

Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/1322

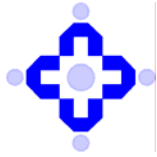
October 23, 2008

ELECTRONIC WAREHOUSE RECEIPTS OF NATIONAL SPOT EXCHANGE LIMITED

DPs will be pleased to know that maintenance of electronic warehouse receipts pertaining to National Spot Exchange Limited [**NSEL**] and transactions thereof, is available in CDSL.

In view of the above, DPs are advised to note the following:-

- 1) NSEL will commence the empanelment of CDSL-DPs for the opening of accounts for holding warehouse receipts in electronic form.
- 2) As the legal status of warehouse receipts is different from that of securities, DPs are advised to note that separate demat accounts would have to be opened for holding warehouse receipts and a separate agreement would have to be executed with BOs wishing to open such accounts. The suggestive format of the Agreement is enclosed herewith [see **Annexure A**]. Empanelled DPs may effect minor changes in the agreement-format, provided no clauses are omitted and/or any added clause does not contradict the clauses mentioned in the suggestive format. The format of the agreement as outlined in communiqué no. **DP 433**, remains unchanged.
- 3) The procedure for opening of accounts for holding electronic warehouse receipts would be the same as followed for opening of accounts for holding securities. Hence, all relevant documents for account opening should be obtained from the BOs.
- 4) In the CDSL system, accounts would have to be opened under separate product and sub-status codes, in order to distinguish demat accounts opened for holding securities versus demat accounts opened for holding electronic warehouse receipts. The product, status and sub-status codes under which the warehouse-receipt accounts would have to be opened, are as given below:



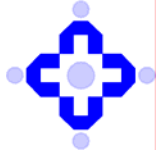
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BO code / Product code	BO Status / Product Description	Sub-Status code	BO Sub Status / Description	Remarks
39	Individual–Commodity	44	Individual – Commodity	Existing
40	Corporate–Commodity	45	Corporate – Commodity	Existing
41	Bank–Commodity	46	Bank–Commodity	Existing
48	NSEL Clearing Member Pool Account	24	Clearing Member	New

- 5) Demat accounts opened under the above status and sub-status codes should be used only for holding electronic warehouse receipts. Empanelled DPs must ensure that, in the event of securities being erroneously credited to the said account, the securities would have to be transferred back to the originating account at the earliest. It may be noted that commodities held by Clearing Members [CMs] in their NCDEX CM account or MCX CM account are not eligible for delivery / settlement in NSEL.
- 6) DPs who have not been empanelled with NSEL will not be able to open accounts under the aforesaid product / sub-status codes.
- 7) CMs dealing / trading in commodities in NSEL would have to open separate CM Pool accounts with empanelled CDSL-DPs, for the purpose of conducting / participating in settlements.
- 8) Initial credits of electronic warehouse receipts in demat accounts would be effected by way of Corporate Action / Initial Public Offer functionality.
- 9) If BOs wish to take delivery of commodities from the warehouses, DPs would have to obtain a Remat Request Form [RRF] from the BO and setup a remat request in the CDSL system on the basis of the said RRF. On the original copy of the RRF, the DP should write the remat request number [RRN], confirm the signature of BO, affix the DP's seal and the authorized official of the DP should sign the RRF before handing over the same to the BO. The BO would be able to get delivery of commodities from the warehouses based on the acknowledged copy of the RRF. The duplicate copy of the RRF with the RRN, remarks of the DP, etc. should be retained by the DP for audit purposes.



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- 10) The procedure for transfer, pledge and freeze would be similar to that applicable for securities.
- 11) CDSL would be levying the following electronic warehouse receipt transaction charges on DPs:

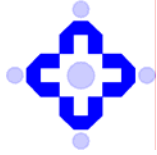
Details	Charges
Transaction Charges for CM accounts	<ul style="list-style-type: none">0.01% of the value of the transaction subject to a minimum of Rs.5/- and maximum of Rs.12/- (for debits).A minimum billing of Rs.500/- per month for NSEL CM Pool Account and maximum billing based on actuals, will be payable.
Transaction Charges for accounts other-than-CM	0.01% of the value of the transaction subject to a minimum of Rs.5/- and maximum of Rs.12/- (for debits).
Remat (delivery of commodities)	Rs.50/- (per request)
Pledge creation	Rs.12/- (per request) – payable by Pledgor
Pledge closure (Unpledge)	Rs.12/- (per request) – payable by Pledgor
Invocation	NIL

- 12) DPs who wish to get empanelled with NSEL should address their queries to:

Contact persons : Mr. H. B. Mahanty or Mr. Sushil Dongre or Ms. Namita Jadhav
Address : National Spot Exchange Limited
102-A, Landmark, 1st floor,
Suren Road, Chakala, Andheri (East)
Mumbai – 400 093
Telephone : +91-22-67619900 Fax : +91-22-67619931

- 13) Depository-related queries may be addressed to :

