**Annexure A2**

# FORMAT FOR COMPLIANCE REPORT (CR) TO SEBI

[Report of Compliance Officer for Depositories under SEBI (D & P) Regulations, 2018 and various Circulars issued thereunder]

| **Compliance Report for the Quarter ended …** |
|---|
| Name of the Depository: |
| Name of the Compliance Officer: |

## I. Part A: Report in terms of Regulation 81(3) of D&P Regulations, 2018

| **Sl. No.** | **Provisions** | **Particulars** | **Details regarding the non-compliance and the corrective action(s) taken, if any.** |
|---|---|---|---|
| 1. | | | |
| 2. | | | |

*Note: The above report shall contain details of non-compliance with provisions under Acts, Rules, D&P Regulations, 2018, circulars or directions issued thereunder and for the redressal of investors' grievances.*

## II. Part B: Status of Compliance with specific provisions under D&P Regulations, 2018

| **Sl. No.** | **Regulations** | **Particulars** | **Remarks**[1] |
|---|---|---|---|
| 1. | Regulation 7 (c) | i. The depository shall not carry on any activity whether involving deployment of funds or otherwise without prior approval of the Board:<br><br>Provided that prior approval of the Board shall not be required in case of treasury investments if such investments are as per the investment policy approved by the governing board of depository.<br><br>Provided further that a depository may carry out such activity not incidental to its activities as a depository, whether involving | |

**[1] Indicate 'Yes' if complied with the D & P Regulations, 2018 and various circulars issued thereunder and 'No' for non-compliance. In case of non-compliance, provide the details regarding the non-compliance and the corrective action(s) taken, if any.**

| Sl. No. | Regulations | Particulars | Remarks[1] |
|---|---|---|---|
| | | deployment of funds or otherwise, as may be assigned to the depository by the Central Government or by a regulator in the financial sector, through the establishment of Strategic Business Unit(s) specific to each activity with the prior approval of the Board and subject to such conditions as may be prescribed by the Board, including transfer of such activity to a separate company within such time as may be specified by the Board having regard to the matters which are relevant to the efficient and orderly function of the Depository as mentioned in regulation 14.<br><br>ii. An employee of a depository shall not simultaneously be an employee of any other company where the depository has invested.<br><br>iii. A director, committee member or employee of a depository shall not receive any compensation or any other financial benefit from the companies where the depository has invested, other than fees and expenses related to the governing board and committee meetings. | |
| 2. | Regulation 7 (g) | The depository shall redress the grievances of the participants and the beneficial owners within twenty-one calendar days of the date of receipt of any complaint from a participant or a beneficial owner and keep the Board informed about the number and the nature of redressals. | |
| 3. | Regulation 8 | A depository who has been granted a certificate of registration under regulation 7, shall pay annual fee specified in Part A of the Second Schedule in the manner specified in Part B thereof. | |
| 4. | Regulation 9 | A depository shall, within fifteen days from the end of each month, pay as provided in Part A of the Second Schedule, a percentage of the annual custody charges received by it from the issuers during the month, to the Board in the manner provided in Part B thereof. | |
| 5. | Regulation 15(1) | Every depository shall maintain net worth as specified under regulation 14 (1) (a) at all times and submit an audited net worth certificate from the statutory auditor on a yearly basis, by the | |

| Sl. No. | Regulations | Particulars | Remarks[1] |
|---|---|---|---|
| | | thirtieth day of September of every year for the preceding financial year. | |
| 6. | Regulations 17 | The depository holding a certificate of commencement of business shall, at all times, abide by the Code of Conduct as specified in the Part D of the Third Schedule. | |
| 7. | Regulation 20 (1) | 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. | |
| 8. | Regulation 22 (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. The depository shall ensure that all its shareholders are fit and proper persons:<br><br>Provided that such a requirement to ensure that all its shareholders are fit and proper persons shall not be applicable to a depository for shareholding of a person who directly or indirectly, acquires or holds less than two percent equity shares or voting rights of such depository. | |
| 9. | Regulation 22 (7) | Any person holding two percent or more 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. | |
| 10. | Regulation 22 A | The depository shall put in place a monitoring mechanism as specified in Part E of Second Schedule to ensure compliance with the shareholding restrictions prescribed in these regulations at all times. | |
| 11. | Regulation 23 (1) (b) | The depository shall ensure that all its directors and key management personnel are fit and proper persons at all times. | |
| 12. | Regulation 24 (12) | Depository shall monitor and ensure the compliance of sub-regulation 9 on continuous basis, to ensure that directors appointed, on their governing board, do not get associated with Depository Participant after approval and appointment. | |
| 13. | Regulation 24 (14) (a) | The governing board of the depository shall consist of directors having the requisite qualifications and experience in the areas of capital markets, finance and accountancy, legal | |

