship/partnership of self and family members in any depository participant or registrar and transfer agent;
- b) shareholding, in cases where the shareholding of the director, directly or through his family exceeds five per cent. in any listed company or in other entities related to the securities markets;
- c) any other business interests.

**viii. Role of the Chairman and directors in the day to day functioning of the depository.**

- a) The Chairman and directors shall not interfere in the day to day functioning of the depository and shall limit their role to decision making on policy issues and to issues as the governing board may decide.
- b) The Chairman and directors shall abstain from influencing the employees of the depository in conducting their day to day activities.
- c) The Chairman and directors shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the governing board.

**ix. Access to information.**

- a) Directors shall call for information only as part of specific committees or as may be authorised by the governing board.
- b) There shall be prescribed channels through which information shall move and further there shall be audit trail of the same. Any retrieval of confidential documents/information shall be properly recorded.
- c) All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration/ gain.
- d) Any information relating to the business/operations of the depository, which may come to the knowledge of directors/ key management personnel during performance

of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.

**x. Misuse of position.**

Directors/committee members shall not use their position to obtain business or any pecuniary benefit in the organization for themselves or family members.

**xi. Ethics committee to lay down procedures.**

a) The ethics committee shall lay down procedures for the implementation of the Code and prescribe reporting formats for the disclosures required under the Code.

b) The Compliance Officer shall execute the requirements laid down by the ethics committee.

While the objective of this Code is to enhance the level of market integrity and investor confidence, it is emphasized that a written Code of ethics may not completely guarantee adherence to high ethical standards. This can be accomplished only if directors and key management personnel of the depository commit themselves to the task of enhancing the fairness and integrity of the system in letter and spirit.

*FIFTH SCHEDULE*

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

[See regulation 9F]

**MEASURES TO ENSURE AUTONOMY OF REGULATORY DEPARTMENTS**

In order to ensure the segregation of regulatory departments, every depository shall adopt a "Chinese Wall" policy which separates the regulatory departments of the depository from the other departments. The employees in the regulatory departments shall not communicate any information concerning regulatory activity to any one in other departments. The employees in regulatory areas may be physically segregated from employees in other departments including with respect to access controls. In exceptional circumstances employees from other departments may be given confidential information on "need to know" basis, under intimation to the Compliance Officer.

For the purposes of the above, "regulatory areas" shall mean those departments of a depository which are mandated by law or those entrusted with regulatory powers and duties, and may include departments performing the following functions:

- (i) risk management;
- (ii) surveillance;
- (iii) participant registration;

- (iv) Issuer/ securities admission;
- (v) compliance;
- (vi) inspection;
- (vii) enforcement;
- (viii) arbitration;
- (ix) investor protection;
- (x) investor services.

### *SIXTH SCHEDULE*

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

[See regulation 14A]

#### **CODE OF CONDUCT FOR DEPOSITORIES**

1. A depository shall always abide by the provisions of the Act, Depositories Act, 1996, Rules, Regulations, circulars, guidelines and any other directions issued by the Board.
2. A depository shall take appropriate measures towards investor protection and education of investors.
3. A depository shall treat all its applicants/participants in a fair and transparent manner.
4. A depository shall promptly inform the Board of violations of the provisions of the Act, Depositories Act, the rules, the regulations, circulars, guidelines or any other directions by any of its participants, issuer or issuer's agent.
5. A depository shall take a proactive and responsible attitude towards safeguarding the interests of investors, integrity of the depository system and the securities market.
6. A depository shall make endeavors for introduction of best business practices amongst itself and its participants.
7. A depository shall act in utmost good faith and shall avoid conflict of interest in the conduct of its functions.
8. A depository shall not indulge in unfair competition, which is likely to harm the interests of any other depository, participants or investors or is likely to place them in a disadvantageous position while competing for or executing any assignment.

9. A depository shall be responsible for the acts or omissions of its employees in respect of the conduct of its business.
10. A depository shall monitor the compliance of the rules and regulations by the participants and shall further ensure that their conduct is in a manner that will safeguard the interest of investors and the securities market."

**U. K. SINHA**  
**CHAIRMAN**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**

**Footnotes:**

1. The principal regulations, Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 were published in the Gazette of India, Part II on May 16, 1996 vide S.O. No. 345(E).
2. The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, were subsequently amended on:
  - (a) February 7, 1997 by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997 vide S.O. No. 91(E).
  - (b) September 5, 1997 by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1997 vide S.O. No. 640(E).
  - (c) January 5, 1998 by the SEBI (Depositories and Participants) (Amendment) Regulations, 1998 vide S.O. No. 18(E).
  - (d) January 21, 1998 by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998 vide S.O. No. 76(E).
  - (e) May 20, 1999 by the SEBI (Depositories and Participants) (Amendment) Regulations, 1999 vide S.O. No. 357(E).
  - (f) July 7, 1999 by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1999 vide S.O. No. 546(E).
  - (g) September 21, 1999 by the SEBI (Depositories and Participants) (Third Amendment) Regulations, 1999 vide S.O. No. 775(E).
  - (h) December 26, 2000 by the SEBI (Depositories and Participants) (Amendment) Regulations, 2000 vide S.O. No. 1160(E).
  - (i) May 29, 2001 by the SEBI (Investment Advice by Intermediaries) (Amendment) Regulations, 2001 vide S.O. No. 476(E).
  - (j) September 27<sup>th</sup>, 2002 by the SEBI (Procedure for holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 vide S.O. No. 1045(E).
  - (k) June 16, 2003 by the SEBI (Depositories and Participants) (Amendment) Regulations, 2003 vide S.O. No. 696(E).
  - (l) September 2, 2003 by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 2003 vide S.O. No. 1014(E).
  - (m) October 1, 2003 by the SEBI (Depositories and Participants) (Third Amendment) Regulations, 2003 vide S.O. No. 1156(E).

- (n) March 10<sup>th</sup>, 2004 by the SEBI (Criteria for Fit and Proper Person) Regulations, 2004 vide S.O. No. 398(E).
- (o) June 10<sup>th</sup>, 2004 by the SEBI (Depositories and Participants) (Amendment) Regulations, 2004 vide S.O. No. 696(E).
- (p) October 10<sup>th</sup>, 2007 by the SEBI (Depositories and Participants) (Amendment) Regulations, 2007 vide No. 11/LC/GN/2007/4485.
- (q) March 17<sup>th</sup>, 2008 by the SEBI (Depositories and Participants) (Amendment) Regulations, 2008 vide F. No. 11/LC/GN/2008/20494.
- (r) May 26, 2008 by the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 vide Notification No. LAD/NRO/GN/2008/11/126538.
- (s) August 8, 2008 by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 2008 vide Notification No. LAD/NRO/GN/2008/18/134585.
- (t) June 19, 2009 by the SEBI (Facilitation of Issuance of India Depository Receipts) (Amendment) Regulations, 2009 vide Notification No. LAD/NRO/GN/2009-2010/10/166936.
- (u) April 13, 2011 by the Securities and Exchange Board of India (Change in Conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2011 vide Notification No. LAD/ NRO/ GN/ 2011-12/03/12650.
- (v) July 5, 2011 by the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2011 vide Notification No. LAD-NRO/GN/2011-12/14/21219.