- CDSL - Commodities** on telephone no. (022) 2272-3333, Sameer Masurkar (extn. 8574), Sanjay Mhatre (extn. 8612), Jayprakash Shetty (extn. 8635), Prashant Kokate (extn. 8421) or direct nos. (022) 2272-2008 and (022) 2272-1262 or emails may be sent to: operations@cdslindia.com



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- ☐ **CDSL - Helpdesk** on telephone no. (022) 2272-3333 (extn. 8642, 8427, 8663, 8624, 8693, 8625, 8639), direct (022) 2272-1261, (022) 32462767, (022) 2272-2075 or email ID: helpdesk@cdslindia.com.

sd/-

Ramkumar K
Vice President – Operations

REMINDER TO DPs

- ✓ **October 31, 2008** – Last date by which all PAN non-compliant accounts with NIL balance should be closed. Reference communiqué no. **DP 1277** dated September 17, 2008.
- ✓ **November 15, 2008** – Last date for submission of Internal Audit Report [IAR] and Concurrent Audit Report [CAR] of risk prone areas. Reference: Communiqué no. **DP 1268** dated September 10, 2008.
- ✓ **December 31, 2008** – Date by which DPs are advised to register for CDSL's **easiest** facility. Reference communiqué no. **DP 1281** dated September 25, 2008.

AGREEMENT BETWEEN THE DEPOSITORY PARTICIPANT [entity registered as Depository Participant of Central Depository Services (India) Limited [**CDSL**] with Securities and Exchange Board of India [**SEBI**] under SEBI (Depositories & Participants) Regulation, 1996 and the **BO** (a person seeking to open a depository account with the depository participant), **for the purpose of holding and transacting in electronic warehouse receipts.**

This agreement made and entered into this _____ day of _____, _____ between _____ situated at _____ (hereinafter called the "**BO**") and _____ situated at _____ (hereinafter called the "**Depository Participant**" or "**DP**").

Witnesseth

WHEREAS the Depository Participant is registered as a participant in the Central Depository Services (India) Limited. ["**CDSL**"], a duly registered depository under the Depositories Act, 1996.

WHEREAS the BO has furnished to the Depository Participant the duly filled in application form as prescribed by CDSL requesting therein the Depository Participant to open an account with the Depository Participant; and Depository Participant has represented to the BO that it has set up a facility to extend depository services offered by CDSL to warehouse receipts.

NOW THEREFORE in consideration of the Depository Participant having agreed to open an account for the Client, both the parties to the Agreement hereby covenant and agree as follows:

- 1) The BO shall pay such charges to the Depository Participant for the purpose of opening and maintaining his account, for carrying out the instructions of the BO and for rendering such other services as may be agreed to from time to time between the Depository Participant and the BO as set out in **Schedule A**. The Depository Participant shall reserve the right to revise the charges by giving not less than thirty days notice in writing to the BO. Depository Participant shall not levy account closure charges if BO chooses to close the account.

- 2) The Depository Participant hereby undertakes that it shall maintain a separate account of its own warehouse receipts, if any, held in dematerialised form and shall not co-mingle the same with the warehouse receipts held in dematerialised form by the BO.
- 3) The Depository Participant undertakes that a transfer to and from the accounts of the BO shall be made only on the basis of a written order, instruction, direction or mandate duly authorized by the BO and that the Depository Participant shall maintain adequate audit trail of such authorization.
- 4) The Depository Participant agrees that the BO may give written standing instructions with regard to the debiting or crediting of electronic warehouse receipts in its account and the Depository Participant shall act according to such instructions.
- 5) The Depository Participant undertakes to provide a transaction statement to the BO at least at monthly intervals unless the Depository Participant and the BO have agreed in writing for provision of such statements at shorter intervals. However, if there is no transaction in the account, then the Depository Participant shall provide such statement to the BO at least once a quarter.
- 6) The Depository Participant undertakes to resolve all legitimate grievances of the BO against the Depository Participant within a period of thirty days.
- 7) The BO agrees to operate this beneficial owner account for the sole purpose of holding and transacting in electronic warehouse receipts and shall be solely responsible for costs and consequences of receiving credit of any other securities into this account in the event of such credit being made owing to instructions issued by the client. The DP may levy special charges to transfer such securities out of this account, in addition to the charges listed in Schedule 'A'. However, if the BO gets any erroneous credit of securities / WRs in this account, he will assist the DP in restoring the securities into the account from which the securities were received in the clients account at no cost to the client.
- 8) The BO may seek delivery of the commodity represented by electronic warehouse receipt from the warehouse that has issued the electronic warehouse receipt. The BO acknowledges that neither the Depository Participant nor CDSL shall be responsible for delivery of the commodities against the electronic warehouse receipts, whether on grounds of quantity, quality, timeliness of delivery or otherwise. The BO hereby indemnifies and agrees to keep indemnified and hold the Depository Participant and CDSL harmless from and against any loss, claim, damage, injury or other cost and expense relating to delivery of the commodity underlying the warehouse receipt.

- 9) The charges related to the warehousing service shall be settled in accordance with the arrangement agreed to by the Client, Depository Participant and warehouse without any recourse to CDSL.
- 10) On the failure of the BO to pay the charges for provision of services by the DP as laid out in clause (1) of this Agreement within a period of fifteen days from the date of demand, Depository Participant may terminate this Agreement and close the account of the BO by requiring it to specify whether the balances in its account be transferred to the account of the BO held with another Depository Participant or send a delivery advise to related warehouse.
- 11) The BO further agrees that in the event of the BO committing a default in the payment of any of the amounts due and owing to the DP in terms of this Agreement within a period of fifteen days from the date of demand, without prejudice to the right of the Depository Participant to close the account of the Client, the Depository Participant may charge interest at a rate not exceeding 15%. In case the BO has failed to make the payment of any such amount, the Depository Participant shall have the right to discontinue the Depository services till such time he makes the payment along with interest, if any, after giving two days notice to the Client. **If the BO does not make the payment for more than two months, Depository Participant may sell the commodities represented by the warehouse receipts to recover the amount due to it after giving 7 days notice to the Client. The DP shall always be deemed to have had a first charge and lien over the warehouse receipts in the account of the BO towards recovery of amounts due under this Agreement.**
- 12) The Depository Participant shall have the right to terminate this Agreement, for any reasons whatsoever, provided the Depository Participant has given a notice in writing of not less than thirty days to the Client. In such an event, the BO shall specify whether the balances in its account should be transferred to another account of the BO held with another Depository Participant or it will seek delivery of commodities against the electronic warehouse receipts held. Based on the instructions of the Client, the Depository Participant shall initiate the procedure for transferring such electronic warehouse receipts or send a delivery advice against electronic warehouse receipts within a period of three days. The BO shall have the right to terminate this Agreement and close his account held with the Depository Participant, provided no charges are payable by him to the Depository Participant. Provided further, termination of this Agreement shall not affect the rights, liabilities and obligations of either party accruing prior to termination and shall continue to bind the parties to their satisfactory completion.
- 13) In the event of Depository Participant being suspended or terminated by CDSL/SEBI in terms of Bye Laws/Operating Instructions of CDSL or SEBI [Depositories & Participants] Regulations, 1996, Depository Participant / CDSL may give a notice of not less than 30 days of such

suspension/termination to the Client. In such an event, the BO shall specify whether the balances in its account should be transferred to another account of the BO held with another Depository Participant or if it will seek delivery of commodities against the electronic warehouse receipts held. Based on the instructions of the Client, the Depository Participant shall initiate the procedure for transferring such electronic warehouse receipts or send a delivery advise against electronic warehouse receipts within a period of three days.

- 14) The BO shall have the right to create a pledge of the electronic warehouse receipts held in the dematerialised form. The BO may exercise the right to freeze his account maintained with the Depository Participant so as to lock the electronic warehouse receipts held with the Depository Participant. The BO may exercise the right to un-freeze his account maintained with the Depository Participant. Such freezing and un-freezing of the account shall be in accordance with the procedure prescribed in this regard by CDSL.
- 15) The BO shall notify the Depository Participant within seven days, of any change in the details set out in the application form submitted to the Depository Participant at the time of opening the account or furnished to the Depository Participant from time to time.
- 16) The Depository Participant shall have a right to provide such information related to the Client's account as may be requested by the CDSL from time to time.
- 17) The Depository Participant shall not be liable to the BO in any manner towards losses, liabilities and expenses arising from the claims of third parties and from taxes and other governmental charges in respect of electronic warehouse receipts credited to Client's account.
- 18) Depository Participant shall discharge all its obligations to the BO as provided by SEBI / any other regulatory authority and / or those guidelines / instructions issued by CDSL from time to time and in force at the time of entering into this Agreement and as may be amended as if such BO were a beneficial owner of securities in terms of the aforesaid laws, and shall maintain the same standard of service provided such obligations are not in contravention of the terms and conditions of this Agreement.
- 19) All claims, differences and disputes between Depository Participants and Clients arising out of or in relation to dealings on the CDSL Depository including any agreements, contracts and transactions made subject to this Agreement or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions,

agreements and contracts have been entered into or not, shall be referred to arbitration in accordance to and subject to the provisions of the Arbitration and Conciliation Act, 1996. The arbitration mechanism prescribed under the CDSL Bye-Laws, Operating Instructions for disputes between DP and clients in securities transactions shall be applicable to disputes arising out of and in connection with this Agreement, as if the same have been incorporated hereinbelow and formed part of this Agreement.

IN WITNESS WHEREOF the BO and the Depository Participant has caused these presents to be executed as of the day and year first above written.

Signed and delivered by _____

(for and on behalf of the Client)

(Witness)

Signed and delivered by _____

(for and on behalf of the Depository Participant)

(Witness)

Schedule A

Containing the charges.