| Sl. No. | Regulations | Particulars | Remarks[1] |
|---|---|---|---|
| | | and regulatory practice, technology, risk management, and management or administration:<br><br>Provided that the governing board of the depository shall consist of at least one public interest director having the requisite qualification and experience in each of the areas of capital markets, finance and accountancy, legal and regulatory practice, and technology. | |
| 14. | Regulation 27 (1) | The governing board, directors, committee members and key management personnel of a depository shall abide by the Code of Conduct specified under Part- B of Third Schedule of these regulations. | |
| 15. | Regulation 29 (3) | The functions under the verticals as provided at clause (a) and (b) of sub-regulation 1 shall be given higher priority by the depository over the functions under the vertical as provided at clause (c) of sub-regulation (1). | |
| 16. | Regulation 29 (4) | Every depository shall periodically and objectively assess the adequacy of resources allocated to the first two verticals as specified in clause (a) and (b) of sub-regulation (1). | |
| 17. | Regulation 29 (5) | Every depository shall adopt a "Chinese Wall" policy which separates the functions under vertical as provided at clause (b) of sub-regulation (1) from the functions of other verticals. | |
| 18. | Regulation 29 (6) | The employees referred to in sub-regulation (5) shall not communicate any information concerning their activity to any one in other verticals and may be physically segregated from employees in other verticals including with respect to access controls:<br><br>Provided that in exceptional circumstances, employees from other verticals may be given confidential information on "need to know" basis, under intimation to the Compliance Officer. | |
| 19. | Regulation 31 (3) | Depository shall disclose resources committed towards strengthening regulatory functions and towards ensuring compliance with regulatory requirements applicable to the depository, backed by an activity based accounting in the | |

| Sl. No. | Regulations | Particulars | Remarks[1] |
|---|---|---|---|
| | | report under section 134 of the Companies Act, 2013 | |
| 20. | Regulation 31 (4) | The fees and charges levied by a depository shall be placed for review before the Oversight Committee of such depository. | |
| 21. | Regulation 31 (5) | Every depository shall internally conduct annual evaluation of its performance and the performance of its statutory committees in such a manner as may be specified by the Board.<br><br>(This may be reported only at the end of quarter ended June of every year) | |
| 22. | Regulation 31 (7) | Every depository shall disclose, on their website, the agenda and minutes of its governing board meetings pertaining to regulatory, compliance, risk management and investor grievance areas, after approval of such minutes. | |
| 23. | Regulation 44 | Every depository shall have systems and procedures which will enable it to co-ordinate with the issuer or its agent, and the participants, to reconcile the records of ownership of securities with the issuer or its agent, as the case may be, and with participants, on a daily basis. | |
| 24. | Regulation 48 | Every depository shall have adequate mechanisms for the purposes of reviewing, monitoring and evaluating the depository's controls systems, procedures and safeguards. | |
| 25. | Regulation 49 | Every depository shall cause an inspection of its controls, systems, procedures and safeguards to be carried out annually and forward a copy of the report to the Board. | |
| 26. | Regulation 50 | A depository shall have adequate Business Continuity Plan for data and electronic records to prevent, prepare for, and recover from any disaster. | |
| 27. | Regulation 52 | Every depository shall take adequate measures including insurance to protect the interests of the beneficial owners against risks likely to be incurred on account of its activities as a depository. | |
| 28. | Regulation 53 | Where records are kept electronically by the depository, it shall ensure that the integrity of the automatic data processing systems is maintained at all times and take all precautions necessary to ensure that the records are not lost, destroyed or tampered with and in the | |

| Sl. No. | Regulations | Particulars | Remarks[1] |
|---|---|---|---|
| | | event of loss or destruction, ensure that sufficient back up of records is available at all times at a different place. | |
| 29. | Regulation 54 (3) | Subject to the provisions of any other law the depository shall preserve records and documents for a minimum period of eight years | |
| 30. | Regulation 57 | No depository shall assign or delegate to any other person its functions as a depository, without the prior approval of the Board. | |
| 31. | Regulation 73 (2) | Every depository shall credit five percent or such percentage as may be specified by the Board, of its profits from depository operations every year to the Investor Protection Fund. | |
| 32. | Regulation 80 (1) | A depository or a participant or any of their employees shall not render, directly or indirectly, any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his interest including long or short position in the said security has been made, while rendering such advice. | |
| 33. | Regulation 82 | A depository shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities. | |
| 34. | Regulation 82 A (1) | Every depository and the company where the depository has invested shall lay down a framework for sharing and monitoring of data, including confidential and sensitive data. | |
| 35. | Regulation 82 B | Compliance with provisions of regulation 82B on “Restriction in having association with certain persons” | |
| 36. | Regulation 83 (3) | A depository or its associates shall not list its securities on a recognized stock exchange that is an associate of the depository. | |

## III. <u>Part C: Status of compliance with specific provisions of latest Master Circular for “Depositories” and other circulars issued under D&P Regulations, 2018</u>

| Sl. No. | Particulars | Provisions | Remarks[2] |
|---|---|---|---|
| 1. | Compliance with the | Compliance with provisions related to issuance of Consolidated Account Statements by | |

**[2] Indicate ‘Yes’ if complied with the D & P Regulations, 2018 and various circulars issued thereunder and ‘No’ for non-compliance. In case of non-compliance, provide the details regarding the non-compliance and the corrective action(s) taken, if any.**

| Sl. No. | Particulars | Provisions | Remarks[2] |
|---|---|---|---|
| | provisions related to issuance of Consolidated Accounts Statements | Depositories as provided under SEBI Master Circular for “Depositories”. | |
| 2. | Principles of Financial Market Infrastructures (PFMIs) | Compliance with provisions related to PFMIs as provided under SEBI Master Circular for “Depositories”. | |
| 3. | Dissemination of tariff/charge structure of DPs on the website of depositories. | 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. | |
| 4. | Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode. | The depositories shall give more emphasis on investor education particularly with regard to careful preservation of Delivery Instruction Slip (DIS) by the BOs. The Depositories may advise the BOs not to leave “blank or signed” DIS with the Depository Participants (DPs) or any other person/entity. | |
| 5. | Recording of all types of Encumbrances in Depository system. | Depositories shall put in place a system for capturing and recording all types of encumbrances, which are specified under Regulation 28(3) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time. Towards this end, Depositories shall follow processes and other norms similar to that stipulated for the purpose of capturing and recording Non Disposal Undertakings (NDUs) in Depository system. This is apart from pledge and hypothecation, whose processes and specific norms are separately provided in SEBI (Depositories & Participants) Regulations, 2018 and circulars issued thereon. | |
| 6. | Annual System Audit | Compliance with provisions related to Annual system audit of depositories as provided under SEBI Master Circular for “Depositories”. | |
| 7. | Business Continuity Plan | Compliance with provisions related to Guidelines for Business Continuity Plan and | |

| Sl. No. | Particulars | Provisions | Remarks[2] |
|---|---|---|---|
| | and Disaster Recovery | Disaster Recovery of Depositories as provided under SEBI Master Circular for “Depositories” | |
| 8. | Categorization / Risk Rating of DPs | Depositories should periodically undertake risk - impact analysis for each of the inspection areas, assign appropriate risk weightage, calculate risk scores for each DPs. | |
| 9. | Risk Management Policy at the Depositories | Compliance with provisions related to Risk management Policy at Depositories as provided under SEBI Master Circular for “Depositories”. | |
| 10. | Code of Conduct & Institutional mechanism for prevention of Fraud or Market Abuse | Compliance with provisions related to Code of Conduct & Institutional mechanism for prevention of Fraud or Market Abuse as provided under SEBI Master Circular for “Depositories”. | |
| 11. | Outsourcing of Activities by Depositories | Compliance with provisions related to Outsourcing of Activities by Depositories as provided under SEBI Master Circular for “Depositories”. | |
| 12. | System and Network Audit of Depositories | Compliance with provisions related to System and Network Audit of Depositories as provided under SEBI Master Circular for “Depositories”. | |
| 13. | Testing Framework for the Information Technology (IT) systems of Depositories | Compliance with provisions related to Testing Framework for the IT systems of Depositories as provided under SEBI Master Circular for “Depositories”. | |
| 14. | Cyber Security and Cyber Resilience framework of Depositories | Compliance with provisions related Cyber security and cyber resilience framework of Depositories as provided under SEBI Master Circular for “Depositories”. | |
| 15. | Guidelines for Investor Protection Fund (IPF) and Investor Services Fund (ISF) at Depositories. | Compliance with provisions related to IPF and ISF of Depositories as provided under SEBI Master Circular for “Depositories”. | |
| 16. | Early Warning Mechanism to prevent diversion of | Compliance with provisions related Early warning mechanism to prevent diversion of clients’ securities as provided under SEBI Master Circular for “Depositories”. | |

| Sl. No. | Particulars | Provisions | Remarks[2] |
|---|---|---|---|
| | clients' securities | | |
| 17. | Capacity Planning Framework for the Depositories | Compliance with provisions related to Capacity Planning Framework of Depositories as provided under SEBI Master Circular for "Depositories". | |
| 18. | Performance review of Public Interest Directors (PIDs) | Compliance with provisions related to Performance review of PIDs of Depositories as provided under SEBI Master Circular for "Depositories". | |
| 19. | Standard Operating Procedure (SOP) for handling of technical glitches. | Compliance with provisions related to SOP for handling of technical glitches as provided under SEBI Master Circular for "Depositories". | |

It is certified that the depository was in compliance with all the provisions of relevant Acts, Rules, D&P Regulations, 2018, circulars or directions issued thereunder for the quarter ended______, except the non-compliances mentioned at Part-A of the report.

Place:

Date:

Signature of the Compliance Officer: