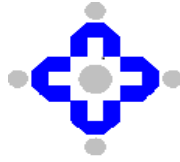


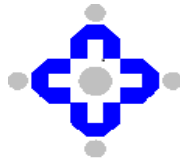


# CDSL BYE LAWS

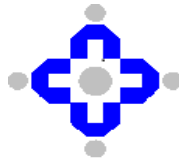


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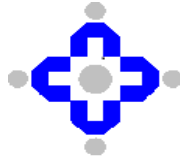
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## ANNEXURES

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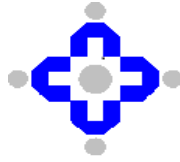
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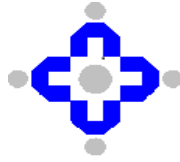
<sup>1</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023



## **CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED**

### **BYE LAWS**

In exercise of the powers conferred under Section 26 of The Depositories Act, 1996, Central Depository Services (India) Limited hereby makes the following Bye Laws which have been approved by the Securities and Exchange Board of India by its order No. SMDRP/CDSL/ 7000/98 dated February 17, 1999 pursuant to the provisions of Section 26 (1) of the Depositories Act, 1996.



## **1. TITLE AND COMMENCEMENT**

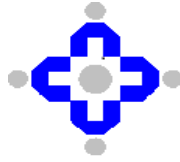
- 1.1. These Bye Laws may be called the Bye Laws of Central Depository Services (India) Limited.
- 1.2. These Bye Laws shall come into force with effect from 17<sup>th</sup> February, 1999.
- 1.3. Subject to the prior approval of Securities and Exchange Board of India, the Board of Directors of Central Depository Services (India) Limited may amend, add to, alter, modify or repeal any of the provisions of these Bye Laws.

## **2. DEFINITIONS**

- 2.1. Unless the context otherwise requires:
  - 2.1.1. Act: means the Depositories Act, 1996 as amended from time to time;
  - 2.1.2. Bye Laws: means the Bye Laws of Central Depository Services (India) Limited as amended from time to time;
  - 2.1.3. CDS [*CDSL*]<sup>2</sup>: means Central Depository Services (India) Limited;
  - 2.1.4. Clearing Corporation: means any body corporate or any association of persons engaged in the activity of clearing and settlement of trades and includes a clearing house of a recognised stock exchange;
  - 2.1.5. Clearing Member: means a member of a stock exchange recognised under the Securities Contracts (Regulation) Act, 1956 who has obtained a certificate of registration from the Securities and Exchange Board of India under Section 12(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 6 of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 or a Custodian of Securities who has obtained a certificate of registration from the Securities and Exchange Board of India under Section 12(1A) of the Securities and Exchange Board of India Act, 1992 read with Regulation 8 (3) of the Securities and Exchange Board of India (Custodian of Securities) Regulations, 1996 and who has an arrangement with a Clearing Corporation for settlement of trades in dematerialised form.
  - 2.1.6. Committee: means a committee referred to in these Bye Laws.

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<sup>2</sup> Amended No. CDSL/BL/Amend/2002/16 with effect from 30<sup>th</sup> August, 2002 inserted vide SEBI's letter no. D & CC/CDSL/16959/2002 dated 30.08.2002.



- 2.1.7. Corporate Action: includes any action relating to specifying dates for book closures, record dates, [*shut period*]<sup>3</sup> dates for payment of interest or dividend, dates for annual general meetings, dates of redemption or maturity of securities, dates of conversion of debentures, warrants, call money dates and such other actions taken by the Issuer from time to time.
- 2.1.8. Corporate Benefits: means benefits accruing from time to time from the Issuer to the Beneficial Owner in respect of the securities of such Issuer held by such Beneficial Owner and includes dividends, interest, bonus shares, rights, preferential allotments, warrants, discount coupons, redemption at premium and such other benefits.
- 2.1.9. [*CSDL Account: means a Constituent Subsidiary General Ledger Account opened and maintained with the RBI by any eligible entity for the purpose of holding, transacting or otherwise dealing in Government Securities in scripless form in the name of the constituents of such eligible entity.*]
- 2.1.9.1. <sup>4</sup>[*Electronic Gold Receipt (or “EGR”): shall mean an electronic receipt issued on the basis of deposit of underlying physical gold in accordance with the SEBI (Vault Manager) Regulations, 2021, as amended from time to time issued by SEBI under section 31 of the Securities Contracts (Regulation) Act, 1956.*]
- 2.1.10. [*Eligible entity means any entity, which has opened / may be permitted by RBI from time to time to open Current Accounts and SGL Accounts with RBI for holding, transacting or otherwise dealing in Government Securities.*]<sup>5</sup>
- 2.1.11. Eligible Security: means a security which is specified by CDSL pursuant to Regulation 27 of the Regulations to be eligible for the time being for being held in dematerialized form in CDSL in accordance with these Bye Laws.
- 2.1.12. [*GAH: means Gilt Account holder having beneficial ownership of Securities held in CSDL Account of the eligible entity.*]
- 2.1.13. [*Government Securities: means Government Securities as defined under section 2(2) of the Public Debt Act, 1944.*]<sup>6</sup>

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<sup>3</sup> Amendment No. CDSL/BL/Amend/2002/15 with effect from 1<sup>st</sup> February, 2002 inserted vide SEBI's letter no. D & CC/CDSL/1988/2002 dated 01.02.2002.

<sup>4</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>5</sup> Amendment No. CDSL/BL/Amend/2002/15 with effect from 1<sup>st</sup> February, 2002 inserted vide SEBI's letter no. D & CC/CDSL/1988/2002 dated 01.02.2002.

<sup>6</sup> Amendment No. CDSL/BL/Amend/2002/15 with effect from 1<sup>st</sup> February, 2002 inserted vide SEBI's letter no. D & CC/CDSL/1988/2002 dated 01.02.2002.





<sup>7</sup>[2.1.13.A. *Limited Depository Participant: means a Depository Participant who may have lower net worth requirement (not less than ` 50 lakhs) as stipulated by the Depository with attending limitations/restrictions on business for a limited period which shall be notified on website.*]

2.1.14. **Market Trades:** means trades concluded through the trading system of a recognised Stock exchange and cleared and settled through the Clearing Corporation which has entered into an agreement with CDSL as required by these Bye Laws and include trades which are negotiated privately and reported for clearing and settlement through such Clearing Corporation.

2.1.15. **Off Market Trades:** means the trades that are not cleared or settled through the Clearing Corporation which has entered into an agreement with CDSL in terms of these Bye Laws.

2.1.16. **Other Depository:** means a depository other than CDSL registered under the provisions of Section 12(1A) of the Securities and Exchange Board of India Act, 1992, and established in accordance with the provisions of the Act and the Regulations.

2.1.17. [*RBI means the Reserve Bank of India constituted under sub-section (1) of Section 3 of the Reserve Bank of India Act, 1934.*]<sup>8</sup>

2.1.18. **Regulations:** means Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 as amended from time to time.

2.1.19. **RTA:** means a Registrar to an issue of any securities and/or a transfer agent in respect of any securities appointed by the Issuer in that behalf who has been granted the certificate of registration by the Securities and Exchange Board of India under Sub- Section (1) of Section 12 of the Securities and Exchange Board of India Act, 1992;

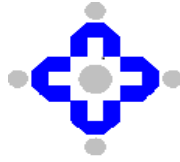
2.1.20. **SEBI:** means the Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992;

2.1.21. [*SGL Account: means a Subsidiary General Ledger Account opened and maintained by the eligible entity with the RBI for the purpose of holding,*

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<sup>7</sup> Inserted vide SEBI's letter no. MRD/DP/OW/2349/2013 dated 28.01.2013.

<sup>8</sup> Amendment No. CDSL/BL/Amend/2002/15 with effect from 1<sup>st</sup> February, 2002 inserted vide SEBI's letter no. D & CC/CDSL/1988/2002 dated 01.02.2002.



*transacting or otherwise dealing in Government Securities in its own name as a Beneficial Owner.]*<sup>9</sup>

- 2.1.22. *[User: means and includes any market intermediary interacting with CDSL and shall include Participants, Issuers, RTAs, Clearing Corporations and Clearing Members* <sup>10</sup>*[and Vault Managers].]*<sup>11</sup>
- 2.2. Wherever the terms “Participant”, “Beneficial Owner”, “Issuer” and “RTA” occur in these Bye Laws, unless otherwise warranted by the context or meaning thereof, the same shall mean a “Participant”, “Beneficial Owner”, “Issuer” and “RTA” in relation to CDSL.
- 2.3. Words and expressions used but not defined in these Bye Laws but defined under the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992, the Depositories Act, 1996, [*Reserve Bank of India Act, 1934*]<sup>12</sup> and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, [*Public Debt Act, 1944, and Public Debt Rules, 1946*]<sup>13 14</sup>*[or any other relevant Acts, Rules and Regulations]* shall have the same meaning respectively assigned to them under the aforesaid Acts, [*Rules*]<sup>15</sup> and Regulations.
- 2.4 <sup>16</sup>*[CDSL may from time to time make such amendments or modifications to the annexures to the Bye Laws as it may deem fit, with the prior approval of SEBI, consistent with the provisions of the Depositories Act, 1996, Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996. All agreements between CDSL and counter parties and amongst counter parties as per Bye Laws that have already been executed as on the date of such amendment or modification, shall ipso facto be deemed to have stood amended and/or modified in accordance with amendment or modification effected to the concerned annexure with effect from the date of such amendment or modification.]*

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<sup>9</sup> Amendment No. CDSL/BL/Amend/2002/15 with effect from 1<sup>st</sup> February, 2002 inserted vide SEBI’s letter no. D & CC/CDSL/1988/2002 dated 01.02.2002.

<sup>10</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>11</sup> Inserted by SEBI letter no. MRD/VSS/SU/3383/2004 dated 07.02.2004.

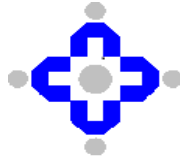
<sup>12</sup> Amendment No. CDSL/BL/Amend/2002/15 with effect from 1<sup>st</sup> February, 2002 inserted vide SEBI’s letter no. D & CC/CDSL/1988/2002 dated 01.02.2002.

<sup>13</sup> Amendment No. CDSL/BL/Amend/2002/15 with effect from 1<sup>st</sup> February, 2002 inserted vide SEBI’s letter no. D & CC/CDSL/1988/2002 dated 01.02.2002.

<sup>14</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>15</sup> Amendment No. CDSL/BL/Amend/2002/15 with effect from 1<sup>st</sup> February, 2002 inserted vide SEBI’s letter no. D & CC/CDSL/1988/2002 dated 01.02.2002.

<sup>16</sup> Amended vide SEBI letter no. MRD/CDSL/SG/181682/09 dated 03.11.2009.



### 3. COMMITTEES

#### 3.1. COMMITTEES OF DIRECTORS

3.1.1. Subject to the provisions of the Companies Act, 1956 and Articles of Association of the Company, the Board of Directors may delegate, from time to time, to any committee or committees comprising of two or more Directors, any of the powers vested in it upon such terms and conditions as it may think fit. It may cancel, withdraw, alter or vary all or any of such powers so delegated. The Board of Directors may at any time in its sole discretion remove any director on such committee or committees or modify the constitution thereof.

3.1.2. Without prejudice to the generality of the foregoing, the Board of Directors may constitute the following committees of directors for the following purposes:

3.1.2.1. <sup>17</sup>[—]

3.1.2.2. “Organisational Committee” to decide on recruitment and personnel policy of CDSL.

3.1.2.3. <sup>18</sup>[A qualified and independent Audit Committee be constituted as under:

3.1.2.3.1. *Constitution of the Audit Committee:*

3.1.2.3.1.1 *The Audit Committee shall have minimum three members, all being nonexecutive directors, with the majority of them being independent, and with at least one director having financial and accounting knowledge;*

3.1.2.3.1.2. *The Chairman of the committee shall be an independent director;*

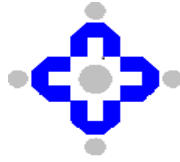
3.1.2.3.1.3. *The Chairman shall be present at the Annual General Meeting to answer shareholder queries;*

3.1.2.3.1.4. *The Audit Committee should invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, if any, head of internal audit and when required, a representative of the external auditor shall be present as invitees for the meetings of the Audit Committee.*

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<sup>17</sup> Deleted vide SEBI's letter no. MRD/DP/MAS- OW/23267/11 dated 19.07.2011.

<sup>18</sup> Approved vide SEBI's letter no. SMRDP/CDSL/24186/2001 dated 28.02.2001.



- 3.1.2.3.1.5. *The company secretary shall act as the secretary to the committee.*
- 3.1.2.3.2 *The Audit Committee shall meet at least thrice a year. One meeting shall be held before finalisation of annual accounts and one every six months. The quorum shall be either two members or one third of the members of the Audit Committee, whichever is higher, consisting minimum of two independent directors.*
- 3.1.2.3.3 *The Audit Committee shall have <sup>19</sup>[all powers, as prescribed under the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable regulations including the following:]*
- 3.1.2.3.3.1. *to investigate any activity within its terms of reference,*
- 3.1.2.3.3.2. *to have access to information contained in the records of the company and to seek information from any employee,*
- 3.1.2.3.3.3. *to obtain outside legal or other professional advice, to secure attendance of outsiders with relevant expertise, if it considers necessary.*
- 3.1.2.3.4. *The role of the Audit Committee shall include the following:*
- 3.1.2.3.4.1. *Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.*
- 3.1.2.3.4.2. <sup>20</sup>*[Recommendation for appointment, remuneration and terms of appointment of auditors of the Company.]*
- 3.1.2.3.4.3. *Reviewing with management the annual financial statements <sup>21</sup>[and the auditors' report thereon,] before submission to the board <sup>22</sup>[for approval, with particular reference to:]*
- 3.1.2.3.4.3.1. *Any changes in accounting policies and practices,*
- 3.1.2.3.4.3.2. *Major accounting entries based on exercise of judgement by management.*
- 3.1.2.3.4.3.3. *Qualifications in draft audit report.*

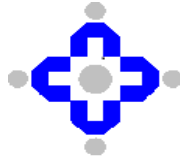
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<sup>19</sup> Amended vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>20</sup> Amended vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>21</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>22</sup> Amended vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017



3.1.2.3.4.3.4. *Significant adjustments* <sup>23</sup>*[made in the financial statements] arising out of audit* <sup>24</sup>*[findings.]*

3.1.2.3.4.3.5. *The going concern assumption.*

3.1.2.3.4.3.6. *Compliance with accounting standards*

3.1.2.3.4.3.7. *Compliance with stock exchange and legal requirements concerning financial statements, to the extent applicable.*

<sup>25</sup>*[3.1.2.3.4.3.8. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.]*

<sup>26</sup>*[3.1.2.3.4.3.9. Compliance with listing and other legal requirements relating to financial statements.]*

<sup>27</sup>*[3.1.2.3.4.3.10. Disclosure of any related party transactions.]*

3.1.2.3.4.4. *Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large.*

3.1.2.3.4.5. *Reviewing with the management, external and internal auditors, the adequacy of internal control system.*

3.1.2.3.4.6. *Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit relating to CDSL, its depository participants, issuers/RTAs, <sup>28</sup>[Vault Managers] clearing corporations or any other entity, reports of internal audits of these entities whether conducted by CDSL or these entities themselves, as may be deemed fit.*

3.1.2.3.4.7. *Discussion with internal auditors any significant findings and follow up thereon.*

3.1.2.3.4.8. *Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a*

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<sup>23</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

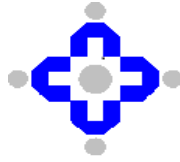
<sup>24</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>25</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>26</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>27</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>28</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023



*failure of internal control systems of a material nature and reporting the matter to the board.*

- 3.1.2.3.4.9. *Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.*
- 3.1.2.3.4.10. *Reviewing the company's financial and risk management policies.*
- 3.1.2.3.4.11. *To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.*
- <sup>29</sup>[3.1.2.3.4.12. *Approval of payment to statutory auditors for any other services rendered by the statutory auditors.]*
- <sup>30</sup>[3.1.2.3.4.13. *Review and monitor the auditor's independence and performance, and effectiveness of audit process.]*
- <sup>31</sup>[3.1.2.3.4.14. *Reviewing, with the management, the quarterly, financial statements before submission to the board for approval.]*
- <sup>32</sup>[3.1.2.3.4.15. *To review the financial statements, in particular, the investments made by the unlisted subsidiary company.]*
- <sup>33</sup>[3.1.2.3.4.16. *Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.]*
- <sup>34</sup>[3.1.2.3.4.17. *To formulate the scope, functioning, periodicity and methodology for conducting the internal audit in consultation with the Internal Auditor.]*
- <sup>35</sup>[3.1.2.3.4.18. *To review the functioning of the Whistle Blower Mechanism.]*

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<sup>29</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>30</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

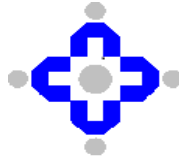
<sup>31</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>32</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>33</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>34</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>35</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017



- <sup>36</sup>[3.1.2.3.4.19. *Approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.]*
- <sup>37</sup>[3.1.2.3.4.20. *Valuation of undertakings or assets of the Company, wherever it is necessary.]*
- <sup>38</sup>[3.1.2.3.4.21. *Scrutiny of inter-corporate loans and investments.]*
- <sup>39</sup>[3.1.2.3.4.22. *Evaluation of internal financial controls and risk management systems.]*
- <sup>40</sup>[3.1.2.3.4.23. *Approval or any subsequent modification of transactions of the company with related parties.]*
- <sup>41</sup>[3.1.2.3.4.24. *To appoint a person having such qualifications and experience and registered as a valuer in such manner, on such terms and conditions as may be prescribed and appointed by the audit committee for valuation, if required to be made, in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets or net worth of a company or its liabilities.]*
- <sup>42</sup>[3.1.2.3.4.25. *To ensure proper system for storage, retrieval, display or printout of the electronic records as deemed appropriate and such records shall not be disposed of or rendered unusable, unless permitted by law.]*
- <sup>43</sup>[3.1.2.3.4.26. *To mandatorily review:*
- <sup>44</sup>[3.1.2.3.4.26.1. *Management discussion and analysis of financial condition and results of operations;]*
- <sup>45</sup>[3.1.2.3.4.26.2. *Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;*

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<sup>36</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>37</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>38</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>39</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>40</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>41</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>42</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>43</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>44</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>45</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017





<sup>46</sup>[3.1.2.3.4.26.3. *Management letters / letters of internal control weaknesses issued by the statutory auditors;*]

<sup>47</sup>[3.1.2.3.4.26.4. *Internal audit reports relating to internal control weaknesses;*]

<sup>48</sup>[3.1.2.3.4.26.5. *The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee; and*]

<sup>49</sup>[3.1.2.3.4.26.6. *Statement of deviations in terms of the SEBI Listing Regulations;*]

<sup>50</sup>[3.1.2.3.4.26.6.1. *Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s); and*]

<sup>51</sup>[3.1.2.3.4.26.6.2. *Annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice.*]

<sup>52</sup>3.1.2.3.4.27 *Reviewing the utilization of loans and/ or advances from/investment by the holding Company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.*

<sup>53</sup>3.1.2.3.4.28 *To review the performance of the investments made on time to time basis in line with the investment policy for investment of surplus funds of the Company.*

<sup>54</sup>3.1.2.3.4.29 *To review compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, and verify that the systems for internal controls are adequate and are operating effectively.*

3.1.2.3.5. *Decisions of the Audit Committee binding on the Board:*

3.1.2.3.5.1 *The recommendations of the Audit Committee on any matter relating to financial management including the audit report, shall be binding on the Board of Directors.*

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<sup>46</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>47</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>48</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

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<sup>50</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>51</sup> Inserted vide SEBI's letter no. MRD/DSA/OW/8180/1/2017 dated 10.04.2017

<sup>52</sup> Inserted vide SEBI's letter no. MRD2DDAP/OW/2020/92/1 dated 01.01.2020.

<sup>53</sup> Inserted vide SEBI's letter no. MRD2DDAP/OW/2020/92/1 dated 01.01.2020.

<sup>54</sup> Inserted vide SEBI's letter no. MRD2DDAP/OW/2020/92/1 dated 01.01.2020.





3.1.2.3.5.2. *If the Board of Directors does not accept the recommendations of the Audit Committee, it shall record the reasons therefor and communicate such reasons to the shareholders.]*

3.1.2.4. <sup>55</sup>[—]

3.1.2.5. <sup>56</sup>[—]

3.2. <sup>57</sup>[—]

### <sup>58</sup>3.3. FUNCTIONAL COMMITTEES

3.3.1. The Board of Directors may also constitute, from time to time, any functional Committee or Committees, comprising of Public Interest Directors, shareholder directors, key management personnel and independent external persons, for carrying out such functions and exercising such powers upon such terms and conditions and upon such remuneration as the Board of Directors may think fit in its discretion. It may cancel, withdraw, alter or vary all or any of such powers and functions of any such functional Committee. The Board of Directors may at any time in its sole discretion appoint or remove any person or persons from such Committee or Committees or modify the constitution thereof.

3.3.2 Without prejudice to the generality of the foregoing, the Board of Directors shall constitute the following functional Committees as prescribed under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and other applicable regulations comprising of such persons and for exercising such functions as hereinbelow set out:

3.3.2.1 “**Member Committee**” shall be a Functional Committee of CDSL and shall comprise of Public Interest Director, Shareholder Directors, the Managing Director, Key Management Personnel, independent external persons and any other members as may be nominated by the Securities and Exchange Board of India from time to time, subject to a maximum of two Key Management personnel one of which shall necessarily be the Managing Director. The total number of Public Interest Directors shall not be less than the total number of shareholder directors, key management personnel and independent external persons put together.

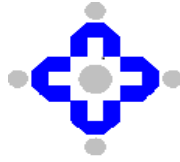
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<sup>55</sup> Deleted vide SEBI’s letter no. MRD/DP/MAS- OW/23268/11 dated 19.07.2011.

<sup>56</sup> Deleted vide SEBI letter no. MRD/DOP/CDSL/ARR/17456/04 dated 9.08.2004.

<sup>57</sup> Deleted vide SEBI letter no. MRD2DDAP/OW/2020/92/1 dated 01.01.2020.

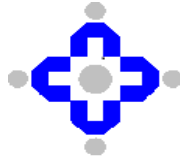
<sup>58</sup> Inserted vide SEBI’s letter no. MRD2DDAP/OW/2020/92/1 dated 01.01.2020.



- 3.3.2.1.2. The Member Committee shall have all powers as prescribed under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and other applicable regulations including the following:
- 3.3.2.1.2.1 To scrutinize, evaluate, accept or reject applications for admission of members, transfer of membership as well as approve voluntary withdrawal of membership;
- 3.3.2.1.2.2 Formulate policy to deal with any disciplinary matters relating to the Participants, Clients, Issuer or its Registrar and Transfer Agent, Clearing Members, Clearing Corporations <sup>59</sup>[ *Vault Managers*] and other users. This shall include termination / disciplinary action against participants, suspending, expelling or imposing penalty on the participant, freezing the account of the participant, among others;
- 3.3.2.1.2.3 Based on the laid down policy, consider the cases of violations observed during inspection, etc. and impose appropriate regulatory measure on the members of the depositories;
- 3.3.2.1.2.4 While imposing the regulatory measure, the Committee shall adopt a laid down process, based on the 'Principles of natural justice';
- 3.3.2.1.3 The Member Committee shall hold meetings at such intervals as may be required from time to time.
- 3.3.2.1.4 The members present at each meeting shall elect a Chairman who shall be a public interest director.
- 3.3.2.1.5 To constitute the quorum for the meeting, the number of Public Interest Directors shall not be less than the total of number of other members put together.
- 3.3.2.1.6 The voting on a resolution in the meeting shall be valid only when the number of Public Interest Directors that have cast their vote on such resolution is equal to or more than the total number of other members put together who have cast their vote on such resolution. The casting vote in the meetings shall be with the chairperson of the Committee.
- 3.3.2.1.7 The decisions of the Member Committee shall be placed before the subsequent Board Meeting.

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<sup>59</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023



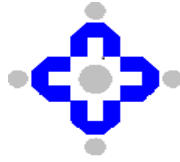
- 3.3.2.2 **“Grievance Redressal Committee”** shall be a Functional Committee of CDSL and shall comprise of independent external persons with qualifications in the area of law, finance, accounts, economics, management or administration and experience in financial services, including securities market who are not associated with a depository participant in any manner.
- 3.3.2.2.1 The Grievance Redressal Committee shall have all powers as prescribed under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and other applicable regulations including the following:
- 3.3.2.2.1.1 Deal with the complaints referred to it by the depositories, hear the parties and resolve their complaints.
- 3.3.2.2.2 For claims upto Rs.25 Lakh, the Grievance Redressal Committee shall comprise of one member. For claims above Rs.25 Lakh, the Grievance Redressal Committee shall comprise of three members and the members so appointed may elect a Chairperson amongst themselves.
- 3.3.2.2.3 The Grievance Redressal Committee shall hold meetings at such intervals as may be required from time to time.
- 3.3.2.2.4 The decisions of the Grievance Redressal Committee shall be placed before the subsequent Board Meeting.
- 3.3.2.2.5 The disclosures and code of conduct prescribed under para 3.4 and 4 of SEBI circular reference no.CIR/MRD/DSA/24/2010 dated August 11, 2010 shall be applicable as far as may be to the member of the Grievance Redressal Committee.

#### <sup>60</sup>**3.4 OVERSIGHT COMMITTEES**

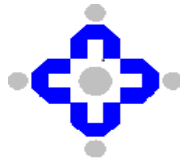
- 3.4.1. The Board of Directors may also constitute, from time to time, any oversight Committee or Committees, comprising of Public Interest Directors, shareholder directors, key management personnel and independent external persons, for carrying out such functions and exercising such powers upon such terms and conditions and upon such remuneration as the Board of Directors may think fit in its discretion. It may cancel, withdraw, alter or vary all or any of such powers and functions of any such functional Committee. The Board of Directors may at any time in its sole discretion appoint or remove any person or persons from such Committee or Committees or modify the constitution thereof.

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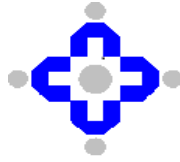
<sup>60</sup> Inserted vide SEBI’s letter no. MRD2DDAP/OW/2020/92/1 dated 01.01.2020.



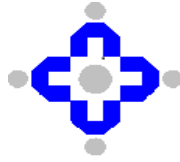
- 3.4.2. Without prejudice to the generality of the foregoing, the Board of Directors shall constitute the following Oversight Committees as prescribed under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and other applicable regulations comprising of such persons and for exercising such functions as herein below set out:
- 3.4.2.1. **“Standing Committee on Technology”** shall be an Oversight Committee of CDSL and shall comprise of Public Interest Director, Shareholder Directors and independent external persons. The Standing Committee on Technology shall include at least two independent external persons proficient in technology. The number of Public Interest Directors shall not be less than the total number of shareholder directors, and independent external persons put together.
- 3.4.2.1.2. The Standing Committee on Technology shall have all powers as prescribed under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and other applicable regulations including the following:
- 3.4.2.1.2.1. Monitor whether the technology used by the depository remains up to date and meets the growing demands
- 3.4.2.1.2.2. Monitor the adequacy of system capacity and efficiency
- 3.4.2.1.2.3. Look into the changes being suggested to the existing software/hardware
- 3.4.2.1.2.4. Investigate into the problems computerized depository system, such as hanging/ slowdown/ breakdown.
- 3.4.2.1.2.5. Ensure that transparency is maintained in disseminating information regarding slowdown/break down in the depository system.
- 3.4.2.1.2.6. The Standing Committee on Technology shall submit a report to the Board of CDSL. The Board will deliberate on the report and suitable action/ remedial measure will be taken.
- 3.4.2.1.2.7. Explain any system outage related incidents to the Board of CDSL.
- 3.4.2.1.2.8. Review the implementation of Board approved cyber security and resilience policy and its framework.
- 3.4.2.1.2.9. Such other matters in the scope as may be referred by the Board of CDSL and/or the Securities and Exchange Board of India.



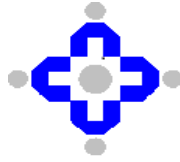
- 3.4.2.1.3. The Standing Committee on Technology shall hold meetings at such intervals as may be required from time to time.
- 3.4.2.1.4 The members present at each meeting shall elect a Chairman, who shall be a public interest director.
- 3.4.2.1.5 To constitute the quorum for the meeting, the number of Public Interest Directors shall not be less than the total of number of other members put together.
- 3.4.2.1.6 The voting on a resolution in the meeting shall be valid only when the number of Public Interest Directors that have cast their vote on such resolution is equal to or more than the total number of other members put together who have cast their vote on such resolution. The casting vote in the meetings shall be with the chairperson of the Standing Committee on Technology.
- 3.4.2.1.7 The decisions of the Standing Committee on Technology shall be placed before the subsequent Board Meeting.
- 3.4.2.2 “**Advisory Committee**” shall be an Oversight Committee of CDSL and shall comprise of public interest directors and depository participants of CDSL.
- 3.4.2.2.1 The Advisory Committee shall have all powers as prescribed under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and other applicable regulations including the following:
- 3.4.2.2.1.1 To advise the Depository on non-regulatory and operational matters including technology, charges and levies, amongst others.
- 3.4.2.2.2 The Advisory Committee shall hold meetings at such intervals as may be required from time to time.
- 3.4.2.2.3 The Chairperson of the Board shall act as the Chairperson of the Advisory Committee.
- 3.4.2.3.4 The quorum for the meeting of Advisory Committee shall be either two members or one third of the members of the committee, whichever is greater.
- 3.4.2.2.5 The Managing Director shall be a permanent invitee to every meeting of the Advisory Committee.



- 3.4.2.2.6 The decisions of the Advisory Committee shall be placed before the subsequent Board Meeting.
- 3.4.2.3 “**Regulatory Oversight Committee**” shall be an Oversight Committee of CDSL and shall comprise of Public Interest Director and Independent external persons. The number of Public Interest Directors shall not be less than the total number of shareholder directors, and independent external persons put together.
- 3.4.2.3.1 The Regulatory Oversight Committee shall have all powers as prescribed under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and other applicable regulations including the following:
- 3.4.2.3.1.1 To lay down procedures for the implementation of the Code of Ethics and prescribe the reporting formats for the disclosure required under the Code of Ethics;
- 3.4.2.3.1.2. To oversee the implementation of the Code of Ethics;
- 3.4.2.3.1.3 To periodically monitor the dealings in securities of the Key Management Personnel;
- 3.4.2.3.1.4 To periodically monitor the trading conducted by firms/corporate entities in which the directors hold twenty percent or more beneficial interest or hold a controlling interest;
- 3.4.2.3.1.5 To consider and decide on the criteria for admission, withdrawal of securities and continuous compliance requirements;
- 3.4.2.3.1.6 To declare any security admitted into Depository as ineligible;
- 3.4.2.3.1.7 To review complaint resolution process and status of redressal of grievances of demat account holders, depository participants, Issuers / RTAs with respect to depository operations. This shall include review of complaints remaining unresolved over long period of time, estimate the adequacy of resources, amongst others;
- 3.4.2.3.1.8 Annual review of arbitrators and arbitration awards (both quantum and quality of the awards);
- 3.4.2.3.1.9 To monitor compliance with SEBI (Depositories and Participants) Regulations, 2018 as amended from time to time and other applicable rules and regulations along-with SEBI Circulars and other directions issued there under;



- 3.4.2.3.1.10 To review the fees and charges levied by the Depository.
- 3.4.2.3.1.11 Review the actions taken to implement the suggestions of SEBI's Inspection Reports, place the same before the Governing Board of the depository;
- 3.4.2.3.1.12 To follow up and ensure compliance/implementation of the inspection observations
- 3.4.2.3.2 The Regulatory Oversight Committee shall hold meetings at such intervals as may be required from time to time.
- 3.4.2.3.3 The members present at each meeting shall elect a Chairman, who shall be a public interest director
- 3.4.2.3.4 To constitute the quorum for the Regulatory Oversight Committee meeting, the number of Public Interest Directors shall not be less than the total of number of other members put together
- 3.4.2.3.5 The voting on a resolution in the Regulatory Oversight Committee meeting shall be valid only when the number of Public Interest Directors that have cast their vote on such resolution is equal to or more than the total number of other members put together who have cast their vote on such resolution. The casting vote in the meetings shall be with the chairperson of the Regulatory Oversight Committee.
- 3.4.2.3.6 The decisions of the Regulatory Oversight Committee shall be placed before the subsequent Board Meeting.
- 3.4.2.4 **“Risk Management Committee”** shall be an Oversight Committee of CDSL and shall comprise of only Public Interest Director and Independent external persons. The number of Public Interest Directors shall not be less than the total number of shareholder directors, and independent external persons put together.
  - 3.4.2.4.1 The Risk Management Committee shall have all powers as prescribed under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and other applicable regulations including the following:
    - 3.4.2.4.1.1 To formulate a detailed risk management policy which shall be approved by the governing board;
    - 3.4.2.4.1.2 To review the Risk Management Framework & risk mitigation measures from time to time;



- 3.4.2.4.1.3 To monitor and review enterprise-wide risk management plan and lay down procedures to inform Board members about the risk assessment and minimization procedures;
- 3.4.2.4.1.4 The head of the risk management department shall report to the risk management Committee and to the managing director of the depository;
- 3.4.2.4.1.5 The risk management Committee shall monitor implementation of the risk management policy and keep the Board and the governing board informed about its implementation and deviation, if any;
- 3.4.2.4.1.6 To assess and monitor the risks pertaining to cyber security;
- 3.4.2.4.1.7 To assess and mitigate the risk involved in Depository and Depository Participants.
- 3.4.2.4.1.8 Responsibilities and other requirements provided in SEBI Circular dated January 12, 2015
- 3.4.2.4.1.9 To monitor and review the risk management plan and other functions as it may deem fit such function shall specifically cover cyber security.
- 3.4.2.4.2 The Risk Management Committee shall hold meetings at such intervals as may be required from time to time provided that the Risk Management Committee shall meet at least once in a year.
- 3.4.2.4.3 The members present at each meeting shall elect a Chairman, who shall be a public interest director
- 3.4.2.4.4 To constitute the quorum for the Risk Management Committee meeting, the number of Public Interest Directors shall not be less than the total of number of other members put together.
- 3.4.2.4.5 The voting on a resolution in the Risk Management Committee meeting shall be valid only when the number of Public Interest Directors that have cast their vote on such resolution is equal to or more than the total number of other members put together who have cast their vote on such resolution. The casting vote in the meetings shall be with the chairperson of the Risk Management Committee.
- 3.4.2.4.6 The decisions of the Risk Management Committee shall be placed before the subsequent Board Meeting.





#### **4. POWER TO ISSUE OPERATING INSTRUCTIONS <sup>61</sup>[AND COMMUNIQUÉS]**

- 4.1. CDSL shall be entitled to issue, from time to time, instructions, specifications and guidelines, to be known as “Operating Instructions”, relating to the functioning and operation of CDSL as also that of Participants, Issuers, RTAs, Clearing Corporations <sup>62</sup>[, Clearing Members, *Vault Managers, Debenture Trustees and Credit Rating Agencies*] both inter se and in relation to CDSL. CDSL shall have power to repeal, delete, amend and/or alter the Operating Instructions or any part thereof or issue new or fresh Operating Instructions from time to time provided however that CDSL [*shall seek prior written approval of SEBI.*]<sup>63</sup>
- 4.2. Without prejudice to the generality of Bye Law 4.1 above, CDSL may issue operating instructions inter alia, with respect to:
  - 4.2.1. mode of functioning and operation in the depository system of CDSL;
  - 4.2.2. norms which shall be required to be followed by the participants, Issuers, RTAs, Clearing Members<sup>64</sup>[, Clearing Corporations *and Vault Managers*] while acting as such;
  - 4.2.3. hardware and software required to be installed and maintained by participants, Issuers, RTAs <sup>65</sup>[, *Vault Managers*] and Clearing Corporations;
  - 4.2.4. determination from time to time, fees, system usage charges, deposits, margins, <sup>66</sup>[*Penalties*] and other monies payable to CDSL by the participants, Issuers, RTAs, Clearing Members <sup>67</sup>[, Clearing Corporations *and Vault Managers*] ;
  - 4.2.5. detailed procedure for dematerialization and rematerialization of securities;
  - 4.2.6. procedure for opening, operating and closing Beneficial Owner’s account with a participant;
  - 4.2.7. conduct of business with the Clearing Corporations <sup>68</sup>[, Clearing Members *and Vault Managers*];

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<sup>61</sup> Amended vide SEBI letter no. MRD/CDSL/VM/144711/08 dated 18<sup>th</sup> November, 2008.

<sup>62</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2022/58867/1 dated 23.11.2022

<sup>63</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/38263/1 dated 14.09.2023

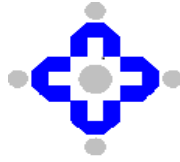
<sup>64</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>65</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>66</sup> Inserted vide SEBI letter no. MRD/VSS/ARR/CDSL/12304/2004 dated 11<sup>th</sup> June, 2004.

<sup>67</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>68</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023



- 4.2.8. communication of information relating to transactions and holdings by CDSL to participants, Issuers, RTAs, Clearing Members <sup>69</sup>[, Clearing Corporations *and Vault Managers* and by the participants, Issuers, RTAs, Clearing Members and Clearing Corporations *and Vault Managers*] inter se and by participants to CDSL and their Beneficial Owners;
- 4.2.9. reconciliation of records between CDSL and participants, Issuers, RTAs, <sup>70</sup>[*Vault Managers*] and Clearing Corporations;
- 4.2.10. records and books of account to be maintained by participants, Issuers, RTAs, Clearing Members <sup>71</sup>[, *Vault Managers*] and Clearing Corporations;
- 4.2.11. administration, maintenance and investment of all Fund(s) set up by CDSL, including the corpus, accretions and contributions of or to the fund(s);
- 4.2.12. requirements, manner and format for submission of periodic returns by participants, Issuers, RTAs, <sup>72</sup>[*Vault Managers*,] Clearing Members and Clearing Corporations to CDSL in relation to their activities in connection with CDSL;
- 4.2.13. manner and form in which the participants, Issuers, RTAs <sup>73</sup>[, *Vault Managers*] and Clearing Corporations shall maintain continuous electronic means of communication with CDSL;
- 4.2.14. the working days and hours of CDSL and the hours of business operations;
- 4.2.15. any other matter as may be decided by CDSL.

<sup>74</sup>[4.3. *CDSL shall be entitled to issue, from time to time notices, circulars and information (hereinafter called as “Communiqués”) to participants, issuers, RTAs, Clearing Corporation <sup>75</sup>[, Clearing Members, Vault Managers, Debenture Trustees and Credit Rating Agencies] for implementation of and/or clarification on any aspect of Bye Laws or the Operating Instructions or on any procedural or operational issue <sup>76</sup>[or in relation to any event based compliances, the participants, issuers, RTAs, Clearing Corporation, Clearing Members, Vault Managers, Debenture Trustees or Credit Rating Agencies are required to observe and comply with Communiqués and the Communiqués shall have] the same force and effect as the Bye Laws and the Operating Instructions.]*

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<sup>69</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>70</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>71</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

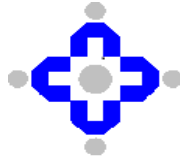
<sup>72</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>73</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>74</sup> Amended vide SEBI letter no. MRD/CDSL/VM/144711/08 dated 18<sup>th</sup> November, 2008.

<sup>75</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2022/58867/1 dated 23.11.2022

<sup>76</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2022/58867/1 dated 23.11.2022



## 5. PARTICIPANTS

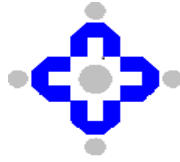
### 5.1. ADMISSION OF PARTICIPANTS

- 5.1.1. Any person desiring to be admitted as a participant shall submit an application for grant of certificate of <sup>77</sup>[initial] registration as a participant to SEBI through CDSL, in such form together with fees specified by SEBI. <sup>78</sup>*[However if an applicant is already a participant of another depository and desires to become a Participant of CDSL then it shall submit an application for admission as a participant to CDSL and CDSL shall grant approval to the applicant after exercising due diligence and on being satisfied about the compliance of all relevant eligibility requirements. The applicant need not make a separate application to SEBI for grant of certificate of initial registration.]*
- 5.1.2. Such application shall be accompanied by such fees, security deposits and/or such other sums of monies payable to CDSL as may be specified by CDSL.
- 5.1.3. Every application shall be dealt with by CDSL within thirty days of receipt of such application and if such application meets the criteria for admission laid down by CDSL, CDSL shall forward the same to the SEBI with its recommendations.
- 5.1.4. An application, which is not complete in all respects and does not conform to the requirements specified shall be rejected. CDSL may, before rejecting any application, give to the applicant in writing, an opportunity to remove within such time as may be specified by CDSL, the objections indicated by it.
- 5.1.5. CDSL may require the applicant to furnish such further information or clarifications as may be required within such time as it may specify. On failure to provide any information within the time provided or such further time as may be granted, the application shall be deemed to have been withdrawn.
- 5.1.6. The Board of Directors may delegate the power to scrutinize, process, evaluate and accept or reject an application to a committee of directors.

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<sup>77</sup> Amended vide SEBI's letter no. MRD/DOP/ST/35821/11 dated 23.11.2011

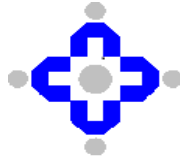
<sup>78</sup> Inserted vide SEBI's letter no. MRD/DP/OW/16758/2015 dated 17.06.2015



- 5.1.7. The Committee to whom the powers are so delegated may accept or reject any such application and shall, if the application is rejected, set out in writing the grounds for such rejection. CDSL shall convey the grounds on which the application has been rejected to the applicant. The applicant may appeal to the Board of Directors against such rejection and the decision of the Board of Directors in this regard shall be final.
- 5.1.8. Every participant who is admitted as such in CDSL shall be required to pay to CDSL such amounts by way of admission fees, annual fees or any other fees for the due performance of its duties and obligations within such time as may be specified by CDSL. CDSL shall not be obliged to pay any interest to the participant on any sum received by CDSL as security or deposit unless otherwise agreed by CDSL.
- 5.1.9. CDSL shall have the right to call upon the participant to make such contribution and/or additional contributions towards funds, and to pay such fees, deposits, and additional security deposit in cash or in kind, or to furnish any additional guarantee or to require the deposit of any monies in respect of contribution to funds for protection of the interests of Beneficial Owners.

## 5.2. ADMISSION CRITERIA

- 5.2.1. No applicant shall be eligible to be admitted as a participant to CDSL unless and until the applicant shall have met all the following conditions:
- 5.2.1.1. The applicant has furnished such information and details pertaining to its business and equity holding relating to a minimum period of three years immediately preceding the date of the application or from the date of its inception, if less than three years.
- 5.2.1.2. The applicant (including any partner, where the applicant is a partnership firm, and any director or any person holding any substantial interest in or being otherwise in a position to control the affairs of the applicant, where the applicant is a company or other body corporate) should not have been convicted in any of the five years immediately preceding the filing of the application in any matter involving misappropriation of funds and securities, theft, embezzlement of funds, fraudulent conversion, forgery or any other offence involving moral turpitude;
- 5.2.1.3. The applicant (including any partner, where the applicant is a partnership firm, and any director or any person holding any substantial interest in or being otherwise in a position to control the affairs of the applicant, where the applicant is a company or other body corporate) should not have been expelled, barred or suspended by SEBI or by any recognised stock exchange. Provided however that, if a period of three years or more has elapsed from the expiry of the period of expulsion, debarment or



suspension, as the case may be, CDSL may, in its discretion, consider such application.

5.2.1.4. *Net worth requirement:*

5.2.1.4.1. Where the applicant is a Non-Banking Finance Company <sup>79</sup>[*or a RTA*] the applicant has and undertakes to maintain the net worth specified in Regulation 19(a)(ix) <sup>80</sup>[*and 19(a)(x) of the Regulations*] respectively.

<sup>81</sup>[5.2.1.4.2] *Where the applicant is a Stock Broker, the applicant has and undertakes to maintain a net worth of rupees <sup>82</sup>[3 (three) crores by February 22, 2023, which shall be increased to rupees 5 (five) crores by February 22, 2024].*

<sup>83</sup>[*Provided however that a limited Depository Participant may <sup>84</sup>[continue to] have a Net worth of not less than ` 1(one) crore<sup>85</sup>[till February 22, 2023 only.]*

<sup>86</sup>[*Provided further that a self-clearing member fulfilling the net worth requirements as provided under the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 shall also be eligible to register itself as a depository participant.]*

Explanation : For the purpose of determining whether the applicant <sup>87</sup>[*mentioned under 5.2.1.4.1 and 5.2.1.4.2*] has adequate net worth, the applicant shall submit to CDSL, a Net worth Certificate (including the computation thereof) based on the audited books of accounts, and calculated and itemized in the manner specified in <sup>88</sup>[*the Operating Instructions issued by CDSL from time to time*] and duly certified by a <sup>89</sup>[*Statutory Auditors*]<sup>90</sup>[*or Practicing Chartered Accountant*].

5.2.1.5. The applicant shall have furnished the details of its Board of Directors/ Partners / Authorised Officials as the case may be, who shall be responsible for the conduct of the business of the applicant as a participant.

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<sup>79</sup> Amendment no. CDSL/BL/Amend/2003/19 vide SEBI letter n. MRD/VSS/SU/22555/2003 dated 28.11.2003 w.e.f. 28.11.2003

<sup>80</sup> Amendment no. CDSL/BL/Amend/2003/19 vide SEBI letter n. MRD/VSS/SU/22555/2003 dated 28.11.2003 w.e.f. 28.11.2003

<sup>81</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/142939/08 dated 03.11.2008.

<sup>82</sup> Amended vide SEBI's letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/4543/1 dated 03.02.2023.

<sup>83</sup> Amended vide SEBI's letter no. MRD/DP/OW/2349/2013 dated 28.01.2013.

<sup>84</sup> Amended vide SEBI's letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/4543/1 dated 03.02.2023.

<sup>85</sup> Amended vide SEBI's letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/4543/1 dated 03.02.2023

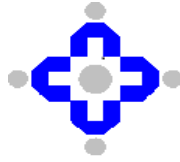
<sup>86</sup> Amended vide SEBI's letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/4543/1 dated 03.02.2023.

<sup>87</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/142939/08 dated 03.11.2008.

<sup>88</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/76600/06 dated 13.09.2006.

<sup>89</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/142939 dated 03.11.2008.

<sup>90</sup> Amended vide SEBI's letter no. MRD2DDAP/OW/2020/17216/1 dated 15.10.2020



- 5.2.1.6. The applicant shall have on its staff such number of persons as CDSL may specify who are adequately trained or who, in the opinion of CDSL, are otherwise sufficiently qualified or have adequate skill and knowledge relating to the operational, functional and technical aspects of the working of CDSL system.
- 5.2.1.7. The applicant shall have appointed a Compliance Officer to interact with CDSL on its behalf for compliance with these Bye Laws and for resolution and redressal of Beneficial Owners' grievances;
- 5.2.1.8. The applicant has adequate office space exclusively for CDSL operations.
- 5.2.1.9. The applicant has made adequate arrangements for conducting effective and safe depository operations including security measures, software and hardware requirements, risk containment and insurance requirements, as specified by CDSL.
- 5.2.1.10. Where the applicant is a stock broker or a RTA, the applicant is a company / <sup>91</sup>[*Limited Liability Partnership (LLP)*], whether existing or incorporated under the Companies Act, <sup>92</sup>[2013] or <sup>93</sup>[*Limited Liability Partnership Act, 2008 or*] any reenactment thereof.
- <sup>94</sup>[—]
- <sup>95</sup>[—]
- 5.2.1.11. <sup>96</sup>[*Grant of permanent registration*] of Participants
- 5.2.1.11.1. <sup>97</sup>[ *A participant who has been granted a certificate of initial registration may, three months before the expiry of the period of certificate of initial registration, make an application through* <sup>98</sup>[*any of the depositories in which it is acting as*] *a participant for grant of a certificate of permanent registration in such form together with fees specified by SEBI.*]

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<sup>91</sup> Inserted vide SEBI's letter no. MRD/DP/OW/12655/2014 dated 06.05.2014.

<sup>92</sup> Amended vide SEBI's letter no. MRD/DP/OW/12655/2014 dated 06.05.2014.

<sup>93</sup> Inserted vide SEBI's letter no. MRD/DP/OW/12655/2014 dated 06.05.2014.

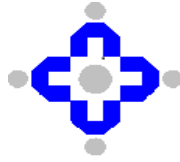
<sup>94</sup> Deleted vide SEBI's letter no. MRD/DP/OW/12655/2014 dated 06.05.2014.

<sup>95</sup> Deleted vide SEBI's letter no. MRD/DP/OW/12655/2014 dated 06.05.2014.

<sup>96</sup> Amended vide SEBI's letter no. MRD/DOP/ST/35821 dated 23.11.2011.

<sup>97</sup> Amended vide SEBI's letter no. MRD/DOP/ST/35821 dated 23.11.2011.

<sup>98</sup> Amended vide SEBI's letter no. MRD/DP/OW/16758/2015 dated 17.06.2015



<sup>99</sup>[5.2.1.11.2. *The participant who has already been granted a certificate of registration or has obtained renewal of certificate of registration, prior to the commencement of SEBI (D&P) (Amendment) Regulations, 2011, may three months before the expiry of validity of certificate of registration or before, make an application through <sup>100</sup>[any of the depositories in which it is acting as] a participant for grant of a certificate of permanent registration in such form together with fees specified by SEBI.]*

<sup>101</sup>[*Provided however that the applicant, its directors, proprietor, partners and associates satisfy the Fit and Proper Criteria as defined in the SEBI (Intermediaries) Regulations, 2008;*

*Provided however that the applicant has taken satisfactory corrective steps to rectify the deficiencies or irregularities observed in the past inspections or in case of actions initiated / taken by SEBI / depository(s) or other regulators.*

*Provided however that, the applicant has paid all pending fees / dues payable to SEBI and depository and no amount is overdue.]*

<sup>102</sup>[5.2.1.11.3 *The application for grant of a certificate of permanent registration shall be accompanied by details of the changes that have taken place in the information that was submitted to the Board while seeking initial registration or renewal, as the case may be, and a declaration stating that no changes other than those as mentioned in such details have taken place.]*

<sup>103</sup>[5.2.1.11.4 *The application for permanent registration shall be dealt with in the same manner as if it were a fresh application for grant of a certificate of initial registration. Provided that the Membership Committee may, in its discretion and in the interest of Beneficial Owners, consider an application for permanent registration of an existing Participant in case falling under Bye Law 5.2.1.3., if the period of expulsion, debarment or suspension has expired, even though a period of three years has not elapsed from such expiry.]*

### 5.3. RIGHTS AND OBLIGATIONS OF PARTICIPANTS IN RELATION TO CDSL

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<sup>99</sup> Inserted vide SEBI's letter no. MRD/DOP/ST/35821 dated 23.11.2011.

<sup>100</sup> Amended vide SEBI's letter no. MRD/DP/OW/16758/2015 dated 17.06.2015

<sup>101</sup> Inserted vide SEBI's letter no. MRD/DP/OW/16758/2015 dated 17.06.2015

<sup>102</sup> Inserted vide SEBI's letter no. MRD/DOP/ST/35821 dated 23.11.2011.

<sup>103</sup> Amended vide SEBI's letter no. MRD/DOP/ST/35821 dated 23.11.2011.





- 5.3.1. No participant shall conduct any business as a participant unless it has entered into an agreement with CDSL as per Annexure “B” to these Bye Laws.
- 5.3.2. A participant while conducting any business as a participant with a Beneficial Owner shall act as an agent of CDSL.
- 5.3.3. The participant shall not effect a debit or credit to the account of a Beneficial Owner without appropriate instruction from the Beneficial Owner or CDSL.
- 5.3.4. Separate accounts shall be maintained by every participant in the name of each of its Beneficial Owners and the securities of each Beneficial Owner shall be segregated, and shall not be mixed up with the securities of other Beneficial Owners or with the participant’s own securities.
- 5.3.5. The participant shall submit the following information to CDSL:
- 5.3.5.1. <sup>104</sup>*[Networth certificate:*  
  
*The participant shall submit Net worth certificate to CDSL every year in the manner prescribed in the Operating Instructions.]*
- <sup>105</sup>*[Provided that when CDSL is satisfied that circumstances warrant an extension of time to furnish the net worth certificate, it may grant such extension to the participant.]*
- 5.3.5.1.1 <sup>106</sup> [—]
- 5.3.5.1.2 <sup>107</sup> [—]
- 5.3.5.2. <sup>108</sup>[—]
- 5.3.5.3. In case the participant is a member of any recognised stock exchange and/or any Clearing Corporation, in the event of violation of any rules, regulations or bye-laws of the stock exchange or the Clearing Corporation or in the event of suspension or termination of its membership by the stock exchange or the Clearing Corporation as the case may be, the participant shall forthwith inform CDSL of the same.

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<sup>104</sup> Amended vide SEBI’s letter no. MRD/DP/MAS-OW/36013/11 dated 24.11.2011.

<sup>105</sup> Amended vide SEBI’s letter no. MRD/DP/MAS-OW/36013/11 dated 24.11.2011.

<sup>106</sup> Deleted vide SEBI’s letter no. MRD/DP/MAS-OW/36013/11 dated 24.11.2011.

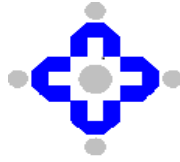
<sup>107</sup> Deleted vide SEBI’s letter no. MRD/DP/MAS-OW/36013/11 dated 24.11.2011.

<sup>108</sup> Deleted vide SEBI’s letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/4543/1 dated 03.02.2023.





- 5.3.5.4. The number of complaints received from Beneficial Owners during the previous month, unresolved complaints of previous period, their nature, status and manner of redressal, once every month;
- 5.3.6. It shall be the responsibility of each participant to promptly check and reconcile with its own records the details of all advices, statements and reports received by the participant from CDSL and to promptly notify CDSL of any error or omission contained in such advices, statements and reports.
- 5.3.7. Any advice, statement or report provided by CDSL shall in the absence of manifest error or fraud be conclusive as to its subject matter. Except as otherwise agreed by CDSL, the failure of a participant to inform CDSL of any error or omission in any advice, statement or report within the time frame stipulated by CDSL shall constitute a waiver in favour of CDSL by such participant of any right to require rectification.
- 5.3.8. CDSL may, if it is satisfied that it is in the interest of the Beneficial Owners, entertain a late request by a participant to rectify an error or omission as aforesaid. If CDSL entertains a late request by a participant, the participant shall be liable for any loss caused due to such late request.
- 5.3.9. Every participant shall reconcile its records with those of CDSL on a daily basis.
- 5.3.10. CDSL may at any time require a participant to provide on demand, security or additional or collateral security in such form, extent and manner as is determined by CDSL. For determining the amount of security or additional or collateral security, CDSL shall take into account inter alia, the level of unreconciled balance and excess or deficit balance of securities due to any fraud, negligence, error or omission on the part of the officers, agents and employees of the participant. The security shall be in addition to and independent of any security which CDSL may at any time hold for the obligations and liabilities of such participant.
- 5.3.11. Without prejudice to the above, CDSL may, for the purpose of deciding whether or not to require a participant to provide security, specify exposure limits on a participant.
- 5.3.12. A participant shall not create or permit the creation of any mortgage, charge or other encumbrance over all or any of the assets provided as security or for such similar purpose to CDSL.



- 5.3.13. A participant shall, before <sup>109</sup>*[opening any account or while acting upon the instruction of any Beneficial Owner]*:
- 5.3.13.1. make such inquiries as may be necessary and exercise due care and caution in ascertaining the bonafides of the intending Beneficial Owner <sup>110</sup>*[inter alia, by carrying out appropriate due diligence]*.
- 5.3.13.2. scrutinize the authenticity <sup>111</sup>*[of the documents produced by the Beneficial Owner for opening the account or for dematerialisation of securities]*.
- 5.3.13.3. in case of joint owners of securities, obtain authority in writing from all such joint owners.
- 5.3.14. Subject to the provisions of any other law, every participant shall preserve for a <sup>112</sup>*[minimum period of eight years, all original documents and records in accordance with the SEBI (Depositories and Participants) Regulations, 2018 (as amended from time to time), including account opening forms, agreements with Beneficial Owners,]* <sup>113</sup>*[document / form containing an acknowledgement of a beneficial owner of receipt of Rights and Obligations document,]* dematerialisation request forms, rematerialisation request forms and instructions received from Beneficial Owners.
- 5.3.15. Every participant shall be primarily responsible for payment to CDSL of all charges, fees, dues, and penalties in respect of all transactions carried out by or through that participant in CDSL irrespective of whether the participant has recovered any such amount from the concerned Beneficial Owner or not, such recovery from the Beneficial Owner being the sole responsibility of the participant.
- 5.3.16. Every participant shall carry out instructions received from any Beneficial Owner on the same day in as far as may be possible and failing that before the close of working hours of the immediately succeeding working day.
- 5.3.17. Every participant shall have a lien on and shall be entitled with the prior approval of CDSL, to exercise lien on any securities belonging to the Beneficial Owners held in dematerialised form in any account with the participant by freezing all operations by the Beneficial Owner in respect of securities held in the Beneficial Owner's account with the participant, as security for recovery of dues owed by Beneficial Owner to the participant in his capacity as such including any compensation for any loss caused to

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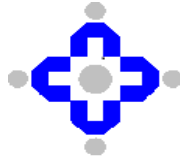
<sup>109</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014.

<sup>110</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/54623/05 dated 25.11.2005.

<sup>111</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/54623/05 dated 25.11.2005.

<sup>112</sup> Amended vide SEBI's letter no. MRD2DDAP/OW/2021/3695/1 dated 10.02.2021.

<sup>113</sup> Inserted vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014.

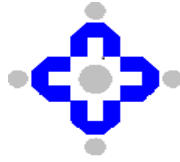


the participant and/or CDSL by reason of fraud, negligence or mistake on the part of the Beneficial Owner. The participant shall, upon receipt of such approval from CDSL, give notice in writing to the concerned Beneficial Owner of the exercise of such lien by the participant in respect of such of the securities held in the Beneficial Owner's account as CDSL may specify.

- 5.3.18. The participant shall, upon discovering any loss of any securities, instruments, or documents, that may have come into the hands of the participant in the course of its business, forthwith notify CDSL, and the concerned Issuer or its RTA and Beneficial Owner in that behalf.
- 5.3.19. It shall be the responsibility of every participant to ensure that proper stamp duty in accordance with law is paid by the Beneficial Owners and Clearing Members holding accounts with the participant in respect of all transactions effected by or through the participant.
- 5.3.20. CDSL may apply all or any of the securities (including all rights and entitlements thereto, if any) owned or belonging to and furnished by a participant at any time without prior notice to a participant in or towards satisfaction of any of the obligations and liabilities of such participant to CDSL or such participant's obligations and liabilities to its Beneficial Owners.
- 5.3.21. In respect of any sums received by CDSL from a participant as security, the obligation of CDSL to such participant shall be to the extent of the amount remaining after satisfaction of all obligations and liabilities (actual or contingent) of such participant to CDSL, Beneficial Owners, Issuers,<sup>114</sup>[*Vault Managers,*] RTAs, Clearing Corporation and other participants.
- 5.3.22. Every participant shall indemnify and keep indemnified and saved harmless CDSL, its officers, employees and agents from all harm, loss, damage, injury, taxes, penalties, levies, cesses and duties whatsoever, and from and against all suits, action, arbitration, disciplinary action, prosecution or other proceedings (including all costs, charges and expenses relating thereto) suffered or incurred by CDSL, its officers, employees or agents or any of them, whether directly or indirectly on account of or as a result of any act, deed, matter or thing made done committed or omitted, or suffered or permitted or caused to be done by the participant, its officers, employees, servants or agents contrary to or inconsistent with or in breach of any provision/s of the Act, Regulations, these Bye Laws, or the terms, condition and covenants contained in its agreement with CDSL or by reason of any mistake, error, misfeasance, willful misconduct, misrepresentation, fraud, forgery, theft, misappropriation or breach of trust by the participant, its

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<sup>114</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023



officers, employees, servants or agents or on account of the participant failing to meet any of its obligations and/or liabilities to CDSL and/or to any of its Beneficial Owners and/ or to any participants, Issuers, RTAs,<sup>115</sup>*[Vault Managers]* and Clearing Corporations.

5.3.23. For the purpose of determining whether a participant is liable for any acts or omission under the Act, Regulations, these Bye Laws, agreements, Operating Instructions issued by CDSL, the acts or omissions, whether done intentionally or not, of its officers, employees, servants and agents, shall be deemed to be acts or omissions of the participant.

5.3.24. In case where CDSL, its officers, employees and agents suffer or incur harm, loss, damage, injury, taxes, penalties, cesses, duties, suit, action, arbitration, disciplinary action, prosecution or other proceedings (and all costs, charges and expenses relating thereto) suffered or incurred by them or any of them, whether directly or indirectly on account of or as a result of any act, deed, matter or thing made done committed or omitted, or suffered or permitted or caused to be done or any default or breach of the Act, Regulations, these Bye Laws, agreements, and Operating Instructions issued by CDSL or any misrepresentation, fraud, forgery, theft, misappropriation or breach of trust by the participant, its officers, employees, servants or agents or on account of the participant failing to meet any of its obligations and/ or liabilities to CDSL and/ or to any of its Beneficial Owners and/ or to any participants, Issuers, RTAs,<sup>116</sup>*[Vault Managers]* and Clearing Corporations, CDSL shall have the right to recover from such participant, such amount as CDSL may deem fit and appropriate. In case any loss is caused to the Beneficial Owner due to the negligence of any participant, CDSL shall indemnify the loss incurred by such Beneficial Owner and where such loss due to the negligence of the participant is indemnified by CDSL as provided in Section 16(1) of the Act, CDSL shall have the right to recover the same from such participant.

5.3.25. <sup>117</sup>*[Notwithstanding anything to the contrary in the Bye Laws, CDSL shall not be bound to give effect to]* any transaction or take any other action upon the instructions of a participant if it would violate any applicable law, decree or order of a competent court or tribunal or an order of the Central or State Government or SEBI or other competent authority.

<sup>118</sup>*[5.3.25A Any order of a Court, Tribunal, Government or other competent authority relating to freezing of a beneficial owner account or taking any action in*

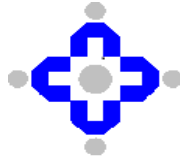
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<sup>115</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>116</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>117</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/172461/09 dated 07.08.2009.

<sup>118</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/182969/09 dated 12.11.2009.

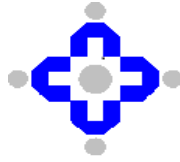


*relation to a beneficial owner account which is within the purview of obligations cast on a depository under the Act and/or Regulations, shall be effected by CDSL or participant only on receipt from such authority the Beneficial Owner Identification Number (BOID) or Permanent Account Number (PAN) coupled with specific directions if the same are not set out in such order with sufficient accuracy.]*

- 5.3.26. Nothing herein contained shall prevent CDSL from effecting any transaction or refusing to give effect to any transaction in compliance with any decree or order of a competent court or tribunal or an order of the Central or State Government or SEBI or that of any other competent authority.
- 5.3.27. CDSL reserves the right to rectify any erroneous transaction made to the account of any Beneficial Owner with a participant. [*CDSL shall carry out rectification of erroneous transactions only as per directives issued by SEBI from time to time and strictly in the manner as prescribed in the Operating Instructions. CDSL reserves the right to amend the procedure prescribed in the Operating Instructions from time to time.*]<sup>119</sup> In the event of CDSL carrying out any rectification, CDSL shall inform the concerned participant and Beneficial Owner of such rectification.
- 5.3.28. Without prejudice to any other right CDSL may have, in the event of any erroneous transaction having been effected on account of any error, mistake or negligence on the part of the participant resulting in a negative balance in the account of any Beneficial Owner, CDSL may:
- 5.3.28.1. require the participant to replenish the relevant securities forthwith;
- 5.3.28.2. require the participant to pay to it forthwith a cash sum of such amount as CDSL considers appropriate as security and the only obligation of CDSL in respect of such sum so paid by the participant shall be to pay such participant an amount equal to the balance remaining to its credit after satisfaction of all obligations and liabilities (actual or contingent) of such participant to CDSL or to a Beneficial Owner. CDSL may itself at any time purchase as replenishment, eligible securities on behalf of the participant, at such price as may be determined by CDSL to be the prevailing market price and terms, if any, or in other cases at its discretion on the terms available. The cost and other expenses incurred by CDSL in connection with purchase shall be borne by the participant.
- 5.3.29. Each participant shall be responsible to indemnify CDSL against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever

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<sup>119</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/RAC2/P/OW/2023/0000049253/1 dated 07.12.2023.



incurred by CDSL as a result of or in connection with the purchase or replenishment of eligible securities by CDSL on behalf of the participant.

5.3.30. No participant shall assign its business and/or functions as a participant or entrust the control or conduct of its business and/or functions to any person except with the prior written approval of CDSL and subject to such terms and conditions as CDSL may stipulate from time to time. For the purposes of this clause, any substantial change in the share holding pattern or constitution of the Board of Directors or in the composition of the partnership shall constitute an assignment of the business and/or functions.

5.3.31. <sup>120</sup>*[It shall be the duty of the participant to ensure that no account of any Beneficial Owner is opened unless it complies with all the provisions of the Act, Regulations, these Bye Laws including any Operating Instructions, Communiqués, letters or communication in any form issued by CDSL and circulars issued by SEBI and RBI, from time to time as may be applicable].*

#### 5.4. RIGHTS AND OBLIGATIONS OF PARTICIPANTS IN RELATION TO BENEFICIAL OWNERS

5.4.1. No participant shall conduct <sup>121</sup>*[the]* business as a participant <sup>122</sup>*[—]* unless <sup>123</sup>*[the Beneficial Owner has acknowledged receipt of “Rights and Obligations of the Beneficial Owners and Depository Participant” document, as may be specified by SEBI/CDSL from time to time, hereinafter for the sake of convenience referred to as DP-BO Rights and Obligations document. Both, the participant and the Beneficial Owner shall be bound by and adhere to the statutory DP-BO Rights and Obligations document as may be provided in the Operating Instructions from time to time. To the extent of any difference between the agreement that the Beneficial Owner may have executed with the participant and the DP-BO Rights and Obligations document, the latter shall prevail. DP-BO Agreement, a specimen whereof was annexed as Annexure-C to these Bye-laws shall cease to be operative from the date DP-BO Rights and Obligations document comes into operation.]*

5.4.1.1. <sup>124</sup>*[Provided however that the participant need not provide a copy of and/or preserve acknowledgement of receipt of DP-BO Rights and Obligations*

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<sup>120</sup> Amended vide SEBI’s letter no. MRD/CDSL/VM/54623/05 dated 25.11.2005.

<sup>121</sup> Inserted vide SEBI’s letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>122</sup> Deleted vide SEBI’s letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>123</sup> Amended vide SEBI’s letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>124</sup> Inserted vide SEBI’s letter no. MRD/DP/OW/7090/2014 dated 06.03.2014





document if the Beneficial Owner belongs to any of the following categories:

- 5.4.1.1.1. <sup>125</sup>[A foreign institutional investor registered with the SEBI <sup>126</sup>[or a foreign portfolio investor registered under SEBI (foreign portfolio investors) Regulations 2014], who has entered into an agreement with the Participant either directly or through its power of attorney holder in accordance with the provisions of Regulation 16 of the SEBI (Foreign Institutional Investors) Regulation, 1995 <sup>127</sup>[or Regulation 26 of the SEBI (foreign portfolio investors) Regulations, 2014.] Provided that such agreement gives the Participant an authority to act on behalf of the foreign institutional investor for availing the services of the Depository; and a copy of such agreement has been filed with the SEBI.
- 5.4.1.1.2. An International Multilateral Agency and Global Custodian who has entered into agreement with the Participant who has entered into an agreement with the Participant pursuant to Regulation 17 of the SEBI (Custodians of Securities) Regulations, 1996 and such agreement inter alia confers authority on the Participant to avail of the depository services on behalf of an International Multilateral Agency and Global Custodian.]
- 5.4.2. <sup>128</sup>[In the event of closure of a beneficial owner account by either of the parties, or on withdrawal of the authority conferred on the participant by the Beneficial Owner, the parties shall take necessary steps to act on the same.]
- 5.4.3. Notwithstanding <sup>129</sup>[closure of the account either by the Participant or the Beneficial Owner, the provisions of the DP-BO Agreement or the DP-BO Rights and Obligations document, as the case may be, and all mutual rights and obligations arising there from shall continue to be binding on the parties in respect of all acts, deeds, matters and things done and transactions effected during the operation of either the DP-BO Agreement or the DP-BO Rights and Obligations document. Provided however that the provisions of the DP-BO Agreement will not be binding on the parties in relation to any dealing or operations in so far as such dealing or operations are contrary to and/or inconsistent with such closure or withdrawal.]

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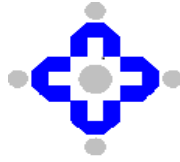
<sup>125</sup> Amendment no. CDLS/BL/Amend/2002/17 w.e.f.28.02.2003 vide SEBI letter no. D&CC/CDSL/4597/2003 dated 28.02.2003.

<sup>126</sup> Inserted vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>127</sup> Inserted vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>128</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>129</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014



- 5.4.4. Only after the Beneficial Owner shall have <sup>130</sup>[*acknowledged receipt of and thereby shall have agreed to be bound by DP-BO Rights and Obligations document*] shall that Beneficial Owner be permitted by that participant to open an account with it for holding security balances on behalf of such Beneficial Owner. The account so opened shall be separate and distinct from accounts of other Beneficial Owners with that participant.
- 5.4.5. The participant shall act on the instructions of the Beneficial Owner or of such person as may have been duly authorised by the Beneficial Owner in that behalf in the manner specified by CDSL.
- 5.4.6. The participant shall maintain a separate account for each Beneficial Owner and ensure that the securities of the Beneficial Owner are not mixed with its own securities.
- 5.4.7. In the event of multiple instructions received from the Beneficial Owner relating to transfer of securities which exceed the balance in the account of the Beneficial Owner maintained with the participant, the sequence of execution of instructions by the participant shall be as follows:
- 5.4.7.1. in the event of the Beneficial Owner specifying the sequence of execution of instructions, in the same sequence as specified by the Beneficial Owner to the extent it can be executed with the balance available in that Beneficial Owner's account with the participant;
- 5.4.7.2. in the absence of specific instructions from the Beneficial Owner in the chronological order in which such instructions are received from the Beneficial Owner, to the extent it can be executed with the balance available in that Beneficial Owner's account with the participant.
- 5.5. TERMINATION, SUSPENSION AND WITHDRAWAL
- 5.5.1. TERMINATION BY CDSL
- 5.5.1.1. CDSL may, if it is satisfied that it is necessary so to do, at any time and on such conditions as it thinks fit, terminate the agreement with the participant by communication in writing under the following circumstances:
- 5.5.1.1.1. the participant no longer meets the eligibility criteria to be a participant;
- 5.5.1.1.2. in the event of the death or incapacity of a participant being an individual, or the dissolution of a participant being a partnership;

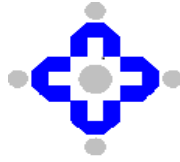
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<sup>130</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014





- 5.5.1.1.3. in the event of a participant being a company or body corporate when it is wound up or an official liquidator or provisional liquidator is appointed under the Companies Act, 1956;
- 5.5.1.1.4. in the event of a participant ceasing to do business which relates to CDSL operations;
- 5.5.1.1.5. CDSL has reasonable grounds to believe that the participant is approaching financial difficulty or will be unable to meet its obligations to CDSL or its Beneficial Owners;
- 5.5.1.1.6. in the event of any distress, execution or other process being levied or enforced or served upon or against any property of a participant;
- 5.5.1.1.7. in the event of bankruptcy, insolvency, liquidation or winding up of a participant or the initiation of any proceedings in relation thereto or if CDSL considers in its absolute discretion that the occurrence of such events are imminent or likely;
- 5.5.1.1.8. in the event of the appointment of a receiver or administrator over the assets of a participant or in the event of a participant suffering a composition with its creditors or in the event of a scheme of arrangement being approved by the court (other than for the purposes of reconstruction or amalgamation) or in the event of CDSL considering in its absolute discretion that the occurrence of such events are imminent or likely;
- 5.5.1.1.9. in the event of failure to pay security deposits, fees or any other charges as required under these Bye Laws or the agreement with CDSL or furnish additional or collateral securities as may be required by CDSL;
- 5.5.1.1.10. in the event of failure of a participant to fulfill the obligations arising out of the indemnification of CDSL by the participant;
- 5.5.1.1.11. CDSL has reasonable grounds to believe that the participant has been responsible for negligence, fraudulent or dishonest conduct or has made a material misstatement or omitted to state a material fact in any statement to CDSL;
- 5.5.1.1.12. the participant has violated or committed any breach or default in the observance or performance of any provisions of the Act, Regulations, these Bye Laws, or agreement with CDSL or has failed to comply with any Operating Instructions of CDSL;



- 5.5.1.1.13. the participant's registration granted by SEBI or by any other governmental agency has been suspended or cancelled;
- 5.5.1.1.14. if the participant is a member of a stock exchange, the participant has been expelled, or its trading privileges have been suspended by the Stock exchange;
- 5.5.1.1.15. the participant has failed to redress grievances of Beneficial Owners to the satisfaction of CDSL;
- 5.5.1.1.16. CDSL has reasonable grounds to believe that the participant has been carrying on its activities in a manner which is detrimental to the interest of CDSL and/or Beneficial Owners or that the termination of relationship with the participant is necessary for the protection of Beneficial Owners or other participants or to facilitate the orderly performance of services rendered by CDSL.
- 5.5.1.1.17. the participant has or is likely to expose itself to risks, which, in the opinion of CDSL, are not commensurate with the participant's net worth.
- 5.5.1.1.18. the quality of the services rendered by a participant is not satisfactory in the opinion of CDSL as evidenced by the complaints of the Beneficial Owners and/ or other participants, Issuers, RTAs, <sup>131</sup>[*Vault Managers*] and Clearing Corporations;

Provided however that CDSL shall not take any action as aforesaid unless and until CDSL shall have issued a show-cause notice to the participant setting out the grounds on which the agreement with the participant is sought to be terminated and the participant shall have been given a reasonable opportunity of being heard <sup>132</sup>[*the Member Committee and CDSL being satisfied that it is necessary to terminate the agreement with such participant.*]

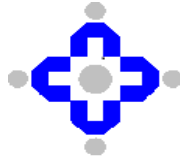
Provided however that no amount is due, owing or payable by the participant to SEBI or to CDSL inter alia by way of fees, charges, penalties or interest.

Provided however that CDSL may, if it so considers it fit and proper in the facts and circumstances of any case, before issuing the show-cause notice as aforesaid, issue notice calling upon the participants to rectify or remedy the breach or default within such period and on such terms and conditions as CDSL may deem fit.

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<sup>131</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>132</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021



5.5.1.1.19. The participant shall forthwith inform CDSL of the occurrence of any of the circumstances mentioned herein above.

## 5.5.2. SUSPENSION

5.5.2.1. Without prejudice to any other rights CDSL may have and notwithstanding anything to the contrary contained in these Bye Laws, CDSL may suspend with immediate effect, the activities of any participant in CDSL, before issuance of any notice or pending the notice period and/or enquiry under these Bye Laws.

## 5.5.3. WITHDRAWAL BY A PARTICIPANT

5.5.3.1. A participant shall be entitled to withdraw as a participant from CDSL by issuing to CDSL a communication in writing giving notice of not less than 30 days of its intention to terminate its agreement with CDSL with effect from the expiry of the said period of 30 days or such further period as may be specified in the notice. CDSL shall be entitled to require the participant to continue its business as a participant in CDSL for such further period not exceeding three months from the receipt of such notice if CDSL shall deem it necessary to do so in the interest of the Beneficial Owners or the functioning of CDSL. CDSL shall notify the participant, Beneficial Owners of that participant, other participants and SEBI within seven days of the participant ceasing to act as such.

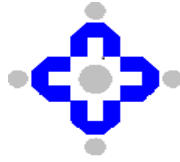
5.5.3.2. No participant shall be permitted to withdraw as a participant from CDSL unless and until such participant shall have provided satisfactory evidence to CDSL that:

5.5.3.2.1. the participant has issued notice of its intended withdrawal to all Beneficial Owners holding accounts with it;

5.5.3.2.2. all accounts of Beneficial Owners held with the participant have been closed either by transfer of securities to any other participant(s) of the Beneficial Owner's choice in CDSL and/or by rematerialisation of the securities held therein;

5.5.3.2.3. there remain no pending instructions or unresolved grievances of Beneficial Owners or the CDSL or that the participant has otherwise made satisfactory arrangements in that regard;

5.5.3.2.4. no amount is due, owing or payable by the participant to SEBI or to CDSL inter alia by way of fees, charges, penalties or interest.



5.5.3.2.5. the participant has complied with such other terms and conditions as CDSL may have specified in that behalf.

#### 5.5.4. CONSEQUENCES OF TERMINATION AND/ OR WITHDRAWAL OF THE AGREEMENT WITH A PARTICIPANT

5.5.4.1. On termination of the agreement with the participant or on withdrawal by the participant, unless otherwise provided in these Bye Laws, CDSL shall return to <sup>133</sup>[*or make available for collection by the participant,*] all security deposits or other securities held by CDSL by way of collateral or additional security of the participant, <sup>134</sup>[*on expiry of* <sup>135</sup>{*three years*} *from the date of cancellation of the certificate of registration as a Depository Participant by the SEBI or after resolving pending investor grievances, if any, to the satisfaction of the Depository, whichever is later.*]

Provided that CDSL shall have the right (without prejudice to any other right or remedy available to CDSL in law) to adjust or set off amounts or to retain security equivalent to the amount due or which may become due to CDSL, other participants and Beneficial Owners from that participant, if applicable.

5.5.4.2. The termination of agreement with a participant in CDSL will not affect any rights, liabilities or obligations of the participant arising out of transactions which have taken place prior thereto and for the limited purpose of settlement of any such rights or liabilities of the participant, CDSL may continue to treat the participant as a participant.

5.5.4.3. Without prejudice to the above provisions, CDSL shall be entitled to set off any earlier claims or rights of the participant against any amounts due to CDSL or any other persons entitled to any claim against such participant through CDSL, irrespective of the fact that such counter claim has arisen after the date of termination with the agreement of the participant.

5.5.4.4. CDSL shall, upon termination of the agreement with the participant or on receipt of communication in writing from the participant conveying its decision to withdraw from CDSL and/or to terminate the agreement with the participant, notify all other participants and initiate suitable steps for the protection of the interests of Beneficial Owners and other participants.

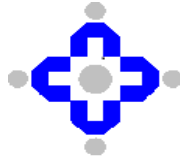
5.5.4.5. CDSL shall notify the participant and other participants and the SEBI within seven days of the termination of the participant under these Bye Laws.

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<sup>133</sup> Amended vide SEBI's letter no. MRD/DP/PP-OW/19886/10 dated 15.09.2010.

<sup>134</sup> Amended vide SEBI's letter no. MRD/DP/PP-OW/19886/10 dated 15.09.2010.

<sup>135</sup> Amended vide SEBI's letter no. SEBI/HO/MRD/DP/OW/P/2017/22144 dated 14.09.2017



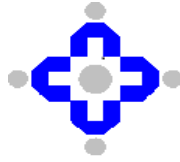
- 5.5.4.6. The participant shall be required to meet all its outstanding obligations to CDSL, whether incurred while the participant was acting as such or incurred thereafter but arising out of any action, transaction or dealings by the participant during that period.
- 5.5.4.7. On termination of the agreement with a participant or on withdrawal by the participant from CDSL, every Beneficial Owner of that participant shall have the option of either getting his securities held with the participant transferred to another participant, or get the securities rematerialised. Notwithstanding anything stated above even after such termination, the participant shall act as a participant for the limited purpose of either getting the securities held with the participant transferred to another participant or get the securities rematerialised.
- 5.5.4.8. Upon termination of the agreement with a participant, CDSL shall give notice in writing to all Beneficial Owners holding accounts with such participant calling upon the Beneficial Owners to have their accounts transferred to any other participant within 15 days from the receipt of such notice. In the event of there being any Beneficial Owners who have failed to have their accounts transferred to any other participant as aforesaid, CDSL shall nominate one or more participants to whom such accounts shall stand transferred for the time being provided however that no transactions in respect of the securities in such account shall be effected until such time as the concerned Beneficial Owner shall have <sup>136</sup>*[acknowledged receipt of and thereby shall have agreed to be bound by the DP-BO Rights and Obligations document, to]* such participant.

## **6. RIGHTS AND OBLIGATIONS OF BENEFICIAL OWNERS**

- 6.1. A Beneficial Owner may open one or more accounts with one or more participants and may close one or more accounts with any or all participants or transfer his securities in one account with a participant to another account with the same participant or with any other participant.
- 6.2. The Beneficial Owner shall pay such fees, charges and deposits to the participant, as may be mutually agreed upon, for the purpose of opening and maintaining his/its account, for carrying out the instructions and for rendering such other services as are incidental or consequential to the Beneficial Owner holding securities in and transacting through the said account with the participant. The participant shall be entitled to change or revise the said fees, charges or deposits from time to time subject to such prior notice as may be agreed between the parties.

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<sup>136</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014



- 6.2.1. <sup>137</sup>*[In case the Beneficial Owner is holding Electronic Gold Receipts, the Beneficial Owner shall be liable to pay storage charges, to CDSL through the Depository Participant, for Electronic Gold Receipts in accordance with Operating Instructions, as amended from time to time.]*
- 6.2.2. *In case of default of payment of such storage charges, the Beneficial Owner shall be bound by and shall adhere to the procedure as provided in the Operating Instructions from time to time.]*
- 6.3. Every Beneficial Owner shall be primarily responsible for:
- 6.3.1. the veracity of all statements and particulars set out in the account opening form <sup>138</sup>[—]
- 6.3.2. the authenticity and genuineness of all documents submitted to the participant at the time of opening of an account with the participant.
- 6.3.3. representation as to the title to the securities submitted to the participant for dematerialization.
- 6.3.4. ensuring that the securities to the credit of his account are sufficient to meet the instructions issued to the participant for effecting any transaction.
- 6.3.5. informing the participant at the earliest of changes in the account particulars of the Beneficial Owner such as address, bank details, status, authorisations, mandates, nomination, signature, etc.
- 6.3.6. furnishing the accurate identification details whilst subscribing to any issue of securities.
- 6.3.7 <sup>139</sup>*[complying with the terms and conditions of the DP-BO Rights and Obligations document.]*
- 6.4. Every Beneficial Owner shall be entitled to a statement of the account of that Beneficial Owner from his participant, at <sup>140</sup>*[a periodicity and mode as prescribed by SEBI/CDSL.]*

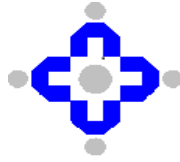
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<sup>137</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>138</sup> Deleted vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>139</sup> Inserted vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>140</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014



- 6.5. <sup>141</sup>*[In the event of dispute between the Beneficial Owner and his participant and the participant is not furnishing the statement of account, CDSL shall provide directly or cause to provide through such participant a statement of the account of such Beneficial Owner for such period as requested by the Beneficial Owner.]*
- 6.6. Every Beneficial Owner shall scrutinize every statement of his account received from participant for the accuracy and veracity thereof and shall be obliged to point out any mistakes, inaccuracies or discrepancies to the participant within a fortnight of the receipt of such statement.
- 6.7. Subject to the participant's right of lien and subject to any orders, injunctions, directions or instructions issued by a court, tribunal, SEBI, Central or State Government or other authority empowered in that behalf or by CDSL, every Beneficial Owner shall be entitled to have the instructions issued by him to the participant with whom such Beneficial Owner has an account carried out with utmost dispatch on the same day on which the instructions are issued and failing that before the close of working hours of the immediately succeeding working day provided however, that subject to the above, the Beneficial Owner may issue standing instructions to the Participant for crediting his account in accordance with the instructions.
- 6.8. Every Beneficial Owner shall exercise due care and caution so as to ensure the safe custody of delivery cheques received by him and shall immediately notify the participant and CDSL of any loss thereof and shall be liable for any misuse of any cheques on account of negligence on his part.
- 6.9. CLOSURE OF ACCOUNT <sup>142</sup>*[BY BO]*
- 6.9.1. The Beneficial Owner, may <sup>143</sup>*[close his/her demat account held]* with the participant without assigning any reason therefor by calling upon the participant to close <sup>144</sup>*[the]* account, provided <sup>145</sup>*[there are no securities lying in the account or]* no instructions remain pending or unexecuted and no fees or charges remain payable by the Beneficial Owner to the participant.

In such event the Beneficial Owner shall make an application to the participant in the format specified by CDSL in that behalf. The Beneficial Owner may close his account by executing the account closing form if no

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<sup>141</sup> Amendment No. CDSL/BL/Amend/2002/17 w.e.f. 28.02.2003 vide SEBI letter no. D&CC/CDSL/4597/2003 dated 28.02.2003.

<sup>142</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>143</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>144</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>145</sup> Inserted vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014





balances are standing to his credit in the account. In case any balances of securities exist in the account sought to be closed, the account may be closed in one of the following ways:

- 6.9.1.1. by rematerialisation of all existing balances in his account;
- 6.9.1.2. by transfer of all existing balances in his account to one or more of his other account/s held with any other participant/s;
- 6.9.1.3. by rematerialisation of a part of the existing balances in his account and by transferring the rest to one or more of his other account/s with any other participant/s.
- 6.9.2. The participant shall initiate the procedure for transfer of balances or for rematerialisation of securities in the Beneficial Owner's account, as the case may be, within a period <sup>146</sup>[*not exceeding*<sup>147</sup> [thirty] <sup>148</sup>[—] days from the date of receipt of instructions from the Beneficial Owner in that behalf.
- 6.9.3. The Beneficial Owner's account shall not be closed if there exist any securities in the Beneficial Owner's account which are pledged or hypothecated or the account is unreconciled or if the closure of such account would result in breach or violation of any decree or order or injunction of any court, tribunal or statutory or revenue authority.
- 6.9.4. In the event of the participant ceasing to be a participant, the Beneficial Owner may either seek rematerialisation of his securities or request for the transfer of the securities in its account to an account opened with another participant.
- 6.10. <sup>149</sup>[*CLOSURE OF ACCOUNT BY DP*]
  - 6.10.1. The participant shall be entitled to <sup>150</sup>[*forthwith close the demat account of*] the Beneficial Owner in the event of the Beneficial Owner:
    - 6.10.1.1. failing to pay the fees or charges as may be mutually agreed upon within a period of thirty days from the date of demand made in that behalf;
    - 6.10.1.2. submitting for dematerialisation any certificates or other documents of title which are forged, fabricated, counterfeit or stolen or have been obtained by forgery or the transfer whereof is restrained or prohibited by any direction,

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<sup>146</sup> Amended vide SEBI's letter no. MRD/DP/MAS- OW/23265/11 dated 19.07.2011.

<sup>147</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>148</sup> Deleted vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>149</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>150</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014





order or decree of any court, tribunal, Central or State Government, SEBI or any statutory or revenue authority or under any covenant or undertaking given to any statutory authority;

- 6.10.1.3. committing or participating in any fraud or other act of moral turpitude in his dealings with the participant;
- 6.10.1.4. otherwise misconducting himself in any manner.
- 6.10.2. The participant may also <sup>151</sup>*[close the demat account of the Beneficial Owner, for any reason whatsoever and without assigning any reason,]* provided the participant shall have <sup>152</sup>*[given a notice of not less than 30 days]* to the Beneficial Owner in <sup>153</sup>*[this]* behalf.
- 6.10.3. In the event of the participant <sup>154</sup>*[closing the account]*, the participant shall call upon the Beneficial Owner to specify whether he desires to have the security balances in his account transferred to his account with another participant or to have the same rematerialised in the manner specified in these Bye Laws and the participant shall accordingly close the account of the Beneficial Owner.
- 6.10.4. Where the <sup>155</sup>*[demat account of a Beneficial Owner is closed]* for any reason not attributable to the Beneficial Owner, the cost, charges and expenses involved in the transfer of the Beneficial Owner's account to any other participant or rematerialisation of securities in such account shall be borne by the participant.
- 6.10.5. <sup>156</sup>*[If upon receipt of notice from the participant for closure of the demat account,]* the Beneficial Owner fails to specify the account with any other participant to which the existing balances are to be transferred or if the participant fails to take necessary steps to have the securities in such account transferred to the Beneficial Owner's account with some other participant, CDSL shall nominate any other participant to whom such account shall stand transferred for the time being, provided however that no transaction in respect of securities in such transferred account shall be effected until such time as the Beneficial Owner shall <sup>157</sup>*[have acknowledged receipt of and shall have thereby agreed to be bound by DP-BO Rights and*

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<sup>151</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>152</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

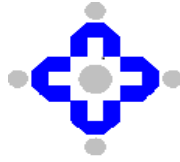
<sup>153</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>154</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>155</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>156</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>157</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014



*Obligations document to] the participant to whom such account <sup>158</sup>[is] so transferred by CDSL.*

- 6.10.6. Notwithstanding <sup>159</sup>*[closure of the demat account by either of the parties, the provisions of the agreement or DP-BO Rights and Obligations document, as the case may be,]* and all mutual rights and obligations arising therefrom shall, <sup>160</sup>*[—]* continue to be binding on the parties in respect of all acts, deeds, matters and things done and transactions effected during the <sup>161</sup>*[operation of the agreement or DP-BO Obligations document. Provided however that the provisions of the DP-BO Agreement / DP-BO Rights and Obligations document shall not be binding on the parties if rights or obligations arising therefrom are contrary to and/or inconsistent with such closure.]*

## **7. SETTLEMENT**

### **7.1. MARKET TRADES SETTLEMENT.**

- 7.1.1. In respect of Market Trades, CDSL shall debit and/or credit the account of the Beneficial Owner and/or to <sup>162</sup>*[such accounts as may be specified in the Operating Instructions for the Clearing Corporation/Settlement Procedures]* as the case may be, strictly in accordance with the advice issued by the Clearing Corporation on confirmation of payment. <sup>163</sup>*[Prior to giving effect to an instruction received from a Beneficial Owner, CDSL shall validate the instruction details with obligations details received from the Clearing Corporation. The validation of such instructions shall be in accordance with the directions issued by SEBI from time to time or as per operation instructions of CDSL.]*

### **7.2. OFF MARKET TRADES SETTLEMENT**

- 7.2.1. In respect of Off Market Trades, CDSL shall debit and/or credit the account of the Beneficial Owner entitled to such credit or debit, as the case may be, after receipt of confirmation from the delivering Beneficial Owner and the receiving Beneficial Owner through their respective participants confirming

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<sup>158</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

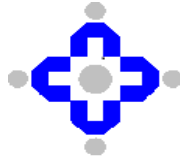
<sup>159</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>160</sup> Deleted vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>161</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>162</sup> Amended vide SEBI letter no. MRD/VSS/RV/2665/2004 dated 09.02.2004

<sup>163</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/22866/1 dated 05.06.2023



the details of securities.<sup>164</sup>*[The Depository Participants shall enter such instructions received by the Beneficial Owner in the depository system either on the same day or the next day of the instructions received.]*<sup>165</sup>

### 7.3. INTER-DEPOSITORY SETTLEMENT

7.3.1. CDSL shall enter into an agreement with every Other Depository inter alia providing for inter-depository transactions, settlement schedules and procedures, reconciliation of records, resolutions of disputes, differences or claims between depositories or between participants or beneficial owners in different depositories through arbitration as may be mutually agreed in that behalf. No such agreement shall come into force unless the same shall have been previously approved by SEBI.

## 8. CLEARING CORPORATION

### 8.1. ADMISSION OF CLEARING CORPORATION

8.1.1. A Clearing Corporation may be admitted to CDSL on such Clearing Corporation entering into an agreement with CDSL.<sup>166</sup>[—]

### 8.2. ADMISSION CRITERIA

8.2.1. A Clearing Corporation shall be admitted to the CDSL if:

8.2.1.1. the Clearing Corporation guarantees payment against delivery and has a trade guarantee fund or any other fund as approved by SEBI;

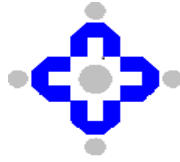
8.2.1.2. the Clearing Corporation has adequate hardware and software systems to interact with CDSL;

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<sup>164</sup> Amended vide SEBI's letter no. MRD/DP/PP-OW/19886/10 dated 15.09.2010, the words "and the receipt of payment in respect thereof" were deleted.

<sup>165</sup> Amended vide SEBI's letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/23417/1 dated 08.06.2023

<sup>166</sup> Amendment no. CDS/BL/Amend/1999/04 w.e.f. 18.11.1999. Deleted vide SEBI's letter no. SMRDP/CDSL/21379/99 dated 18.11.99.



8.2.1.3. the Clearing Corporation undertakes at all times to redress the grievances of Beneficial Owners and the participants in respect of its operations in relation to CDSL;

8.2.1.4. in the opinion of CDSL, the Clearing Corporation has the operational capability to provide the services relating to clearing and settlement of transactions relating to the securities admitted to CDSL to be held in dematerialised form.

### 8.3. RIGHTS AND OBLIGATIONS OF CLEARING CORPORATION

8.3.1. <sup>167</sup>[CDSL shall apart from beneficial owners accounts to be opened and maintained in accordance with the Act, Regulations and these Bye Laws, be entitled to open and maintain such other accounts as may be specified in the Operating Instructions for the clearing/settlement process to facilitate any of the functions of CDSL and/or to facilitate any of the services that CDSL is authorised to offer including but not limited to pledge and hypothecation, lending and borrowing, earmarking, lock-in, freezing, trading, clearing and settlement with such specifications and on such terms and conditions as CDSL may specify in the Operating Instructions from time to time.

8.3.2. *In the event of any securities continue to remain in the aforesaid accounts opened and maintained for the purpose stated above, at the time of the book closure or record date for any reason whatsoever, CDSL shall inform the details of all such accounts to the Issuer/RTA and such securities shall be eligible for corporate benefits, which may be declared at such time.*

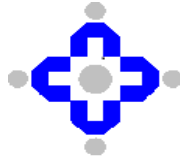
8.3.3. *All corporate benefits that may accrue in respect of securities that are held in the aforesaid accounts shall be availed of and held in trust for the benefit of the concerned beneficial owner and shall be dealt with in accordance with the bye laws, rules and regulations of the concerned stock exchange.]*

### 8.4. INDEMNITY

8.4.1. The Clearing Corporation shall indemnify and keep indemnified and saved harmless CDSL, its employees and servants from and against all claims, demands, penalties, suits, actions, litigation, arbitration, prosecutions and any proceeding whatsoever (including all costs, charges and expenses relating thereto) that CDSL may suffer or incur or may be called upon to

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<sup>167</sup> Amendment no. CDSL/BL/Amend/2003/20 vide SEBI letter no. MRD/VSS/RV/2665/2004 dated 09.02.2004 w.e. f.09.02.2004.



suffer or incur by reason of any advice, intimation or information including that in respect of any debit or credit to any account received by CDSL from the Clearing Corporation being false, incorrect or erroneous or on account of any negligence, error or fraud in the operation of <sup>168</sup>[*any Accounts opened as may be specified in the Operating Instructions*] or by reason of any breach or default on the part of the Clearing Corporation in carrying out its obligations under these Bye Laws or the Operating Instructions issued in pursuance hereof and/or the bye-laws, rules and regulations of the concerned Stock exchange.

- 8.4.2. CDSL shall indemnify and keep indemnified the Clearing Corporation from and against all claims, demands, suits, action, litigation, prosecution and proceedings of every nature whatsoever (including all costs, charges and expenses relating thereto) and any harm, loss, damage or injury that the Clearing Corporation may suffer or incur or may be called upon to suffer or incur by reason of any wrong or erroneous credit or debit being effected by CDSL which is not in conformity with the corresponding advice, intimation, information received by CDSL from the Clearing Corporation or by reason of CDSL otherwise failing to carry out its obligations in terms of the Act, Regulations or these Bye Laws or Operating Instructions issued thereunder.

## **9. RIGHTS AND OBLIGATIONS OF CLEARING MEMBERS**

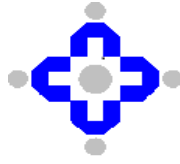
- 9.1. A Clearing Member who is a participant in CDSL shall open such accounts <sup>169</sup>[*as may be specified in the Operating Instructions*] for the purpose of settlement of trades with the Clearing Corporation.
- 9.2. Every Clearing Member who is not a participant in CDSL may open <sup>170</sup>[*such accounts as may be specified in the Operating Instructions*] for the purpose of settlement of trades with the Clearing Corporation, after entering into an agreement with a participant in the form set out at Annexure “D” hereto.
- 9.3. CDSL may call upon any Clearing Member to furnish any security or additional security to CDSL to secure the due observance and performance of the Clearing Member’s obligations under these Bye Laws, and under the Operating Instructions that may be issued by CDSL from time to time.

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<sup>168</sup> Amendment no. CDSL/BL/Amend/2003/20 vide SEBI letter no. MRD/VSS/RV/2665/2004 dated 09.02.2004 w.e.f. 09.02.2004.

<sup>169</sup> Amendment no. CDSL/BL/Amend/2003/20 vide SEBI letter no. MRD/VSS/RV/2665/2004 dated 09.02.2004 w.e.f. 09.02.2004.

<sup>170</sup> Amendment no. CDSL/BL/Amend/2003/20 vide SEBI letter no. MRD/VSS/RV/2665/2004 dated 09.02.2004 w.e.f. 09.02.2004.



**9A. <sup>171</sup>[VAULT MANAGERS**

**9A.1. ADMISSION OF VAULT MANAGER:**

9A.1.1. *The admission of the Vault Manager by CDSL shall be subject to such Vault Manager receiving certificate of registration and subsequently entering into a written agreement with CDSL in accordance with these Bye-Laws, SEBI (Vault Manager) Regulations, 2021 and the procedure specified under CDSL Operating Instructions, as amended from time to time.*

**9A.2. ADMISSION CRITERIA**

9A.2.1. *Only after the Vault Manager furnishes a Financial Security Deposit of Rs. 10,00,000/- (Rupees Ten Lakhs only) or such minimum amount as may be prescribed by SEBI, to/in favour of either of the CDSL or Other Depository before obtaining the registration with SEBI and post receipt of such certificate enter into agreement with CDSL as prescribed under the Bye Laws, shall CDSL admit such Vault Manager. The Vault Manager shall maintain the aforementioned minimum amount of Financial Security Deposit with either of the depositories at all points of time, or such amount as may be prescribed by SEBI from time to time. Such Financial Security Deposit shall be maintained, utilized and released in the manner specified under the SOP, circulars and regulations issued by SEBI, from time to time. In the event of utilization of the Financial Security Deposit, either in part or whole, the Vault Manager shall replenish the same within seven working days.*

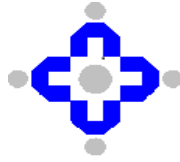
9A.2.2. *Only those Vault Manager who are registered and continue to be validly registered with SEBI as a Vault Manager under the SEBI (Vault Manager) Regulations, 2021 shall be admitted with CDSL. The Vault Manager shall also maintain a minimum net worth of Rs. 50,00,00,000/- (Rupees Fifty Crore only) or such minimum amount as prescribed by SEBI*

9A.2.3. *CDSL shall admit a Vault Manager subject to the Vault Managers undertaking to redress the grievances of Beneficial Owners and the participants in respect of its operations in relation to CDSL at all times, in accordance with circulars/ guidelines/ regulations issued by SEBI or any other relevant authority.*

9A.2.4. *CDSL shall admit a Vault Manager only upon the Vault Manager being engaged in activities as provided in SEBI (Vault Managers) Regulations, 2021, In case the Vault Manager is engaged in an activity other than activity provided under the purview of the SEBI (Vault Managers) Regulations,*

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<sup>171</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023



*2021, the Vault Manager shall segregate and separate those other activities, both physically and virtually, from activities undertaken by it under SEBI (Vault Managers) Regulations, 2021 and further put in place, necessary policies, control and system for dealing with the risks that may arise due to its businesses, other than EGR related business, at all times during the Vault Manager being admitted with CDSL.*

**9A.3. CREATION OF EGR AND CONVERSION OF EGR INTO PHYSICAL GOLD**

*9A.3.1. A common interface will be developed by CDSL and Other Depository which will be made accessible to all the entities i.e. Vault Managers, Depositories, Stock Exchanges and Clearing Corporations*

*9A.3.2 The Vault Managers shall ensure that “gold” to be converted into EGR meets the criteria as prescribed by SEBI in its circulars, directions, and regulations or any other authority.*

*9A.3.3 The Vault Manager on receipt of physical gold shall record the relevant information in the common interface and create the EGR.*

*9A.3.4 The EGR created shall be reflected in the demat account of the beneficial owner maintained with CDSL.*

*9A.3.5 Beneficial owner of EGR intending to obtain physical gold against the EGR/s shall request CDSL for the same. CDSL will in turn forward such request/s to the Vault Manager. The Vault Manager shall deliver the physical gold to the Beneficial Owner subject to and in accordance with the procedure prescribed by SEBI in its regulations, guidelines and circulars.*

**9A.4. FUNGIBILITY AND INTER-OPERABILITY BETWEEN THE VAULT MANAGERS:**

*9A.4.1. The EGR’s created by the Vault Manager/s, shall not be linked with the unique bar reference number of the physical gold.*

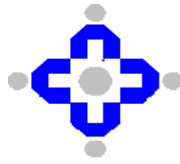
*9A.4.2. Depending on the availability of physical gold, the physical gold deposited at one location of a Vault Manager, can be withdrawn from different location of same or different Vault Manager.*

**9A.5. WITHDRAWAL CENTER:**

*9A.5.1. All existing branches of Vault Managers may be allowed as ‘collection and/or withdrawal centre’, which meets the safety standards, as specified by the SEBI. The details of withdrawal centres shall be available on the websites of CDSL and Vault Managers.*

**9A.6 RIGHTS AND OBLIGATIONS OF VAULT MANAGER**





- 9A.6.1 *The Compliance Officer designated by the Vault Manager shall issue a declaration certifying compliance with relevant Acts, rules and regulations, notifications, guidelines and circulars issued by relevant authorities from time to time to CDSL for every quarter, within seven working days from the end of each quarter.*
- 9A.6.2 *The Vault Manager shall at all times comply with the minimum operational infrastructure instructions including but not limited to storing of physical gold, as to the control of the Vault Manager, conditions relating to leasing the property, transport connectivity and other electronic safeguards, etc. as specified in Standard Operating Procedure (“SOP”)/ circulars/ regulations/ guidelines issued by the SEBI, as amended from time to time. The Vault Manager shall have systems for real time tracking of gold, underlying EGR, starting from the time of deposits till the time of withdrawal of the underlying gold from the recognized vaults and shall have systems for recovery and backup of data to prevent loss of electronic data.*
- 9A.6.3 *The Vault Manager shall procure and maintain insurance, to fully cover the value of gold stored in the vaults against all potential perils that are relevant to gold including but not limited to risk from theft, fire, burglary, fraud, negligence, force majeure and events as specified in SOP/ circulars / regulations/ guidelines issued by SEBI as amended from time to time. In addition to insurance, Vault Manager shall also take necessary insurance but not limited to Fidelity Guarantee and Crime Insurance and Professional Indemnity Cover to cover all potential losses. The value of gold to be insured should be marked to market on replacement value on an ongoing basis.*
- 9A.6.4 *The Vault Manager must ensure that it has processes in place as defined in the SOP / circulars/ regulations/ guidelines issued by SEBI. The Vault Manager shall ensure that its facilities and deposits are well protected from fire hazards, therefore, it must have in place all the necessary arrangements as provided in the SOP / circulars/ regulations/ guidelines issued by the SEBI as amended from time to time. Further, in case of any incident of fire or any other act of god, same should be informed to the CDSL immediately without any delay. The Vault Manager shall have process for action to be taken in events like burglary, theft, break-ins, etc. including informing the incident to the nearest police station and CDSL.*
- 9A.6.5 *The Vault Manager shall maintain the records as specified in the circulars/ guidelines/ regulations issued by PMLA and/or SEBI and/or CDSL, as amended from time to time. The records shall be maintained in physical and/or electronic form for at least such minimum time as may be prescribed/ required by PMLA and/or SEBI and/or CDSL. Where separate timelines are prescribed by PMLA, SEBI or CDSL, the longest prescribed period shall be considered as the minimum time for which the records are maintained.*





9A.7 **RECONCILIATION OF RECORDS:**

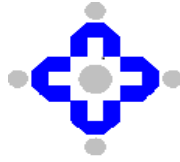
9A.7.1. *The reconciliation between the stock of physical gold deposited with the recognized vaults and the corresponding electronic record of Electronic Gold Records in CDSL's system shall be done by the Vault Manager at the end of day, on a daily basis and in line with the procedures as intimated by CDSL in its Operating Instructions, as issued from time to time.*

9A.7.2. *In case the reconciliation is not confirmed by the recognized vault at the end of day, CDSL shall not allow requests for fresh deposits into or withdrawal from the concerned vault.*

9A.7.3. *In case of any discrepancy between the stock of physical gold and the electronic record of Electronic Gold Receipts, the Vault Manager shall promptly provide assistance to identify and resolve such discrepancies before the start of the next trading day. However, in case of any delay in resolution, CDSL and/or Other Depositories, shall be authorized to disallow any fresh deposit of gold into or withdrawals from the concerned vault. In case of any technical issues involved or observed in the process of reconciliation, CDSL and the Vault Manager shall ensure reconciliation via e-mail or any other similar means recognized under Information Technology Act, 2000 or rules framed thereunder.*

9A.8. **INDEMNITY**

9A.8.1 *The Vault Manager shall indemnify and keep indemnified and saved harmless CDSL, its employees and servants from and against all claims, demands, damages, penalties, suits, actions, litigation, arbitration, prosecutions and any proceeding whatsoever (including all costs, charges and expenses relating thereto) that CDSL may suffer or incur or may be called upon to suffer or incur by reason of any advice, intimation or information including that in respect of any intimation received by CDSL from Vault Manager regarding the quality or quantity of gold submitted to Vault Manager by any Beneficial Owner(s) or any person, being false, inaccurate, incorrect or erroneous or on account of any negligence, error or fraud in the operation of Vault Manager or any of its recognized vaults or by reason of any breach or default on the part of the Vault Manager or any of its employees, key managerial persons, staff, directors, agents, assignees or secondees in carrying out its obligations under these Bye Laws or the Operating Instructions issued in pursuance hereof and/or the bye-laws, rules and regulations of the concerned Stock exchange and/or rules, regulations, circulars or advisory issued by SEBI. Further, in the event any damage or loss is caused to the gold due to any unavoidable circumstances, including any negligence on part of Vault Manager, the Vault Manager*



*shall indemnify, and make good the loss or damage caused due to such damage/loss of the gold to any person, including CDSL and/or Beneficial Owner(s), who is affected adversely due to such loss/damage. Vault Manager shall inform CDSL and shall have a procedure in place to replenish the lost/damaged gold in such a manner that:*

- a) the replenished gold is of purity and weight equivalent to the lost/damaged gold,*
- b) is as per LBMA or India good delivery standard,*
- c) the gold can be traced back to nominated agencies or accredited refineries,*
- d) the gold is accompanied by proper documentation,*

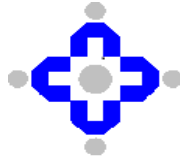
*and further as prescribed by SEBI, from time to time. The gold shall be replenished by the Vault Manager within 24 hours of identification/crystallization of the lost/damaged gold failing which appropriate action shall be taken by CDSL. Vault Manager shall not do any fresh deposits or withdrawals from the recognized vault until the infrastructure in such recognized vault is restored. If the lost/damaged gold is not replenished by the Vault Manager in the recognized vault within 24 (Twenty-four) hours of identification of the loss/damage, CDSL shall take such actions against the Vault Manager as it may deem fit. In such event where any loss/damage is caused to a recognized vault of the Vault Manager, the Vault Manager shall issue a detailed report of such incident and the loss/damage caused to gold deposits and related Securities to CDSL.*

#### **9A.9 INSPECTION**

*9A.9.1. The physical verification of gold stored in recognized vaults belonging to Vault Manager shall be carried out at SEBI specified frequency by CDSL in collaboration with Other Depository.*

*9A.9.2. At least 1 (one) full-inspection of the recognized vaults of Vault Manager shall be carried out by the depositories on an annual basis. The Vault Manager shall co-operate and allow the inspecting officials to have reasonable access to the premises / vaults and extend reasonable facility for examining the records. In addition to the above inspection, CDSL shall have the right to conduct any number of surprise verification or inspection at the recognized vaults of Vault Manager in accordance with Operating Instructions. Upon such inspection or verification, CDSL shall be entitled to peruse or call for any document or record in the custody of recognized vault of the Vault Manager. CDSL shall be authorized to share the findings of any such inspection with SEBI.*

#### **9A.10. VIOLATION:**



9A.10.1. *In the event the Vault Manager violates any rules, regulations, advice, circulars of SEBI or in the event of suspension or termination of its registration under the SEBI (Vault Managers) Regulations, 2021, the Vault Manager shall forthwith inform CDSL of the same. Upon receipt of information from Vault Manager as above, or any intimation received from SEBI, CDSL shall take appropriate action against the Vault Manager in accordance with the agreement executed between CDSL and Vault Manager, Bye-Laws, and/or rules, regulations, advice of SEBI.]*

## **10. SAFEGUARDS TO PROTECT INTEREST OF BENEFICIAL OWNERS AND PARTICIPANTS**

### **10.1. CONTINGENCY FUNDS**

10.1.1. CDSL may establish different funds for protecting and safeguarding the interests of participants and Beneficial Owners including Participants Funds and Beneficial Owners Protection Funds that may be set up under these Bye Laws from time to time. Each participant will be required to contribute to these funds in the manner and on terms and conditions specified by CDSL.

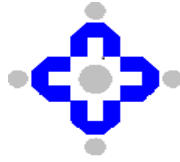
10.1.2. CDSL shall specify in the Operating Instructions or by way of a separate instrument, the procedure for establishment, operation and administration of these funds and the purpose for which these funds may be used from time to time.

10.1.3. CDSL shall also specify in the Operating Instructions or other instrument as the case may be, the entities who are entitled to make claims on the funds, the procedure for making claims on the funds, and the inter se priority of such claims.

10.1.4. The funds so established shall be held in trust by CDSL for the benefit of participants and Beneficial Owners as the case may be.

### **10.2. CONFIDENTIALITY**

10.2.1. CDSL shall cause all its employees who are in the normal course of its business as a depository, likely to have access to data or information relating to any security or securities belonging to any Beneficial Owner including any unpublished price sensitive information as defined under Regulation 2 (k) of Securities and Exchange Board of India (Insider Trading) Regulations, 1992 to execute fidelity bonds undertaking that the employee



shall at all times maintain complete confidentiality in respect of all such data or information.

- 10.2.2. CDSL, participants, Issuers, RTAs, <sup>172</sup>[*Vault Managers*,] Clearing Corporations and Clearing Members may provide or disclose such details, particulars, data or information relating to any Beneficial Owner and/or his account as may be required or directed in writing by any court, tribunal, Central or State Government, SEBI or any other regulatory or revenue authority empowered by law in that behalf or to the concerned Issuer and/or RTA or <sup>173</sup>[*Vault Managers and/ or*] Clearing Corporation or as may be required for compliance with any obligations in law or for enforcement of any of its rights or for protection of its interest without reference or recourse to the other or to the concerned Beneficial Owner provided however that save and except as aforesaid, none of them shall divulge or permit or suffer to be disclosed any such details, particulars, data or information to any party or person and shall hold such details, particulars, data and information in strict confidence.

### 10.3. PROTECTION OF DATA

- 10.3.1. CDSL shall take necessary steps to protect the transmission and storage of data under CDSL system. The data shall be protected from unauthorised access, manipulation and destruction. The transmission of data shall be in encrypted form so as to eliminate the possibility of unauthorised interception of data. The back-up of data stored under CDSL system by CDSL shall be kept in the exclusive custody of CDSL, and of such participants, Issuers, RTAs, <sup>174</sup>[*Vault Manager*] and Clearing Corporation respectively. CDSL shall ensure sufficient security measures, to prevent the access by unauthorised persons to the data of CDSL operations. CDSL shall take adequate measures for maintenance of transaction logs and audit trail for each change either in account details or in Beneficial Ownership of securities.

## 11. SECURITIES

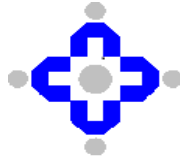
- 11.1. All securities which are declared to be eligible for dematerialisation under Regulation 28 of the Regulations shall be eligible for being held in dematerialised form in CDSL.

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<sup>172</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>173</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>174</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023



- 11.2. <sup>175</sup>*[The “Securities Committee” shall determine the criteria for admission of securities with CDSL for being dematerialised and held in dematerialised and fungible form and the same shall be published from time to time.]*
- 11.3. Before dematerialisation commences in respect of any securities admitted to CDSL as aforesaid, the Issuer or its RTA, if any, shall comply with the following:
- 11.3.1. The Issuer and/or its RTA, if any, shall enter into an agreement with CDSL as per the form(s) at <sup>176</sup>*[Annexure “E” or Annexure “F”]* hereto as the case may be. <sup>177</sup>*[Nothing contained in this clause is applicable where RBI/Central/ State Government is issuer of any security.]*
- 11.3.2. The Issuer and/or its RTA shall acquire adequate hardware and software systems to interact with CDSL as specified from time to time in Operating Instructions.
- 11.3.3. The Issuer and/or its RTA shall undertake to expeditiously redress the grievances of the Beneficial Owners and the participants;
- 11.3.4. The Issuer and/or its RTA shall agree and undertake to strictly adhere to the performance standards as may be laid down by CDSL from time to time.
- 11.3.5. <sup>178</sup>*[All matters relating to allotment, transfer and extinguishment of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with the depositories are handled and maintained at a single point i.e., either in-house by the issuer or by RTA.]*
- 11.4. <sup>179</sup>*[Without prejudice to any other rights, the “Securities Committee” may refuse the admission of any security of an issuer as an eligible security or may remove the same from the list of eligible securities, if:]*
- 11.4.1. the Issuer and /or its RTA is in continuous breach or default of its obligations under these Bye Laws or under its agreement with CDSL and fails to rectify or remedy such breach or default, or ;

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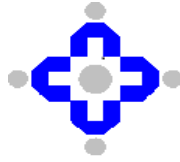
<sup>175</sup> Amended vide SEBI’s letter no. MRD/DP/MAS- OW/23270/11 dated 19.07.2011.

<sup>176</sup> Substituted for Annexure G and Annexure H vide SEBI’s letter no. SMRDP/CDSL/21379/99 dated 18.11.99

<sup>177</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI’s letter no. D&CC/CDSL/4597/2003 dated 01.02.2002.

<sup>178</sup> Inserted vide SEBI’s letter no. MRD/VSS/ARR/CDSL/5540/2004 19.03.2004.

<sup>179</sup> Amendment no. CDSL/BL/Amend/2002/17 w.e.f. 28.02.2003 vide SEBI letter no. D&CC/CDSL/4597/2003 dated 28.02.2003.



- 11.4.2. the Issuer or its RTA does not have or has ceased to have the operational capability to provide the services referred to herein, or ;
- 11.4.3. <sup>180</sup>[*The “Securities Committee” in its absolute discretion is satisfied that circumstances exist which render it necessary in the interest of the investors to do so.*]
- 11.5. CDSL shall not remove any security as aforesaid unless:
- 11.5.1. CDSL shall have issued at least thirty days notice in writing to the concerned Issuer calling upon the Issuer to show cause as to why the said security should not be removed as aforesaid, and;
- 11.5.2. The Issuer shall have been given a reasonable opportunity of being heard in that behalf.
- 11.6. CDSL shall notify all participants, the concerned Issuer and its RTA and the concerned Beneficial Owners forthwith upon such removal as aforesaid.

## **12. RIGHTS AND OBLIGATIONS OF ISSUERS AND THEIR RTAs**

- 12.1. Where an Issuer has appointed an RTA, and where a tripartite agreement has been entered into by CDSL with the Issuer and its RTA, then notwithstanding any agreement, arrangement or understanding to the contrary between the Issuer and its RTA, the Issuer shall be primarily responsible for all obligations and liabilities in respect of any act, deed, matter or thing by such RTA in respect of its operations in CDSL. <sup>181</sup>[*Nothing contained in this clause shall be applicable where RBI or the Central or State Government is the issuer of any security.*]
- 12.2. Every Issuer shall in respect of securities admitted on CDSL provide timely information to CDSL about book closure, record dates, dates for payment of interest or dividend, dates for the annual general meeting, dates of redemption or maturity of securities, dates of conversion, dates of exercising warrants, call money dates, details of other corporate actions and such other information as may be specified by CDSL from time to time. <sup>182</sup>[*Nothing contained in this clause shall be applicable where RBI or the Central or State Government is the issuer of any security.*]

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<sup>180</sup> Amendment no. CDSL/BL/Amend/2002/17 w.e.f. 28.02.2003 vide SEBI letter no. D&CC/CDSL/4597/2003 dated 28.02.2003.

<sup>181</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.

<sup>182</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.





- 12.3. An Issuer shall not permit dematerialisation of any eligible securities admitted into CDSL unless and until the Issuer is satisfied that the securities sought to be dematerialised have been validly issued by the Issuer and that there is no restraint, prohibition, injunction or attachment under any direction, order or decree of any court, tribunal, Central or State Government, SEBI or any statutory or revenue authority empowered in that behalf or under any law or under the terms and conditions of issuance of those securities restraining or preventing the transfer or dematerialisation of those securities. <sup>183</sup>*[Nothing contained in this clause shall be applicable if RBI or the Central or State Government is the issuer of any security.]*
- 12.4. Every Issuer or its RTA shall, against receipt of a request for rematerialization from the Beneficial Owner through the participant made in accordance with the Operating Instructions, and upon receipt of confirmation from CDSL confirming such request, issue such certificate or certificates in respect of the securities of which rematerialization is sought within such period as may be specified by law. <sup>184</sup>*[Government Securities shall be rematerialised in accordance with the provisions of Bye Law 13.8.]*
- 12.5. The Issuer or its RTA shall, on a daily basis, reconcile with CDSL, the records in respect of balances of dematerialized securities with Beneficial Owners and confirm to CDSL, the total security balances both in physical as well as in dematerialised form in its books. <sup>185</sup>*[Provided however that, in case where RBI or the Central or State Government is the issuer of any security, CDSL shall on a daily basis reconcile the records in respect such securities held in the BO accounts with the statement of balances as may be provided by RBI or the Central or State Government from time to time.]*
- 12.6. The Issuer or its RTA shall furnish to CDSL allotment details in the manner required by CDSL, of all Beneficial Owners who have opted for securities to be credited in the electronic form. <sup>186</sup>*[For all securities where RBI or the Central or State Government is the issuer, CDSL shall maintain the records of allotment details of all such securities, to the extent of allotment to beneficial owners who have opted for securities to be credited in the electronic form.]*

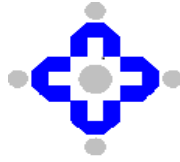
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<sup>183</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.

<sup>184</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.

<sup>185</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.

<sup>186</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.



- 12.7. <sup>187</sup>*[The Issuer/RTA shall pay to CDSL such fees, costs, charges and deposits as may be specified in the Operating Instructions for Issuers/RTAs issued by CDSL from time to time. In the event of the Issuer/RTA failing to make payment of any such fees, costs, charges or deposits, as the case may be, on or before the respective due dates, CDSL shall be entitled to charge interest on any delayed payments in terms of this Bye Law, at the rate as may be prescribed by CDSL.]*
- 12.8. <sup>188</sup>*[The Issuer and its RTA shall indemnify and keep indemnified and saved harmless CDSL and its participants of, from and against all claims and demands and all suits, actions, litigations, prosecutions or other proceedings whatsoever (including the costs, charges expenses, penalties, damages and consequential losses thereof) that CDSL and/or its participant/s may be required or called upon to pay, suffer or incur by reason of or as a consequence of or on account of creation of securities or upload of electronic files /data or any other form of electronic transfer or introduction of securities in CDSL system in breach of law and/or in breach of its obligations set out in these Bye Laws, Operating Instructions, Communiqués, letters or other communication in any form or under the agreement between CDSL and the Issuer and /or RTA including all supplemental writings and modifications thereto, if any].*
- 12.9 <sup>189</sup>*[The Issuer or its RTA shall ensure that an internal audit shall be conducted in respect of its depository operations relating to CDSL by a qualified Chartered Accountant in accordance with the provisions of the Chartered Accountants Act, 1949, or by a Company Secretary in accordance with the provisions of the Company Secretaries Act, 1980 or by a Cost Accountant in accordance with the provisions of the Cost and Works Accountants Act, 1959; in practice, at such intervals as may be specified by CDSL from time to time. A copy of Internal Audit report shall be furnished to CDSL.]*
- 12.10 <sup>190</sup>*[The Issuer or its RTA shall ensure that following items are placed before its Board of Directors in respect of its Depository Operations:*  
*i. Internal audit findings alongwith management comments.*  
*ii. Inspection findings of depository alongwith management comments.]*
- 12.11 <sup>191</sup>*[Subject to the provisions of any other law, the Issuer/RTA shall preserve records and documents for a minimum period of eight years in addition to*

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<sup>187</sup> Inserted vide SEBI letter no. MRD/CDSL/VM/49170/05 dated 12.09.2005.

<sup>188</sup> Inserted vide SEBI letter no. MRD/CDSL/VM/54623/05 dated 25.11.2005.

<sup>189</sup> Inserted vide SEBI's letter no. SEBI/HO/MRD/DP/OW/P/2016/12660/1 dated 02.05.2016

<sup>190</sup> Inserted vide SEBI's letter no. SEBI/HO/MRD/DP/OW/P/2016/12660/1 dated 02.05.2016

<sup>191</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2022/55147/1 dated 31.10.2022





*the documents required to be maintained in accordance with the SEBI (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 (as amended from time to time) including demat/remat of securities, demat of new issues, corporate actions, reconciliation of ISIN balances. Provided that the Issuer/RTA shall preserve and maintain respective original forms of documents as prescribed under the Operating Instructions for Issuer/RTA (as amended from time to time), both in physical and electronic form, copies of which have been taken by Central Bureau of Investigation, Police or any other enforcement agency during course of any investigation or enquiry conducted by them till the trial is completed.]*

### **13. ACCOUNTS / TRANSACTIONS BY BOOK ENTRY**

#### **13.1. ACCOUNT OPENING**

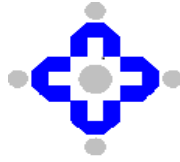
- 13.1.1. CDSL shall keep accounts separately in respect of each Beneficial Owner in respect of each participant.
- 13.1.2. The participant shall maintain separate accounts in respect of each Beneficial Owner and its own account.
- 13.1.3. Any prospective Beneficial Owner who wishes to avail of the services of CDSL will have to open an account with CDSL through a participant.
- 13.1.4. The Beneficial Owner will have to make an application for this purpose to the participant in the format specified in the Operating Instructions issued by CDSL.
- 13.1.5. The Beneficial Owner will be required <sup>192</sup>[to acknowledge receipt of the DP-BO Rights and Obligations document to the participant.]
- 13.1.6. Once the application has been accepted by the participant, the applicant will be issued a Beneficial Owner account number.

#### **13.2. DEMATERIALISATION**

- 13.2.1. Credit of securities into the account of any Beneficial Owner shall be made on dematerialisation of securities held in physical form or on the fresh issue of securities in the dematerialised form or on transfer/transmission of dematerialised securities from an account in any other depository.

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<sup>192</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014



<sup>193</sup>*[Nothing contained in this clause shall be applicable to Securities issued by RBI or the Central or State Government.]*

- 13.2.2. Dematerialisation of securities held in physical form :
- 13.2.2.1. A Beneficial Owner may convert his securities held in physical form into dematerialised form by making an application to the participant in a Dematerialisation Request Form (hereinafter referred to as DRF) specified by CDSL along with the relevant security certificates;
- 13.2.2.2. The participant shall forward the DRF so received, along with the relevant security certificates, to the Issuer or its RTA after electronically registering such request with CDSL. Such DRF shall be forwarded by the participant within <sup>194</sup>*[seven]* working days of accepting the same from its Beneficial Owner and till such time shall ensure safe custody of the securities in physical form;
- 13.2.2.3. Every participant shall ensure that the documents representing securities held in physical form including certificates and/or letters of allotment received by the participant for dematerialisation are stamped on the face of the document with the words “Surrendered for dematerialisation”. Upon receipt of such documents for dematerialisation, the participant shall cause to be made such other identification mark on the face of the document as may be specified by CDSL;
- 13.2.2.4. CDSL will electronically intimate, on a daily basis, all dematerialisation requests to the respective Issuer or its RTA;
- 13.2.2.5. <sup>195</sup>*[Within 15 days of receipt of the certificate of security from the participant the Issuer/RTA shall confirm to the depository that securities comprised in the said certificate have been listed on the stock exchange or exchanges in the manner specified by SEBI from time to time.]* The Issuer or its RTA shall verify the validity of the security certificates and/ or letters of allotment as well as the fact that the dematerialisation has been required by the person(s) recorded as member(s) in its Register of Members or Register of Debenture holders or any other register of securities as may be specified by law; <sup>196</sup>*[Provided however that the provisions of this clause regarding the listing approval shall not be applicable to unlisted securities.]*

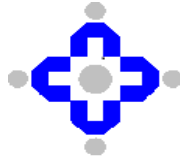
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<sup>193</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.

<sup>194</sup> Amended by SEBI letter no. MRD/VSS/ARR/CDSL/5540/2004 dated 19.03.2004.

<sup>195</sup> Amended by SEBI letter no. MRD/VSS/ARR/CDSL/5540/2004 dated 19.03.2004.

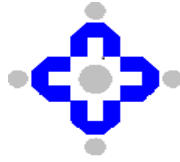
<sup>196</sup> Amended by SEBI letter no. MRD/VSS/ARR/CDSL/5540/2004 dated 19.03.2004.



- 13.2.2.6. After verification as aforesaid, the Issuer or its RTA shall intimate CDSL and thereupon the participant authorising a credit for that security in favour of the Beneficial Owner. On receipt of such intimation, CDSL and the participant shall cause the necessary credit entry to be made in the account of the Beneficial Owner concerned;
- 13.2.2.7. No credit of any securities to the account of any Beneficial Owner shall be made unless CDSL has received an intimation from the Issuer or its RTA as set out hereinabove;
- 13.2.2.8. <sup>197</sup>*[The Issuer or its RTA shall confirm the dematerialisation requests within 21 days from the receipt thereof and state the securities pending confirmation for more than 21 days and record the reason for the delay. The Issuer or its RTA shall, simultaneously with the issuance of the intimation authorising credit to CDSL and the participant, mutilate and cancel the concerned certificate, substitute in its records the name of CDSL as its registered owner and send a certificate to this effect to CDSL and to every Stock exchange with which the security is listed;]*
- 13.2.2.9. The Issuer or its RTA shall in all cases retain the DRF with it. The Issuer or its RTA shall return to the concerned participant the certificates relating to those securities in respect of which dematerialisation is rejected by the Issuer or its RTA unless otherwise required by any law in force for the time being;
- 13.2.2.10. In all cases where any Issuer or its RTA rejects any request for dematerialisation of any securities, the Issuer or its RTA shall communicate in writing to the concerned participant and the Beneficial Owner, the reason for such rejection.
- 13.2.3. The Issuer or its RTA giving intimation as set out hereinabove, represents and warrants to CDSL that such securities exist, are validly issued and stand in the records of the Issuer or its RTA in the name of the Beneficial Owner who has sought dematerialization in respect of those securities.
- 13.2.4. Subscription to and/or allotment of securities in dematerialised form:
- 13.2.4.1. Upon receipt of intimation by CDSL from any Issuer or its RTA regarding allotment of any securities to a Beneficial Owner in dematerialised form, CDSL shall credit the accounts of the concerned Beneficial Owner;
- 13.2.4.2. In the event of an intimation being received by CDSL from Issuer or its RTA, for credit of securities to the account of any Beneficial Owner whose

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<sup>197</sup> Amended by SEBI letter no. MRD/VSS/ARR/CDSL/5540/2004 dated 19.03.2004.



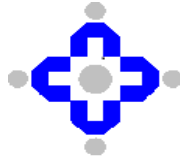
identity cannot be established in CDSL, CDSL may reject such request and give details of such rejection for rectification by the Issuer or its RTA to be dealt with as may be deemed fit by the Issuer or its RTA.

### 13.3. <sup>198</sup>[DEMATERIALISATION (CREDIT) OF SECURITIES ISSUED BY RBI/CENTRAL/ STATE GOVERNMENT

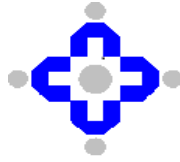
- 13.3.1. *A Beneficial Owner may obtain credit of Government Securities in the following manner:*
- 13.3.2. *By dematerialisation of securities issued by RBI/ Central/ State Government held in physical form.*
- 13.3.3. *A Beneficial Owner may convert his/its securities issued by RBI/ Central/ State Government held in physical form into dematerialised form by making an application to the participant in the Dematerialisation Request Form-Government Securities (DRF-GS) along with relevant security certificate/s and Form of transfer prescribed by RBI or the Central or State Government in accordance with the Operating Instructions specified in this regard. The participant shall not entertain any dematerialisation request for the securities other than from the registered holder of the securities.*
- 13.3.4. *The participant shall forward the DRF-GS and other documents, if any, along with the security certificate/s to CDSL, after electronically registering such a request. The participant shall forward such DRF-GS to CDSL within seven days of its receipt.*
- 13.3.5. *Every participant shall ensure that the physical certificate(s) is/are not defaced by affixing the stamp “Surrendered for dematerialisation” or mutilated by punching 2 holes. The DP shall ensure that the words “Tendered for cancellation and credit to SGL A/c no. BYSL 0885 of CDSL, Mumbai” are inscribed in the column “Memorandum of Transfer” on the reverse of the certificate.*
- 13.3.6. *CDSL shall forward the security certificate/s along with the duly filled in Form of transfer, to the RBI and obtain credit of the said Government Securities to its CSGL Account. Thereafter, CDSL shall cause the necessary credit entries to be effected in the account of the concerned Beneficial Owner, in accordance with the Operating Instructions.*

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<sup>198</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.



- 13.3.7. *Where RBI, Central or State Government rejects any request for dematerialisation of Government Security, CDSL shall electronically intimate the participant regarding such rejection within seven days of such rejection.*
- 13.3.8. *On receipt of rejection of dematerialisation request by RBI, Central or State Government CDSL shall return to the DP the DRF along with the relevant security certificate/s and documents submitted by the participant except that in cases where the certificates and documents are withheld by RBI or the Central or State Government.*
- 13.3.9. *By transfer or transmission of Securities issued by RBI/ Central/ State Government from other eligible entity to his Beneficiary owner Account of CDSL.*
- 13.3.10. *A Beneficial Owner or his heirs or nominees may transfer his/its holdings held in SGL account with other eligible entity by making an application to the participant in the Dematerialisation Request Form (DRF-GS) and other relevant documents as prescribed under the Operating Instructions.*
- 13.3.11. *The participant shall forward the DRF-GS along with the necessary documents to CDSL after electronically registering such a request. The participant shall forward such DRF-GS and other relevant documents to CDSL within seven days of its receipt.*
- 13.3.11.1.1. *CDSL shall forward the request to RBI or the Central or State Government along with the documents, as prescribed by RBI or the State or Central Government from time to time.*
- 13.3.11.1.2. *CDSL shall cause its CSGL account to be credited with such securities. On receipt of the credit of balances into CSGL Account of CDSL, CDSL shall electronically accept the demat request and cause the necessary credit entry to be made in the account of the Beneficial Owner concerned.*
- 13.3.11.1.3. *In case RBI or the Central or State Government rejects/refuses the transfer/ transmission for any reasons CDSL shall return to the DP such documents as specified in the Operating Instructions and communicate in writing to the concerned participant the reason/s for rejection.*
- 13.3.12. *By Subscription/Allotment of Government Securities*
- 13.3.12.1. *A Beneficial Owner may subscribe and obtain credit of securities issued by RBI or State or Central government by allotment directly from RBI or State or Central Government in the CSGL Account of CDSL.*



- 13.3.12.2. *A Beneficial Owner desirous of participating in the auction process of RBI or State or Central Government may submit the application form along with the subscription amount to CDSL.*
- 13.3.12.3. *CDSL shall fill the necessary auction forms and submit to RBI/ Central/ State Government on the date of auction. RBI shall credit the securities allotted to the CSGL account of CDSL. Thereafter CDSL shall credit the Securities to the account of the concerned Beneficial Owner.*
- 13.3.12.4. *RBI shall credit the securities allotted to the CSGL account of CDSL. Thereafter CDSL shall credit the Securities to the account of the concerned Beneficial Owner.*
- 13.3.12.5. *In case RBI State or Central Government rejects in full or in part the application, the funds will remain in the Current Account of CDSL with RBI. CDSL shall remit the same to the Beneficial Owner in a manner as specified in the operating instructions.]*

#### 13.4. ACCOUNT FREEZING

13.4.1. Every Beneficial Owner shall have an option to freeze his account <sup>199</sup>*[either for debits or for credits or for both]* with the participant so as to render it inoperable. <sup>200</sup>*[CDSL or the]* participant shall freeze the account of a Beneficial Owner maintained with it on written instructions received by <sup>201</sup>*[it or by]* the participant in that regard from the Beneficial Owner concerned in the form specified by the Operating Instructions.

13.4.2. <sup>202</sup>*[CDSL or the]* participant shall freeze the account of a Beneficial Owner <sup>203</sup>*[maintained with it in the manner specified in the orders or directions of any court or tribunal or any Government or SEBI or any other authority made or given under any law for the time being in force.]*

<sup>204</sup>*[Provided however that any order of a Court, Tribunal, Government or other competent authority relating to freezing of a beneficial owner account or taking any action in relation to a beneficial owner account which is within the purview of obligations cast on a depository under the Act and/or Regulations, shall be effected by CDSL or participant only on receipt from such authority the Beneficial Owner Identification Number (BOID) or*

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<sup>199</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/121756 dated 31.03.2008.

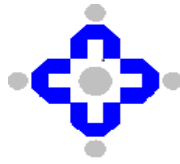
<sup>200</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/121756 dated 31.03.2008.

<sup>201</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/121756 dated 31.03.2008.

<sup>202</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/121756 dated 31.03.2008.

<sup>203</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/121756 dated 31.03.2008.

<sup>204</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/182969/09 dated 12.11.2009.



*Permanent Account Number (PAN) coupled with specific directions if the same are not set out in such order with sufficient accuracy.]*

- 13.4.3. An account so frozen shall be activated on instructions in writing from the Beneficial Owner, where it has been frozen at the instance of a Beneficial Owner, and on receipt of instructions from CDSL pursuant to the passing of any order or issuance of instructions vacating, revoking or setting aside the order of freezing by the court, tribunal or authority. Provided further that on the account being frozen in either event, the participant of such Beneficial Owner shall not effect any debit entry or any such other transaction unless the instructions or order for freezing the account has been withdrawn, revoked, vacated, set aside or modified as aforesaid. However, the participant shall credit benefits to a frozen account.
- 13.4.4. CDSL <sup>205</sup>*[shall freeze or]* direct a participant to freeze an account opened by the participant with itself in respect of securities held by the participant in its own name:
- 13.4.4.1. <sup>206</sup>*[in the manner specified in the orders or directions of any court or tribunal or any Government or SEBI or any other authority made or given under any law for the time being in force.]*
- 13.4.4.2. if the participant becomes insolvent, bankrupt or in case of a body corporate being wound up. Provided further that the frozen account may be released on instructions of the authority under whose directions such account was frozen.
- 13.4.5. <sup>207</sup>*[Notwithstanding anything in this bye law, CDSL shall be entitled to freeze any account of a Beneficial Owner in the manner specified in the operating instructions issued by CDSL from time to time in case where deficiency in KYC documents is found.]*
- 13.4.6. <sup>208</sup>*[The mode and the form of authorization in joint demat account for Freeze/unfreeze account and/or the ISIN and/or specific number of securities shall be specified in the Operating Instructions. Each joint demat account holder shall be jointly and severally liable towards the Depository Participant for all the commitments entered into by himself/herself or by any other joint demat account holder or authorized representative (within the limits of the power).]*

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<sup>205</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/121756 dated 31.03.2008.

<sup>206</sup> Amended vide SEBI letter no. MRD/CDSL/VM/121756 dated 31.03.2008.

<sup>207</sup> Inserted vide SEBI's letter no. SEBI/HO/MRD/DP/OW/P/2017/7818/1 dated 06.04.2017

<sup>208</sup> Inserted vide SEBI's letter no. SEBI/HO/MRD2/DDAP/OW/P/2022/7641/1 dated 22.02.2022





### 13.5. REMATERIALISATION

- 13.5.1. A Beneficial Owner may <sup>209</sup>[*opt out any of his/its*] security balances with CDSL at any point of time by making an application to that effect to CDSL through its participant. The participant shall ensure that the request for rematerialisation emanates from the Beneficial Owner and is duly authorised and is properly made. <sup>210</sup>[*Nothing contained in this clause shall be applicable to Securities where RBI/Central/State Government is the issuer of securities.*]
- 13.5.2. A participant holding its own securities in CDSL may at any point of time withdraw any of its security balances with CDSL by making an application to that effect to CDSL.
- 13.5.3. The Beneficial Owner shall make the request of withdrawal of the balance in his account in the Rematerialisation Request Form (hereinafter referred to as RRF) as specified in the Operating Instructions.
- 13.5.4. On receipt of the RRF, the participant shall check whether sufficient unencumbered relevant security balance is available in the account of the Beneficial Owner. If there is a sufficient balance, the participant shall accept the said RRF and block the balance of the relevant security lying in the account of the Beneficial Owner to the extent of the quantity for which rematerialization is sought and electronically intimate the request to CDSL.
- 13.5.5. On receipt of the request referred to in Bye Law 13.5.2 above, CDSL shall block the balance of the relevant securities lying in the account of the participant to the extent of quantity for which rematerialisation is sought.
- 13.5.6. CDSL will intimate electronically all such accepted rematerialisation requests to the Issuer or its RTA on a daily basis.
- 13.5.7. The participant shall forward the RRF to the Issuer or its RTA within two working days of accepting such request from the Beneficial Owner. The Issuer or its RTA after validating the RRF will confirm electronically to CDSL and the participant that the RRF has been accepted. Thereafter the Issuer or its RTA shall dispatch the security certificates arising out of the rematerialisation request within a period of thirty days from receipt of such RRF to the Beneficial Owner named in the RRF at the address set out therein taking such precautions as may be necessary against loss in transit.

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<sup>209</sup> Amended vide SEBI letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.

<sup>210</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.





13.5.8. On receipt of such acceptance from the Issuer or its RTA, CDSL shall reduce the security balances to the extent of the rematerialized securities in the respective participant's or the respective Beneficial Owner's account as the case may be.

### 13.6. <sup>211</sup>[WITHDRAWAL OF SECURITIES ISSUED BY RBI/ CENTRAL/ STATE GOVERNMENT FROM THE DEPOSITORY

13.6.1. *A Beneficial Owner may opt out of the depository in the following manner:*

13.6.1.1. *Rematerialisation of Securities issued by RBI or the Central or State Government held in his/its BO Account with CDSL:*

13.6.1.1.1. *A Beneficial Owner holding his/its own Government Securities in CDSL may decide to seek physical certificate by making a request to CDSL in the Rematerialisation Request Form (RRF-GS) in accordance with the Operating Instructions issued in this regard.*

13.6.1.1.2. *On receipt of the RRF-GS, the participant shall check whether sufficient free relevant security balance is available in the account of the Beneficial Owner. If there is sufficient balance, the participant shall accept the said RRF-GS and block the balance of the relevant security lying in the account of the Beneficial Owner to the extent of the quantity for which rematerialisation is sought and electronically intimate the request to CDSL.*

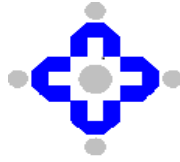
13.6.1.1.3. *The Participant shall forward the RRF-GS to CDSL within seven days of its receipt. CDSL shall forward such request to RBI or the Central or State Government, along with the documents, if any, prescribed by RBI or the Central or State Government, from time to time.*

13.6.1.1.4. *CDSL shall cause its CSGL Account with RBI to be debited and obtain the physical certificate from RBI. Thereafter CDSL shall confirm the acceptance of RRF-GS electronically and forward the physical certificate to the GAH directly. In case RBI rejects/refuses the rematerialisation request, CDSL shall return to the participant the documents as mentioned in the Operating Instructions and communicate in writing to the concerned participant the reason(s) for such rejection.*

13.6.1.2. *Transfer or transmission of Securities issued by RBI or the Central or State Government held by the BO in his/its account in CDSL to his/its account maintained with another eligible entity.*

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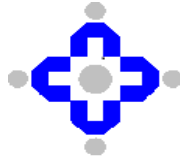
<sup>211</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.



- 13.6.1.2.1. *If the request relates to transfer of Securities issued by RBI or the Central or State Government from an account with CDSL to an account with another eligible entity, CDSL shall, on the strength of the letter of authority issued by the BO, execute and forward the form iii to RBI or the Central or State Government or to the other eligible entity with whom the Beneficiary owner wishes to hold the said securities. The eligible entity shall lodge the same with RBI or the Central or State Government. On the securities being debited from CDSL' CSGL Account with RBI or the Central or State Government., CDSL shall confirm the acceptance of the RRF electronically to the Participant.*
- 13.6.1.2.2. *On acceptance by CDSL the securities shall be debited from the respective Beneficial Owner's account.*
- 13.6.1.2.3. *In case RBI, State or Central Government rejects/refuses the transfer/transmission request, CDSL shall return to the participant the documents as mentioned in the Operating Instructions and communicate in writing to the concerned participant along with the reason(s) for such rejection.*
- 13.6.1.3. *Redemption on the date of maturity*
- 13.6.1.3.1. *CDSL shall comply with the procedure laid down for redemption by RBI or the Central or State Government within the prescribed time and shall cause the maturity proceeds to be credited to its Current Account with RBI and arrange to distribute the amount to the Beneficial Owners in accordance with the procedure prescribed in the Operating Instructions issued in this regard.]*

## 13.7. ACCOUNT CLOSURE

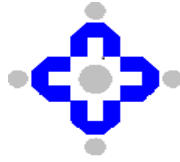
- 13.7.1. A Beneficial Owner wanting to close an account shall make an application to the participant in the format specified to that effect in the Operating Instructions.
- 13.7.2. The Beneficial Owner may close its account if no balances are standing to its credit in the account. In case any balances exist, then the account may be closed in the following manner:
- 13.7.2.1. by rematerialisation of all its existing balances in its account;



- 13.7.2.2. by transferring its security balances to its other account(s) held either with the same participant or with a different participant.
- 13.7.2.3. by rematerialization of a part of its existing balances and by transferring the rest to its other account with the same participant or with a different participant.
- 13.7.3. The participant shall ensure that all pending transactions as well as suspended balances have been adjusted and settled before closing such account. After ensuring that there are no balances in the Beneficial Owner's account, subject to Bye Law 13.7.2, the participant shall execute the request for closure of the Beneficial Owner's account.
- 13.7.4. No account of any Beneficial Owner shall be closed if there exist any securities in the Beneficial Owner's accounts which are pledged, collateralized or hypothecated or the account is in suspense or if the closure of such account would result in breach or violation of any order or injunction of any court, tribunal or authority.
- 13.8. TRANSFER OF BALANCES
- 13.8.1. No participant shall initiate any debit or credit in the account of any Beneficial Owner except on the instructions of the Beneficial Owner, or on sanction or instructions of CDSL for reasons to be recorded in writing by CDSL.
- 13.8.2. The mode and the form of authorisation shall be specified in the Operating Instructions.
- 13.8.3. Where there is a transfer of security from the account of a Beneficial Owner of one participant to the account of a Beneficial Owner of another participant, both the participants must intimate such instructions for delivery and receipt respectively, to CDSL. After the instructions are matched in CDSL system, such transfer shall be effected by CDSL.
- 13.8.4. In the event of a participant ceasing to be a participant, the Beneficial Owner of that participant may, either request for the rematerialisation of securities or request for the transfer of securities in its account to an account opened with another participant.
- 13.8.5. <sup>212</sup>*[The mode and the form of authorization in joint demat account for transfer of securities including Inter-Depository Transfer shall be specified*

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<sup>212</sup> Inserted vide SEBI's letter no. SEBI/HO/MRD2/DDAP/OW/P/2022/7641/1 dated 22.02.2022



*in the Operating Instructions. Each joint account holder shall be jointly and severally liable towards the Depository Participant for all the commitments entered into by himself/herself or by any other joint demat account holder or authorized representative (within the limits of the power)]*

### 13.9. TRANSMISSION OF SECURITIES

- 13.9.1. Every Beneficial Owner shall be entitled, whether at the time of opening an account with the participant (Beneficial Owner Account) or at any time thereafter to nominate <sup>213</sup>[*not exceeding three person/s*] who shall be entitled, upon the death of the Beneficial Owner, to succeed to the securities held in such account. Where any Beneficial Owner Account is opened or stands in the names of two or more persons, the nomination in favour of such <sup>214</sup>[*nominee/s*] shall be made jointly by all such persons. The Beneficial Owner may revoke such nomination or substitute the same with a fresh nomination at any time.
- 13.9.2. Where, in respect of any securities in respect of which a nomination shall have been made by the holder of such security prior to its dematerialisation, any nomination made at the time of opening the Beneficial Owner's Account shall be deemed to constitute a fresh nomination revoking and superseding the previous nomination made in respect of such securities.
- 13.9.3. Where a Beneficial Owner Account stands in the name of more than one person, then, in the event of the death of any of them, notwithstanding any nomination as aforesaid, the securities standing to the credit of such account shall vest in the surviving account holder/s <sup>215</sup>[*as a trustee of the legal heirs of the deceased account holder*].
- 13.9.4. Where a Beneficial Owner Account stands in the name of a sole person, in the event of the death of the Beneficial Owner, the securities standing to the credit of such account shall vest in the <sup>216</sup>[*nominee/s*] and where no such nomination is made, succession to such securities shall be determined in accordance with law in favour of the heirs or legal representatives of the deceased against production of the necessary representation to the estate of the deceased by way of Probate <sup>217</sup>[*of Will or Will*], Letters of Administration or Succession Certificate <sup>218</sup>[*or Decree of a Court* as may

<sup>213</sup> Amended vide SEBI's letter no. SEBI/MRD/DO/OW/P/2016/16934/1 dated 13.06.2016.

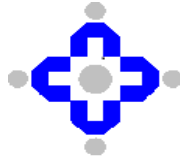
<sup>214</sup> Amended vide SEBI's letter no. SEBI/MRD/DO/OW/P/2016/16934/1 dated 13.06.2016.

<sup>215</sup> Amended vide SEBI's letter no. SEBI/HO/MRD2/DDAP/OW/P/2022/7641/1 dated 22.02.2022

<sup>216</sup> Amended vide SEBI's letter no. SEBI/MRD/DO/OW/P/2016/16934/1 dated 13.06.2016.

<sup>217</sup> Amended vide SEBI's letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/4162/1 dated 01.02.2023.

<sup>218</sup> Amended vide SEBI's letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/4162/1 dated 01.02.2023.



be applicable *in terms of Indian Succession Act, 1925 (30 of 1925) or Legal Heirship Certificate or its equivalent certificate issued by a competent Government Authority attested by the legal heir(s)/claimant(s) subject to verification with the original or duly attested by a notary public or by a Gazetted Officer along with the documents as mentioned in CDSL Operating Instructions]* provided however that where the aggregate market value of the securities <sup>219</sup>*[as on the date of application of the heirs or legal representatives of the deceased for transmission of shares of the deceased Beneficial Owner held in such account does not exceed Rs. 15,00,000/- (Rupees Fifteen Lakhs Only), or such other amount as may be specified by SEBI and/or CDSL from time to time,]* the Board of Directors of CDSL may, in its sole discretion, even in the absence of a legal representation to the estate of the deceased having been obtained, permit the transmission of securities standing to the credit of such account in favour of the heirs or legal representatives or successors, as the case may be, on such terms and conditions as may be specified in the Operating Instructions.

- 13.9.5. The participant shall be entitled to require the person or persons in whose favour the securities are <sup>220</sup>*[to be]* transmitted as aforesaid <sup>221</sup>*[to open an account by following the procedure prescribed in the Operating Instructions for transmission of securities.]*
- 13.9.6. The person or persons in whose favour the securities are transmitted as aforesaid shall also be entitled to the benefit of any security deposit lying with the participant subject to any deductions or adjustments that the participant may be entitled to in accordance with these Bye Laws.
- 13.9.7. <sup>222</sup>*[In case the Beneficial Owner is declared as lunatic or adjudicated insolvent or otherwise incapable to operate his Beneficial Owner account, CDSL shall, on production of the certified copy of the Order passed by the Competent Court, transmit the security balances lying in such account to any other account as may be ordered. In the event of winding up of the Beneficial Owner by the Court, the securities shall be transmitted to such account as directed in the Court order to that effect. However, if the Beneficial Owner undergoes a voluntary winding up (not subject to supervision of the Court) the securities shall be transmitted to such account as provided in the resolution passed for such voluntary winding up.]*

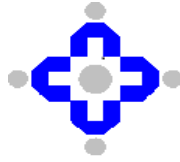
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<sup>219</sup> Amended vide SEBI's letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/4162/1 dated 01.02.2023.

<sup>220</sup> Inserted vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>221</sup> Amended vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>222</sup> Amendment No. CDSL/BL/Amend/2002/17 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/4597/2003 dated 28.02.2003.



13.9.8. <sup>223</sup>*[Where a Beneficial Owner Account stands in the name of more than one person, then, in the event of the death of any of them, in addition to the option of opening of new account, the surviving account holders shall be given an option to continue with the same account by following the procedure prescribed in the Operating Instructions for transmission of securities.]*

### 13.10. CORPORATE ACTIONS

13.10.1. The Issuer or its RTA shall intimate CDSL of all corporate actions simultaneously with the intimation to stock exchanges in case of listed securities and in case of unlisted securities with prior notice of seven clear days from the date of corporate action.

13.10.2. On receiving the intimation as stated above, the details of the holdings of the Beneficial Owners shall be provided electronically by CDSL to the Issuer or its RTA as of the cut off date ( relevant to that particular corporate action ) for the purpose of distribution of corporate benefits within five working days of the record date or the book closure date.

13.10.3. The Issuer or its RTA shall distribute dividend, interest and other monetary benefits and also ineligible securities directly to the Beneficial Owners on the basis of the list provided by CDSL.

13.10.4. The Issuer or its RTA may, if the benefits are in the form of securities, distribute such benefits to the Beneficial Owners through CDSL by electronically crediting the account of the concerned Beneficial Owner provided that :

13.10.4.1. the newly created security is an eligible security and has been admitted to CDSL;

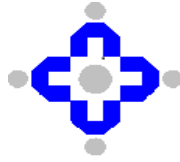
13.10.4.2. the concerned Beneficial Owner has consented to receive the newly created securities through CDSL in dematerialised form.

13.10.5. In such case, the Issuer or its RTA shall provide allotment details of all Beneficial Owners to CDSL.

13.10.6. On receipt of allotment details, CDSL shall cause the necessary credit entries to be made in the account of the Beneficial Owner concerned.

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<sup>223</sup> Inserted vide SEBI's letter no. SEBI/HO/MRD2/DDAP/OW/P/2022/7641/1 dated 22.02.2022



13.10.7. <sup>224</sup>[Bye Laws 13.10.1 to 13.10.6 shall not apply in case of securities issued by RBI or the Central or State Government. Immediately after the due date of payment of interest or the principal amount or any amount in respect of Government Securities shall be in accordance with the terms of Government Securities.]

13.11 <sup>225</sup>[RECORDING OF NON-DISPOSAL UNDERTAKING/NON-DISPOSAL AGREEMENT/ANY OTHER ENCUMBRANCE (OTHER THAN PLEDGE & HYPOTHECATION):

*Other than a pledge or hypothecation,<sup>226</sup>[if the Beneficial Owner wishes to create any of the following encumbrances:*

- a) any restriction on the free and marketable title to shares, by whatever name called, whether executed directly or indirectly;*
- b) lien, negative lien, Non-Disposal Undertaking*
- c) any covenant, transaction, condition or arrangement in the nature of encumbrance, by whatever name called, whether executed directly or indirectly*

*on the securities held by him in his demat account, he shall make an application to the Depository through the concerned depository participant in the manner as stated in the Operating Instructions. Till the said encumbrance is released, any transfer of the said securities, encumbrance of any nature (including pledge or hypothecation), lending, rematerialisation, or alienation of securities in any manner shall not be permitted in respect of those securities.] Releasing of any of the aforesaid encumbrances will be as per the procedure laid down in the Operating Instructions.]*

## **14. PLEDGE AND HYPOTHECATION**

14.1. The pledgor and the pledgee must each have an account in CDSL to create a pledge. However, the pledgor and the pledgee may hold accounts through two different participants.

14.2. For the purpose of creation of any pledge or hypothecation of securities, CDSL or a participant shall, on an application by any Beneficial Owner, issue a certificate of holdings to the Beneficial Owner, certifying that the

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<sup>224</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/CDSL/1988/2002 dated 01.02.2002.

<sup>225</sup> Amended vide SEBI's letter no. MRD2DDAP/OW/2021/5148/1 dated 26.02.2021

<sup>226</sup> Inserted vide SEBI's letter no. MRD/DoP1/DSA1/OW/12237/1 dated 23.04.2018





Beneficial Owner is entitled in its name to such number of securities of such Issuer as are proposed to be pledged or hypothecated.

- 14.3. CDSL shall on receipt of an application for the creation of pledge or hypothecation by the Beneficial Owner countersigned by the pledgee, within fifteen days from the date of receipt thereof, create and record the pledge or hypothecation by electronically locking or freezing the securities held in the account of the pledgor and shall issue an intimation of the same to the pledgor and pledgee.

*<sup>227</sup>[Provided that pledge of the Securities issued by RBI or the Central or State Government shall be subject to the permission/directions/ guidelines/ instructions issued by RBI or the Central or State Government in this regard.]*

- 14.4. CDSL or a participant shall not refuse permission to the pledgor or hypothecator to create a pledge or hypothecation in respect of securities available for pledge or hypothecation unless operations in respect of those securities are restrained or frozen by virtue of any order or direction of any court, tribunal, Central Government, SEBI, <sup>228</sup>*[RBI or the Central or State Government in case of Securities issued by RBI or the Central or State Government]* or other competent authority or by CDSL itself and if the CDSL or a participant does not create such pledge or hypothecation as the case may be, it shall intimate the intending pledgor and pledgee of its decisions setting out its reasons for such refusal.

- 14.5. No entry of pledge or hypothecation shall be cancelled by CDSL without the prior concurrence of the pledgee. On receipt of notice of cancellation of the pledge or hypothecation from the pledgee, CDSL shall unlock or def the securities forthwith for which the pledge or hypothecation was created. CDSL on cancellation of the pledge or hypothecation shall inform the pledgor.

- 14.6. Subject to the provisions of the pledge/hypothecation documents, the pledgee/ hypothecatee may invoke the pledge or hypothecation, as the case may be through his participant and on such invocation, CDSL shall register the pledgee/ hypothecatee as Beneficial Owner of such securities and shall amend its records accordingly. Thereafter, CDSL shall immediately inform the participants of the pledgor and the pledgee of the change and who in

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Inserted vide SEBI's letter no. MRD/DoP1/DSA1/OW/12237/1 dated 23.04.2018  
letter no. D&CC/ CDSL/1988/2002 dated 01.02.2002.

<sup>228</sup> Amendment No. CDSL/BL/Amend/2002/15 w.e.f. 01.02.2002 inserted vide SEBI's letter no. D&CC/ CDSL/1988/2002 dated 01.02.2002.





turn shall make necessary changes in their records and inform the pledgor and pledgee respectively.

14.7. CDSL shall, before registering the hypothecatee as a Beneficial Owner, obtain the prior concurrence of the hypothecator.

14.8. <sup>229</sup>*[MARGIN PLEDGE AND RE-PLEDGE*

14.8.1 *For the purpose of providing collateral in form of securities as margin, the pledger shall pledge securities with the stock broker under a separate type of pledge viz. Margin Pledge.*

14.8.2 *The stock broker / clearing member pledgee in whose favour the margin pledge has been created can re-pledge such pledged securities by endorsement of pledge in favour of a clearing member or a clearing corporation.*

14.8.3 *No entry of Margin Pledge shall be cancelled by CDSL without the prior concurrence of the pledgee. The pledgee shall ensure that re-pledge, if any, is cancelled before providing such concurrence.*

14.8.4 *The procedure to be followed for margin pledge and re-pledge shall be in accordance with the SEBI directions and CDSL Operating Instructions as specified from time to time.]*

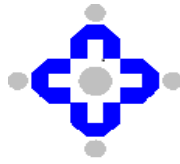
14.9. <sup>230</sup>*[The mode and the form of authorization in joint demat account for Pledge/Hypothecation/margin pledge/margin re-pledge (creation, Closure and Invocation and confirmation thereof as applicable) shall be specified in the Operating Instructions. Each joint demat account holder shall be jointly and severally liable towards the Depository Participant for all the commitments entered into by himself/herself or by any other joint demat account holder or authorized representative (within the limits of the power)]*

## 15. SECURITIES LENDING

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<sup>229</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/DDAP/OW/P/2020/ dated 16.07.2020

<sup>230</sup> Inserted vide SEBI's letter no. SEBI/HO/MRD2/DDAP/OW/P/2022/7641/1 dated 22.02.2022



<sup>231</sup> “Any beneficial owner intending to lend or borrow securities, may do so in the manner laid down under SEBI (Securities Lending Scheme), 1997 or any amendments made thereto from time to time.”

## **16. RECONCILIATION, ACCOUNTS AND AUDIT**

### **16.1. RECONCILIATION**

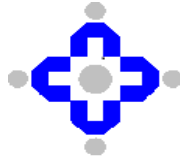
- 16.1.1. CDSL shall ensure that it has in place at all times such systems and procedures as would enable it to co-ordinate with the participants and issuers or its RTAs and would facilitate reconciliation of records with participants, issuers or its RTAs on a daily basis.
- 16.1.2. Every participant shall reconcile its records with CDSL on a daily basis.
- 16.1.3. CDSL shall intimate the Issuers or its RTA all security balances of the Issuer held in dematerialised form with CDSL at the end of the day and the said balances will be reconciled by the Issuer or its RTA on a daily basis.
- 16.1.4. The Issuer or RTA shall reconcile <sup>232</sup>*[the records of dematerialised securities with all the securities issued by it]*, on a daily basis in accordance with these Bye Laws. Provided however that, in case where RBI or the Central or State Government is the issuer of any security, CDSL shall on a daily basis reconcile the records in respect such securities held in the Beneficial Owner accounts in CDSL with the statement of balances as may be provided by RBI or the Central or State Government from time to time.
- 16.1.5 <sup>233</sup>*[Issuer and/or its RTA shall carry out reconciliation as aforesaid in respect of the securities issued by the Issuer, in accordance with these Bye Laws or Operating Instructions and any communication issued by CDSL in that behalf from time to time, and shall indemnify and keep indemnified and saved harmless CDSL and its participants of, from and against all claims and demands and all suits, actions, litigations, prosecutions or other proceedings whatsoever (including the costs, charges and expenses thereof) that CDSL and/or its participant/s may be required or called upon to pay, suffer or incur by reason of the Issuer/RTA’s failure to effect timely and*

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<sup>231</sup> Inserted vide SEBI’s letter no. MRD/DoP/CDSL/VM/161296/09 dated 23.04.2009.

<sup>232</sup> Inserted vide SEBI letter no. MRD/CDSL/VM/54623/05 dated 25.11.2005.

<sup>233</sup> Inserted vide SEBI letter no. MRD/CDSL/VM/54623/05 dated 25.11.2005.



*regular reconciliation in terms of these Bye Laws and in terms of the Agreement with the Issuer/RTA.]*

16.1.6 If there is failure of the reconciliation as specified hereinabove, CDSL may initiate necessary action including suspension of a participant or suspension of transactions in a particular security till the process of reconciliation has been completed.

## 16.2. ACCOUNTING, INTERNAL CONTROL, REPORTS AND RETURNS

16.2.1. Each participant shall furnish to CDSL every year, [*a net worth certificate (including computation thereof based on its audited financial statements certified by a practicing Chartered Accountant, calculated and itemized as per the manner specified in the Operating Instructions),*]<sup>234</sup> a copy of the audited financial statements and auditors' report and the same shall be furnished [*on a date*]<sup>235</sup> not later than [*October 31st of the next financial year*]<sup>236</sup>.

Provided that when CDSL is satisfied that circumstances warrant an extension of time to furnish such report, it may grant such extension to the participant.

16.2.2. Every participant shall keep accounts and records in respect of the operations of CDSL, which shall be distinct and independent from the records and accounts maintained by it in respect of any other activities carried out by the participant.

16.2.3. Proper accounts shall be maintained by CDSL as well as the participants in respect of the operations of CDSL in accordance with the software provided by CDSL.

16.2.4. The books of accounts and records of the participant relating to the operations of CDSL shall be open for inspection, investigation and audit to the officers or representatives of CDSL.

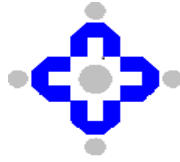
16.2.5. Every participant shall allow persons authorised by CDSL to enter its premises during normal office hours and inspect its records relating to the operations of CDSL.

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<sup>234</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2024/11249/1 dated 20.03.2024.

<sup>235</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/39798/1 dated 22.09.2023.

<sup>236</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/39798/1 dated 22.09.2023.



- 16.2.6. Every participant shall submit periodic returns to CDSL in respect of its business and operations in CDSL in the format specified in the Operating Instructions of CDSL.
- 16.2.7. Every participant shall maintain the following records and documents, namely:
- 16.2.7.1. records of all the transactions entered into with CDSL and on behalf of every Beneficial Owner.
- 16.2.7.2. particulars of securities dematerialised and rematerialised on behalf of Beneficial Owner <sup>237</sup>[—].
- 16.2.7.3. records of instructions received from Beneficial Owners and copies of statements of account provided to Beneficial Owners, and,
- 16.2.7.4. records of approvals, notices, entries and cancellation of pledge or hypothecation, as the case may be.
- 16.2.8. Every participant shall intimate CDSL, the place where the records and documents are maintained.
- 16.2.9. Subject to the provisions of any other law, the participant shall preserve records and documents for a minimum period of <sup>238</sup>*[eight years in accordance with the SEBI (Depositories and Participants) Regulations, 2018 (as amended from time to time)].* <sup>239</sup>*[Provided that the participant shall preserve and maintain <sup>240</sup>[respective original forms of] documents, both in physical and electronic form, copies of which have been taken by Central Bureau of Investigation, Police or any other enforcement agency during course of any investigation or enquiry conducted by them till the trial is completed.]*
- 16.2.10. <sup>241</sup>*[Every participant shall furnish to CDSL such information relating to various obligations to be performed by him from time to time in such format as may be prescribed by CDSL to enable CDSL to review and monitor his performance and to ascertain the level of compliance with the provisions of the Act, Regulations, these Bye Laws and Operating Instructions issued by CDSL from time to time.*

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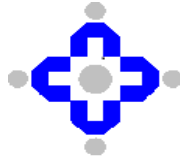
<sup>237</sup> Deleted vide SEBI's letter no. MRD/DP/OW/7090/2014 dated 06.03.2014

<sup>238</sup> Amended vide SEBI letter no. MRD2DDAP/OW/2021/3695/1 dated 10.02.2021.

<sup>239</sup> Inserted vide SEBI letter no. MRD/CDSL/VM/60542/06 dated 17.02.2006.

<sup>240</sup> Amended vide SEBI letter no. MRD2DDAP/OW/2021/3695/1 dated 10.02.2021.

<sup>241</sup> Amendment No. CDSL/BL/ Amend/2002/17 w.e.f. 28.02.2003 vide SEBI letter no. D&CC/CDSL/4597/2003 dated 28.02.2003



- 16.2.11. *CDSL may review and monitor the reports received from participants and issue instructions to participants to rectify the discrepancies, irregularities and noncompliances, if any, within such time limit as may be deemed fit.*
- 16.2.12. In case the participant fails to comply with the provisions of the Act, Regulations, these Bye Laws and Operating Instructions, etc., and continues to ignore or disregard the instructions issued by CDSL, the matter may be placed before the <sup>242</sup>[*Member Committee*] for such action as it may deem fit. Any action taken by the <sup>243</sup>[*Member Committee*] shall be in addition to action taken by SEBI.
- 16.3. AUDIT
- 16.3.1. Every participant shall ensure that an internal audit shall be conducted in respect of the participant's operations relating to CDSL by a qualified Chartered Accountant in accordance with the provisions of the Chartered Accountants Act, 1949, <sup>244</sup>[*or by a Company Secretary* <sup>245</sup>[—] *in accordance with the provisions of the Company Secretaries Act, 1980*] <sup>246</sup>[*or by a Cost Accountant in accordance with the provisions of the Cost and Works Accountants Act, 1959; in practice,*] at such intervals as may be specified by CDSL from time to time. A copy of Internal Audit report shall be furnished to CDSL.
- 16.3.2. The scope of such audit shall cover the existence, scope and efficiency of the internal control system, compliance with the provisions of the Act, the Regulations, these Bye Laws, Operating Instructions, agreements and systems security and insurance in the office of the participant in respect of the operations of CDSL.
- 16.3.3. In addition, CDSL may, if it feels that it is in the interests of the Beneficial Owners to do so, direct that an audit of the records of the participant shall be conducted by such auditor as may be appointed by CDSL in this regard in so far the records and operations relate to the operations of CDSL. CDSL may empanel qualified Chartered Accountants <sup>247</sup>[*or Company Secretaries*]

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<sup>242</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

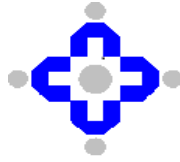
<sup>243</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>244</sup> Amendment No. CDS/BL/Amend/1999/01 w.e.f. 17.09.1999 inserted vide SEBI's letter SMDRP/CDSL/17754/99 dated 17.09.1999.

<sup>245</sup> Deleted vide SEBI letter no. MRD/DP/OW/31082/2014 dated 31.10.2014

<sup>246</sup> Inserted vide SEBI letter no. MRD/DP/OW/31082/2014 dated 31.10.2014

<sup>247</sup> Amendment No. CDS/BL/Amend/1999/01 w.e.f. 17.09.1999.



<sup>248</sup>[or a Cost Accountant;] in practice <sup>249</sup>[ ,] for the purpose of conducting such audit.

16.3.4. <sup>250</sup>*Every Issuer shall submit audit report on a quarterly basis starting from 30<sup>th</sup> September 2003, to the concerned stock exchanges audited by an independent Chartered Accountant/Practicing Company Secretary for the purposes of reconciliation of the total issued capital, listed capital and capital held by the depositories in dematerialised form, the details of changes in share capital during the quarter and the in-principle approval obtained by the Issuer from all the stock exchanges where it is listed in respect of such further issued. Provided however that in case an Issuer has listed its securities on a stock exchange having nationwide trading terminals, obtaining 'in-principle' approval from such stock exchanges for further issue of securities shall be a sufficient compliance with this clause.*

16.3.4.1. *such audit shall inter alia certify as to whether during the quarter the Register of Members is updated and the dematerialisation requests have been confirmed as required by these Bye Laws. The report shall also specify the demat requests that remain/remained pending for confirmation for more than 21 days from the date of receipt of request and the reasons for such delay;*

16.3.4.2. *The audit report referred to hereinabove shall be submitted on a quarterly basis (within 30 days of the end of every quarter) to the stock exchange/s, and in case any discrepancies are noted, a copy thereof shall be forwarded to CDSL;]*

## 16.4. INSPECTION AND INVESTIGATION

### 16.4.1. INSPECTING AND/OR INVESTIGATING AUTHORITY

16.4.1.1. Where CDSL deems it necessary, it may appoint one or more persons as inspecting and/or investigating authority to undertake inspection of the books of accounts, other records and documents of the participants and/or investigation into the matters mentioned hereinbelow to the extent they pertain to CDSL operations for any of the purposes specified below:

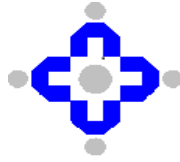
16.4.1.1.1. as to whether the books of accounts and other books are being maintained in the manner required;

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<sup>248</sup> Inserted vide SEBI letter no. MRD/DP/OW/31082/2014 dated 31.10.2014

<sup>249</sup> Inserted vide SEBI letter no. MRD/DP/OW/31082/2014 dated 31.10.2014

<sup>250</sup> Inserted vide SEBI letter no. MRD/VSS/ARR/CDSL/5540 dated 19.03.2004.



- 16.4.1.1.2. as to whether the provisions of the Act and Regulations made thereunder are being complied with;
- 16.4.1.1.3. as to whether the provisions of the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992 and the rules made thereunder are being complied with;
- 16.4.1.1.4. as to whether the provisions of these Bye Laws and Operating Instructions issued thereunder are being complied with;
- 16.4.1.1.5. to investigate into the complaints received from Beneficial Owners, other participants or any other person on any matter having a bearing on the activities of the participant;
- 16.4.1.1.6. to investigate, suo moto, for any reason where circumstances so warrant, into the affairs of the participant in the interest of the Beneficial Owners in general ;
- 16.4.1.1.7. to facilitate reconciliation of records in case the records of the participant with CDSL remain unreconciled for a period exceeding two working days;
- 16.4.1.1.8. compliance with any of the directives issued in this behalf by any court or regulatory authority including the Government.
- 16.4.1.2. The inspecting and/or investigating authority appointed by CDSL as specified hereinabove may either be its own officials or outside professionals.
- 16.4.1.3. When CDSL appoints outside professionals as an inspecting and/or investigating authority, it shall notify to the participant the names and addresses of the professionals or firms so appointed as inspecting and/or investigating authority at the time of inspection / investigation.
- 16.4.1.4. When outside professionals are appointed as inspecting and/or investigating authority in respect of a participant and such professionals are already related to or connected in any other capacity with the participant or its associates then such participant shall forthwith inform CDSL of such relationship.
- 16.4.1.5. When after the appointment of any outside professional as an inspecting and/ or investigating authority in respect of any participant, the participant or any of its associates engages the services of such professional for its services in any other capacity, the professional shall not engage himself in such other professional capacity with the participant or any of its associates without the prior consent of CDSL.





#### 16.4.2. NOTICE

16.4.2.1. Before undertaking any inspection and/or investigation under these Bye Laws, CDSL shall give reasonable notice to the participant for that purpose.

16.4.2.2. Notwithstanding anything contained herein above, where CDSL is of the opinion that in the circumstances of any case, no such notice should be given, it may direct in writing that the inspection and/or investigation of the records and affairs of the participant be taken up without such notice;

16.4.2.3. <sup>251</sup>[—].

#### 16.4.3. OBLIGATIONS OF A PARTICIPANT ON INSPECTION / INVESTIGATION

16.4.3.1. It shall be the duty of every participant (including its directors, partners, officers and employees) whose records or affairs are being inspected and/or investigated, to produce to the inspecting and/or investigating authority all books, accounts, records and documents in his custody or control pertaining to the participants' business and operations in CDSL as such or arrange to produce such books, accounts, records and documents when they are in the custody or control of any other person and furnish such statements and information within such time as the said authority may require.

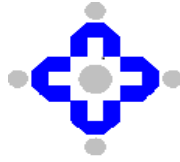
16.4.3.2. The participant shall allow the inspecting and/or investigating authority to have reasonable access to the premises occupied by him or by any other person on his behalf and also extend reasonable facilities for examining any books, records, documents and computerised data in his possession or that of any other person and also provide copies of documents or other materials which in the opinion of the inspecting and/ or investigating authority are relevant.

16.4.3.3. The inspecting and/or investigating authority, in the course of inspection and/ or investigation may examine or record statements of any director, partner, officer and employee of the participant or of any associate of such participant.

16.4.3.4. It shall be the duty of every such participant, its director, partner, officer and employee or where an associate is examined, of such associate, to give to the inspecting and/or investigating authority all assistance in connection with the inspection and/or investigation which the participant may be reasonably expected to give.

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<sup>251</sup> Deleted vide SEBI's letter no. MRD/VSS/ARR/CDSL/5540/2004 dated 19.03.2004.



- 16.4.3.5. Notwithstanding the provisions above, the inspecting and/or investigating authority shall not have the right to examine any person or inspect any records, which do not pertain to the operations of CDSL.
- 16.4.4. **SUBMISSION OF REPORT**
- 16.4.4.1. The inspecting and/or investigating authority shall, as soon as possible, submit an inspection and/or investigation report to CDSL.
- 16.4.4.2. The inspecting and/or investigating authority shall maintain complete confidentiality and shall not disclose any information contained in the documents submitted to it or inspected by it to any person, firm, company or authority unless required by any law for the time being in force.
- 16.4.4.3. CDSL shall after consideration of the report, communicate the findings to the participant to give him an opportunity of being heard before any action is taken by CDSL on the findings of the inspecting and/ or investigating authority.
- 16.4.4.4. On receipt of the explanations, if any, from the participant, CDSL may call upon the participant to take such measures as CDSL may deem fit in the interest of the Beneficial Owners.
- 16.4.4.5. In case the report of the inspecting and/ or investigating Authority indicates the existence of any grounds for taking disciplinary action against a participant, CDSL if so satisfied shall cause a copy of the inspection/ investigation report to be handed over to the <sup>252</sup>[*Member Committee*] for further action in this regard.

## **17. DISCIPLINARY ACTION**

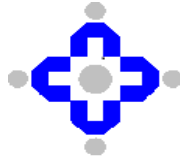
- 17.1. <sup>253</sup>[*MEMBER COMMITTEE*]
- 17.1.1. A <sup>254</sup>[*Member Committee*] shall be appointed by the Board of Directors to deal with any disciplinary matter.

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<sup>252</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>253</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>254</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021



- 17.1.2. The maximum strength of the <sup>255</sup>[*Member Committee*] shall be <sup>256</sup>[*seven*].
- 17.1.3. The <sup>257</sup>[*Member Committee*] appointed by the Board of Directors shall consist of :
- 17.1.3.1. <sup>258</sup>[*three directors*] of CDSL nominated by the Board of Directors one of whom shall be the Chairman of such Committee;
- 17.1.3.2. two persons nominated in that behalf by the Board of Directors from amongst the participants, Beneficial Owners, Issuers and RTAs.;
- 17.1.3.3. two persons of eminence <sup>259</sup>[*(not being the present directors of CDSL)*] in the fields of finance, accounting, law or any other disciplines related to capital market as decided by the Board.
- 17.2. POWERS OF THE <sup>260</sup>[*MEMBER COMMITTEE*]
- 17.2.1. The <sup>261</sup>[*Member Committee*] shall have the following responsibilities and powers to be discharged in accordance with the provisions of these Bye Laws:
- 17.2.1.1. suspension of a participant;
- 17.2.1.2. expulsion of a participant;
- 17.2.1.3. freezing the account of the participant;
- 17.2.1.4. powers to conduct inspection;
- 17.2.1.5. power to conduct an investigation / inquiry;
- 17.2.1.6. power to call for records, issue show cause notice to participants for suspension / expulsion.
- 17.2.1.7. <sup>262</sup>[*To declare any security admitted into CDSL as ineligible*]

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<sup>255</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>256</sup> Amended vide SEBI letter no. MRD/CDSL/VM/123532/08 dated 22.04.2008.

<sup>257</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

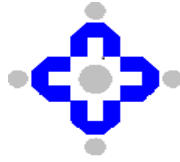
<sup>258</sup> Amended vide SEBI letter no. MRD/CDSL/VM/123532/08 dated 22.04.2008.

<sup>259</sup> Amended vide SEBI letter no. MRD/CDSL/VM/123532/08 dated 22.04.2008.

<sup>260</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>261</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>262</sup> Amendment No. CDSL/BL/Amend/2004/21 w.e.f. 17.02.2002 inserted vide SEBI's letter no. MRD/VSS/SU/3383/2004 dated 17.02.2004



17.2.1.8. *To take action against Clearing Corporation or Clearing Members]*

17.2.1.9. <sup>263</sup>*[To take action against Vault Managers]*

### 17.3. PARTICIPANT'S RESPONSIBILITY FOR PARTNERS, AGENTS AND EMPLOYEES

17.3.1. A participant shall be fully responsible for the acts and omissions of its directors, partners, officials, representatives and employees and if any such act or omission be one which, if committed or omitted by the participant would subject it to any of the penalties as provided in these Bye Laws, then such participant shall be liable thereof to the same penalty to the same extent as if such act or omission had been done or omitted by itself.

### 17.4. SUSPENSION OF A PARTICIPANT

17.4.1. The <sup>264</sup>*[Member Committee]* shall require a participant to suspend its business when it fails to meet the continuing requirements for fulfilling criteria of admission as provided in these Bye Laws and the suspension of business shall continue until participant furnishes satisfactory evidence of meeting with the requirements.

17.4.2. The <sup>265</sup>*[Member Committee]* may require a participant to suspend its business in part or in whole inter alia where:

17.4.2.1. in the opinion of the <sup>266</sup>*[Member Committee]*, the participant's financial condition is such that it has fallen below the net worth norms or the participant fails to maintain it as specified in the Regulations and these Bye Laws;

17.4.2.2. the participant violates the provisions of the Act, the Regulations, these Bye Laws and Operating Instructions;

17.4.2.3. The participant does not comply with the instructions of the Beneficial Owner;

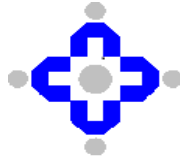
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<sup>263</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>264</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>265</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>266</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021



17.4.2.4. A material change has taken place in the management, constitution or control of the participant's legal entity, whether by way of alteration in its Board of Directors, or the composition of its partners or the shareholding pattern thereof or there is a change in the nature of the legal entity, and such change does not meet the approval of CDSL.

#### 17.5. EXPULSION OF A PARTICIPANT

17.5.1. The <sup>267</sup>[*Member Committee*] shall terminate the appointment of a participant with CDSL under the following circumstances:

17.5.1.1. in case the participant commits breach of the provisions of these Bye Laws and the Operating Instructions, in spite of repeated reminders from CDSL in this regard;

17.5.1.2. in case the participant exposes itself to risks which in the opinion of the <sup>268</sup>[*Member Committee*] is not commensurate with participant's net worth;

17.5.1.3. if the quality of service rendered by the participant is not satisfactory in the opinion of the <sup>269</sup>[*Member Committee*] as evidenced by the complaints of its Beneficial Owner(s);

17.5.1.4. if the participant carries on its activities in a manner which is detrimental to the interest and continued existence of CDSL as well as the interest of the Beneficial Owners in general.

17.5.1.5. The participant ceases to carry on business.

#### 17.6. REVOCATION OF SUSPENSION

17.6.1. The suspension of business under these Bye Laws as stated above shall continue until the participant has been allowed by the <sup>270</sup>[*Member Committee*] to resume business on its paying such deposit or furnishing such security or on its doing such act or providing such evidence as the <sup>271</sup>[*Member Committee*] may require.

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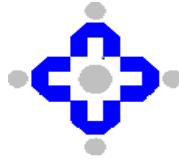
<sup>267</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>268</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>269</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>270</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>271</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021



## 17.7. PROCEDURE FOR EXPULSION / SUSPENSION OR OTHER DISCIPLINARY ACTION

- 17.7.1. A participant shall appear and testify before and cause its partners, Directors, representatives and employees to appear and testify before the <sup>272</sup>[Member Committee] and shall produce before the <sup>273</sup>[Member Committee] such books, correspondence, documents, papers and records or any part thereof which may be in its possession, power or control and which may be deemed relevant or material to any matter under inquiry or investigation.
- 17.7.2. The <sup>274</sup>[Member Committee] shall issue show cause notice to the concerned participant who shall be required to reply within such time as may be specified in the show cause notice or within such extended time as may be granted by the <sup>275</sup>[Member Committee] on an application made to it.
- 17.7.3. The concerned participant shall be entitled to a personal hearing. The participant may appear himself or through his authorised representative at any hearing given by the <sup>276</sup>[Member Committee]. However, a participant shall not be entitled to appoint an advocate, counsel or attorney as his representative except with the prior consent of the <sup>277</sup>[Member Committee].
- 17.7.4. The <sup>278</sup>[Member Committee], after taking into account the pleadings, written and oral explanation and arguments, shall pass a reasoned order. The <sup>279</sup>[Member Committee] shall send a copy of its final order to participants, Board of Directors and SEBI.
- 17.7.5. The participant shall have the right to appeal to Board of Directors against final order of <sup>280</sup>[Member Committee].

## 17.8. IMPOSITION OF PENALTIES

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<sup>272</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>273</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>274</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>275</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

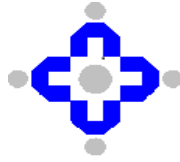
<sup>276</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>277</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>278</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>279</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>280</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021



17.8.1. The <sup>2814</sup>[*Member Committee*] may pass an order censuring or imposing penalties or suspending / expelling a participant for such period or such terms and conditions as the <sup>282</sup>[*Member Committee*] deems fit.

## 17.9. CONSEQUENCES OF SUSPENSION

17.9.1. The suspension of a participant shall have the following consequences namely:

17.9.1.1. Suspension of participant's rights: The suspended participant shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of a participant;

17.9.1.2. Rights of Beneficial Owners unimpaired: The suspension shall not affect the rights of the Beneficial Owners of the suspended participant;

17.9.1.3. Rights of participants unimpaired: The suspension shall not affect the rights of any participants who has any claim against the suspended participant;

17.9.1.4. Rights of pledgees unimpaired: The suspension shall not affect the rights of any pledgee in respect of securities of any Beneficial Owner held with the suspended participant;

17.9.1.5. Fulfillment of obligation: The suspended participant shall be bound to fulfill obligations outstanding at the time of its suspension as directed by <sup>283</sup>[*Member Committee*]. CDSL shall have the power to fulfill all obligations towards the Beneficial Owners of the suspended participant outstanding at the time of suspension of such participant;

17.9.1.6. Further business prohibited: The suspended participant shall not during the term of its suspension transact any business relating the CDSL with or through a participant;

17.9.1.7. Participants not to deal: No participant shall transact business for or with the suspended participant during the term of its suspension except with the previous permission of the <sup>284</sup>[*Member Committee*].

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<sup>281</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>282</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>283</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>284</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021





17.9.2. In case of suspension of a participant, the Beneficial Owner shall have the option of either getting the securities held with the participant transferred to another participant or getting the securities rematerialised.

## 17.10. CONSEQUENCES OF EXPULSION

17.10.1. The expulsion of a participant shall have the following consequences namely:

17.10.1.1. Participants rights forfeited: The expelled participant shall forfeit to CDSL its rights as a participant and all rights and privileges as a participant of CDSL including any right to the use of or any claim upon or any interest in any property or funds of CDSL, but any liability of any such participant to CDSL or any other participant shall continue and remain unaffected by its expulsion;

17.10.1.2. Office vacated: The expulsion shall create a vacancy in any office or position held by the expelled participant on any of its Committee;

17.10.1.3. Rights of Beneficial Owners unimpaired: The expulsion shall not effect the rights of the Beneficial Owners of the expelled participant;

17.10.1.4. Rights of Creditors unimpaired: The expulsion shall not effect the rights of the participants who are creditors of the expelled participant;

17.10.1.5. Fulfillment of obligations: The expelled participant shall be bound to fulfill transactions outstanding at the time of his expulsion and it may with the permission of the <sup>285</sup>[Member Committee] close such outstanding transactions with or through a participant. CDSL shall have the power to fulfill all obligations towards the Beneficial Owners of the expelled participant outstanding at the time of expulsion of such participant;

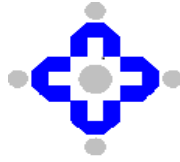
17.10.1.6. Participants not to deal: No participant shall transact business for or with an expelled participant except with the previous permission of the <sup>286</sup>[Member Committee].

17.10.2. In case of expulsion of participant, the Beneficial Owner shall have the option of either getting the securities held with the participant transferred to another participant or getting the securities rematerialised.

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<sup>285</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>286</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021



## 17.11. NOTICE OF EXPULSION / TERMINATION / SUSPENSION OF BUSINESS

17.11.1. Notice shall be given to all other participants on the system of CDSL of the termination, expulsion or suspension of business in relation to the operations of CDSL by a participant or of any other <sup>287</sup>[charges,] penalties imposed on it <sup>288</sup>[on its partners, authorised representatives or other employees]. The <sup>289</sup>[Member Committee] may, in its absolute discretion and in such manner as it thinks fit, notify or cause to be notified to the participants or to the Beneficial Owners and to public, that any person who is named in such notification has been expelled, suspended or has suspended its business or ceased to be a participant. <sup>290</sup>[No action or other proceedings shall, in any circumstances, be maintainable by such suspended/expelled Participant against the CDSL or the <sup>291</sup>[Member Committee] or employee of the Depository for the publication or circulation of such notification.]

## 17.12. PROCEDURE FOR CANCELLATION OF AGREEMENT BETWEEN PARTICIPANT AND CDSL

17.12.1. The agreement entered into between the participant and CDSL shall be cancelled under the following cases:

17.12.1.1. on the expulsion of the participant by the <sup>292</sup>[Member Committee], or,

17.12.1.2. on the termination of the participant by CDSL in accordance with the provisions of these Bye Laws; or,

17.12.1.3. on the termination of the participants by the participant in accordance with the provisions of these Bye Laws.

17.12.2. The cancellation of the agreement shall have effect only when such cancellation has been approved by CDSL. CDSL shall give approval for such cancellation only if:

17.12.2.1. there exists no suspense balance in the accounts of the participant with CDSL;

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<sup>287</sup> Amended vide SEBI letter no. MRD/DOP/CDSL/VM/31934/2002 dated 25.01.2005.

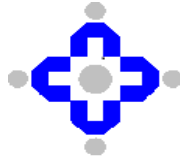
<sup>288</sup> Amended vide SEBI letter no. MRD/DOP/CDSL/VM/31934/2002 dated 25.01.2005.

<sup>289</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>290</sup> Amended vide SEBI letter no. MRD/DOP/CDSL/VM/31934/2002 dated 25.01.2005.

<sup>291</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>292</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021



- 17.12.2.2. the accounts of all the Beneficial Owners of the participant have been closed and there exist no balances;
- 17.12.2.3. the participant has paid or settled all his outstanding dues to CDSL.
- 17.12.3. Such cancellation of the agreement referred to hereinabove shall not affect any rights or claims arising in respect of transactions effected by the participant while he was a participant of CDSL.

## **18. APPEALS**

### **18.1. RIGHT OF APPEAL**

- 18.1.1. Any participant aggrieved by the order passed by the <sup>293</sup>[*Member Committee*] shall have the right of appeal to the Board of Directors against the said order of the <sup>294</sup>[*Member Committee*].

### **18.2. PROCEDURE FOR APPEAL**

- 18.2.1. An Appeal may be filed by a participant within <sup>295</sup>[*fifteen*] days of receipt of the order of the <sup>296</sup>[*Member Committee*]. The Appeal may be filed by filing with the Board of Directors a memorandum of appeal stating the reasons and grounds of the appeal against the decision/order of the <sup>297</sup>[*Member Committee*] and must also state the relief sought, if any.
- 18.2.2. The Board of Directors shall have the power to stay the operation of the final order passed by <sup>298</sup>[*Member Committee*] for such period and on such terms and conditions as the Board of Directors may deem fit.

### **18.3. CONSIDERATION OF APPEAL**

- 18.3.1. The Appeal will be heard by the Board of Directors or committee of Board of Directors to whom the power of hearing is delegated. At such hearing, the appellant may appear by himself or through his authorised

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<sup>293</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

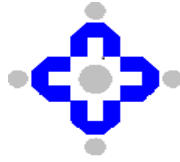
<sup>294</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>295</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2022/63629/1 dated 23.12.2022

<sup>296</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>297</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021

<sup>298</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021



representative. However, a participant shall not be entitled to appoint an advocate as his representative except with the prior permission of the Board of Directors.

18.3.2. The time limit for the disposal of an appeal preferred to the Board of Directors shall be two months from the date of making such appeal or such extended time as may be decided by the Board of Directors.

18.4. RECORD

18.4.1. A copy of the record of the <sup>299</sup>[*Member Committee*] and the Board of Directors relating to the appeals, shall be furnished to SEBI upon a request being received from SEBI.

## **19. THIRD PARTY CLAIMS**

19.1. MANNER OF DEALING WITH THIRD PARTY CLAIMS

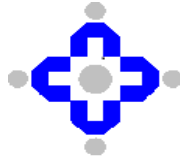
19.1.1. In the event of any claim made by any person in respect of any securities held in CDSL by a Beneficial Owner being received in writing by the participant through whom the securities are held by that Beneficial Owner, either directly from the claimant or through CDSL, the participant shall forthwith intimate CDSL and the Beneficial Owner of such claim provided however that CDSL shall not act on such claim or notice in the absence of an appropriate order or directive of a competent court, tribunal or authority in respect of such claim provided further that CDSL may, on receipt of such claim or notice, if it so deems fit, require the concerned Beneficial Owner to execute a suitable indemnity in favour of CDSL, as a condition to CDSL permitting the Beneficial Owner to continue dealing with the securities in dispute. Where such claim is received by CDSL, CDSL shall forthwith intimate the participant of such claim.

## **20. DISCLAIMER AND INDEMNITY**

20.1. DISCLAIMER

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<sup>299</sup> Amended vide SEBI letter no. MRD2/DDAP/OW/2021/36773/1 dated 10.12.2021



20.1.1. Where any loss or damage is caused to or incurred by any party or person on account of any act of commission or omission or default in complying with the provisions of the Act or the Regulations or these Bye Laws or the Operating Instructions or the agreements executed in pursuance thereof or on account of the negligence or fraud on the part of any participant, Issuer, RTA, <sup>300</sup>[*Vault Manager*] Clearing Member or Clearing Corporation or their employees, servants or agents, in the event of CDSL making good or being required to make good such loss or damage (or any part thereof) to such party or person, CDSL shall be entitled to recover the amount so made good by it from the participant, Issuer, RTA, <sup>301</sup>[*Vault Manager*] Clearing Member or Clearing Corporation in default.

## 20.2. INDEMNITY

20.2.1. Each and every participant, Issuer, RTA, <sup>302</sup>[*Vault Manager*,] Clearing Member and Clearing Corporation shall indemnify and keep indemnified and saved harmless CDSL and every other participant, Issuer, RTA, <sup>303</sup>[*Vault Manager*,] Clearing Member and Clearing Corporation from and against all harm, loss, damage, injury and penalty suffered or incurred and all costs, charges, and expenses incurred in instituting and/or carrying on and/or defending any suits, action, litigation, arbitration, disciplinary action, prosecution or any other legal proceedings suffered or incurred by any participant, Issuer, RTA, <sup>304</sup>[*Vault Manager*,] Clearing Member and Clearing Corporation on account of or as a result of any act of commission or omission or default in complying with the provisions of the Act or the Regulations or these Bye Laws or the Operating Instructions or the agreements executed in pursuance thereof or on account of the negligence on the part of that participant, Issuer, RTA, <sup>305</sup>[*Vault Manager*,] Clearing Member and Clearing Corporation, its employees, servants or agents.

## 21. CONCILIATION

21.1. In all claims, differences and disputes, irrespective of whether CDSL is a party or not, arising out of or in relation to dealings on CDSL including any agreements, contracts and transactions made subject to these Bye Laws or Operating Instructions of CDSL or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction,

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<sup>300</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

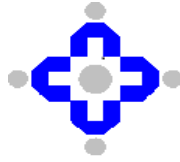
<sup>301</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>302</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>303</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>304</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>305</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023



interpretation, fulfillment or the rights, obligations and liabilities of the parties thereof and including any question of whether such dealings, transactions, agreements and contracts have been entered into or not, the parties shall be free to adopt conciliation proceedings subject to the provisions of Part III of the Arbitration and Conciliation Act, 1996.

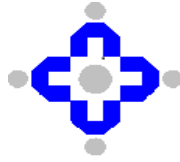
## **22. ARBITRATION**

### 22.1. <sup>306</sup>[DEFINITIONS

- 22.1.1. *“Arbitrator” means a person empanelled on the Arbitration Panel.*
- 22.1.2. *“Arbitration Committee” shall mean a committee constituted by the Board of Directors of CDSL, comprising representatives of Users concerned including not more than three senior officers of CDSL. In the event of any casual vacancy arising out of the death or resignation of any member of the committee, the Board of Directors or if authorised by the Board the Managing Director shall fill up such vacancy by nominating any person from the User category. One of the three officers of CDSL shall act as the secretary of the Arbitration Committee and shall attend to all ministerial, secretarial and administrative functions thereof, assisted by such number of employees of CDSL as the Managing Director of CDSL may nominate.*
- 22.1.3. *“Arbitration Committee Secretariat” shall comprise of the officials of CDSL as may be nominated by the Managing Director/Executive Director and shall carry out the secretarial and administrative functions under the overall guidance of the Arbitration Committee.*
- 22.1.4. *“Arbitral Tribunal” shall mean a sole arbitrator or three arbitrators, as the case may be, appointed in accordance with these rules;*
- 22.1.5. *“Claimant” shall mean the party who refers the matter to Arbitration;*
- 22.1.6. *“Respondent” shall mean the party against whom the applicant has referred the matter for Arbitration;*

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<sup>306</sup> Chapter rearranged and amended vide SEBI letter MRD/DOP/CDSL/VM/37552/05 dated 04.04.2005. Earlier provisions of this chapter amended vide SEBI’s letter no. MRD/VSS/VM/CDSL/22694/2004 dated 06.10.2004.



- 22.1.7. *“Arbitration Panel” shall mean the list of persons empanelled by the Board of Directors in accordance with the policy framed by CDSL and qualified to act as Arbitrators in respect of any Arbitration proceedings under these Bye Laws, and as duly notified by CDSL from time to time.*
- 22.1.8. *“Party” shall mean either the applicant or one/more respondents to the reference;*
- 22.1.9. *“Presiding Arbitrator” shall mean “ an Arbitrator” appointed by the two arbitrators appointed by the applicant and the respondent respectively as provided herein;*
- 22.1.10. *“Users” shall for the purposes of this chapter, unless repugnant to the context or meaning thereof, mean and include Participants, Beneficial Owners, Issuers, <sup>307</sup>[Vault Managers,] Clearing Houses, Clearing Corporations and Clearing Members.*

## 22.2. CLAIMS, DIFFERENCES AND DISPUTES

- 22.2.1. All claims, differences and disputes between CDSL, Users and Beneficial Owners or any of them (including those inter se between Users or Beneficial Owners) arising out of or in relation to any dealings or transactions in CDSL in respect of any provisions of the Act, Regulations, Bye Laws or Operating Instructions shall be referred in accordance with the provisions of <sup>308</sup>[Limitation Act 1963 and] Arbitration and Conciliation Act, 1996.

*Provided however that limitation period shall also be applicable in following cases.*

*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,*

*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.*

*Provided that nothing contained in this chapter shall apply to any action/ decision taken by CDSL pursuant to the provisions of Depositories Act, 1996, SEBI (Depositories & Participants) Regulations, 1996, Bye Laws and Operating Instructions issued by CDSL from time to time. Reference to arbitration shall be made as follows:*

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<sup>307</sup> Inserted vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2023/13602/1 dated 03.04.2023

<sup>308</sup> Amended vide SEBI letter no. MRD/DP/MAS-OW/19110/11 dated 15<sup>th</sup> June, 2011 & letter no. OW/19279/2011 dated 16<sup>th</sup> June, 2011

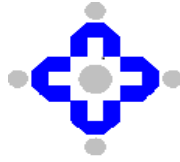




- 22.2.1.1. *Where CDSL is a party, in accordance with Bye Law 22.2.2 hereinbelow;*
- 22.2.1.2. *In all other cases, in accordance with Bye Law 22.2.3 hereinbelow:*
- 22.2.2. *Where CDSL is a party to Arbitration:*
- 22.2.2.1. *the Arbitral Tribunal shall consist of three Arbitrators, one Arbitrator each to be appointed by the Claimant and the Respondent and the third Arbitrator to be appointed by the two Arbitrators. The third Arbitrator so appointed shall be the Presiding Arbitrator.*
- 22.2.2.2. *In case of the multiple Claimants and /or multiple Respondents:*
- 22.2.2.2.1. *the Claimants shall jointly appoint one Arbitrator and the Respondents shall jointly appoint another Arbitrator and the third Arbitrator shall be appointed by the two Arbitrators so nominated/appointed by the parties.*
- 22.2.2.2.2. *In the event of the multiple Claimants or the multiple Respondents failing to jointly appoint/nominate their respective Arbitrators as aforesaid, the Arbitration Committee shall appoint the Arbitrator/s as may be required.*
- 22.2.2.3. *In either case, in the event that the two Arbitrators fail to agree to the appointment of the third Arbitrator, the third Arbitrator shall be appointed in accordance with the Arbitration and Conciliation Act, 1996.*
- 22.2.3. *In all cases where CDSL is not a party to the claim, difference or dispute, the same shall be referred to the Arbitration of a sole Arbitrator, to be nominated/ appointed by all the parties by agreement within 30 days of the reference by the Claimant, and failing such agreement, the sole Arbitrator, shall be appointed by the Arbitration Committee.*

### 22.3. DEEMING PROVISION, WRITTEN NOTIFICATIONS OR COMMUNICATIONS, TIME LIMITS

- 22.3.1. *All pleadings and other written communications submitted by any party as well as all documents that are required to be submitted in accordance with the Bye Laws and these Bye Laws, shall be submitted in a number of copies sufficient to provide one copy for each party, plus one copy for each of the arbitrators and one copy for the Arbitration Committee. A copy of all the communications from the Arbitral Tribunal to the parties shall be sent to the Arbitration Committee.*



22.3.2. *All notifications or communications from the Arbitration Committee and the Arbitral Tribunal shall be sent to the last address of the party or its representative for whom the same are intended, as notified either by the party in question or by the other party. Such notification or communication may be sent by hand delivery, registered post, courier, facsimile transmission, telex, telegram, email or by any other means of telecommunication that provides a record of the communication thereof.*

22.3.3. *Period of time specified in, or fixed under these Bye Laws shall start to run on the day following the date a notification or communication is deemed to have been sent in accordance with these Bye Laws. When the day next following such date is a bank holiday, the period of time shall commence on the first following business day. Official holidays and non-business days are included in the calculation of the period of time. If the last day of the relevant period of time granted is an official holiday or a non-business day, the period of time shall expire at the end of the first following business day.*

#### 22.4. CONSTITUTION OF ARBITRAL TRIBUNAL

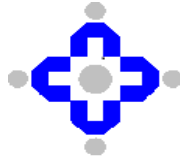
22.4.1. *The Board of Directors shall appoint the panel of arbitrators, fix the fees of Arbitration/s and shall guide the Arbitration Committee and the Arbitration Committee Secretariat to carry out all secretarial and administrative functions.*

22.4.2. *Independence of arbitrators*

22.4.2.1. *Every arbitrator must be and continue to remain independent of the parties to the reference both at the time of acceptance of his appointment and further throughout the conduct of arbitration proceedings including the date of making the Award.*

22.4.2.2. *Every arbitrator before accepting his appointment on any Arbitral Tribunal shall make a declaration of independence and absence of personal interest in the subject matter or relationship with the parties to the reference either direct or indirect. If at any time during the currency of the arbitral proceedings, any arbitrator becomes or is deemed to have become interested, he shall disclose the same and shall cease to be the arbitrator and shall be replaced by a new arbitrator appointed in the same manner as prescribed in these Bye Laws.*

#### 22.5. ARBITRATION BETWEEN USERS



22.5.1. *If at any time, after acceptance of his appointment on the Arbitral Tribunal till the date of making the Award, an arbitrator becomes interested in the subject matter of the Arbitration and/or in the outcome thereof, he shall inform the Arbitration Committee Secretariat and all the parties to the reference and suo motto resign from the Arbitral Tribunal of the concerned reference.*

## 22.6. REFERENCE TO ARBITRATION

22.6.1. *In case of any claim, dispute or difference arising under this part, the claimant may refer the same to Arbitration by addressing a written communication to the Arbitration Committee in the prescribed form (Reference) inter alia specifying the names and addresses of the persons against whom he seeks to commence Arbitration proceedings (Respondents), and the names of three persons from out of the Panel of Arbitrators empanelled by the Board of Directors (Panelists) as his choice of Arbitrators, listed in priority, accompanied by the following:*

22.6.1.1. *Prescribed form for referring the matter to Arbitration*

22.6.1.2. *Statement of case along with documentary evidence*

22.6.1.3. *Prayer / relief sought and claim for compensation, damages, costs and interest, expressed in monetary terms as far as possible.*

22.6.1.4. *Demand draft / pay order in favour of CDSL payable at Mumbai towards the charges, fees as prescribed.*

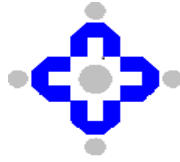
## 22.7. FILING OF REPLY

22.7.1. *The respondent within seven days or such extended time as may be granted by the Arbitration Committee from the receipt of the communication about reference to Arbitration shall file his reply to the claim which shall include the following:*

22.7.1.1. *Paragraph wise response to the statement of case submitted by the applicant*

22.7.1.2. *His remarks about the admissibility of claim and comments on the nature and circumstances of the case.*

22.7.1.3. *Demand Draft/Pay order drawn in favour of "CDSL" payable at Mumbai towards fees, charges as prescribed from time to time.*



## 22.8. FAILURE TO FILE REPLY

22.8.1. *In case the Respondent fails to file his reply in terms of Bye Laws 22.7 above, the sole arbitrator shall conduct proceedings on the basis of documents/material submitted by the Claimant. In case the Respondent/s file the reply but fails to name its Arbitrator of choice from amongst the Arbitrators specified by the Claimant, the Arbitration Committee shall nominate an Arbitrator.*

## 22.9. DECISION ON WRITTEN STATEMENTS OR BY HEARINGS

22.9.1. A reference may be decided by the Arbitral Tribunal on the basis of written statement of the parties and the documents produced by them. Every party shall be entitled to be heard by himself or subject to Bye Law <sup>309</sup>[22.12] through his Advocate or other professional, if he so desires.

22.9.2. *No party shall be entitled to insist as a matter of right on examining witnesses or leading oral evidence, provided however that the Arbitral Tribunal may at its absolute discretion, permit examination and cross-examination of witnesses and allow oral evidence to be adduced, if in its view, the facts and circumstances of the case so require.*

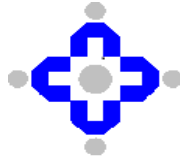
22.9.3. *Notwithstanding anything contained herein, where the amount of claim is less than Rs 25,000 (Rupees twenty five thousand) or such higher sum as may be decided by the Arbitration Committee from time to time, the Arbitral Tribunal shall proceed to make the Award on the basis of written statements and documents submitted by the parties and shall not conduct any hearing of the parties or examine any witnesses on behalf of the parties to the reference.*

## 22.10. PROCEEDINGS

22.10.1. *The Arbitral Tribunal may proceed with the reference notwithstanding any failure to file a written statement within due time and may also proceed with the reference in the absence of any or all the parties, who after due notice,*

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<sup>309</sup> Amended vide SEBI letter no. MRD/DP/MAS-OW/19110/11 dated 15<sup>th</sup> June, 2011



*fail or neglect or refuse to attend the Tribunal at the appointed time and place.*

## 22.11. ADJOURNMENT OF HEARINGS

22.11.1. *The Arbitral Tribunal may adjourn the hearing from time to time upon the application of any party to the reference or at its own instance provided, however, that when the adjournment is granted at the request of one of the parties to the reference, the Arbitral Tribunal may, if deemed fit, require such party to pay to the other party or parties, the costs in respect of the adjourned hearing borne by him or them.*

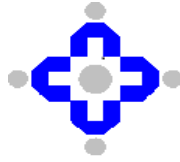
22.11.2. *Where such party fails to pay the costs to the other party as directed by the Arbitral Tribunal, the Tribunal may dismiss the case (where such party is the claimant) or may proceed ex-parte against him (where such party is a respondent).*

## 22.12. REPRESENTATION BY A LAWYER IN CONDUCT OF ARBITRATION PROCEEDINGS

22.12.1. *None of the parties to the Arbitration shall be entitled to insist as a matter of right on being represented by an Advocate or other professional in the Arbitral proceedings. However, the Arbitral Tribunal may, at the request of any of the parties, permit a party to be represented by an Advocate, if in the opinion of the Arbitral Tribunal, the complexities of the facts and law involved in the case, justify representation by an Advocate or other professional provided further, that in such event, it shall permit all the other parties also to be represented by an Advocate or other professional in the Arbitral proceedings.*

## 22.13. CONSIDERATION OF RECORDED PROCEEDINGS AND EVIDENCE

22.13.1. *If an Arbitrator dies, fails, neglects, refuses to act or becomes incapable of acting as an Arbitrator, the Board of Directors may appoint a substitute Arbitrator from among the panel of arbitrators constituted under these Bye Laws and such substitute Arbitrator shall be at liberty to act upon the record of the proceedings as then existing and on the evidence, if any, then taken in the reference or to commence the reference de novo. The hearing shall be held de novo unless the parties agree otherwise.*



22.14. SET-OFF AND COUNTER-CLAIM

22.14.1. *On a reference to Arbitration by one party the other party or parties shall be entitled to claim a set-off or make a counter-claim against the first party provided such set-off or counter claim arises out of or relates to dealings, transactions or contracts covered by these Bye Laws and provided further that such set-off or counter-claim is presented together with full particulars at or before the first hearing of the reference but not afterwards unless permitted by the Arbitral Tribunal.*

22.15. INTEREST

22.15.1. *Where and in so far as an Award is for the payment of a sum of money, the arbitrator may adjudge in the Award the interest to be paid on the principal sum adjudged, for any period prior to the institution of the Arbitration proceedings and may also adjudge the additional interest on such principal sum at such rate as is deemed reasonable for the period from the date of the institution of the Arbitration proceedings to the date of the Award and further interest on the aggregate sum so adjudged <sup>310</sup>[shall be in compliance with Arbitration and Conciliation (Amendment) Act, 2015. ]. If the Award is silent on interest, the Award shall carry interest <sup>311</sup>[in compliance with Arbitration and Conciliation (Amendment) Act, 2015] from the date of the Award to the date of payment.*

22.16. COSTS

22.16.1. *Unless otherwise agreed by the parties,*

22.16.1.1. *the costs of an Arbitration shall be fixed by the Arbitrator;*

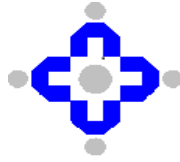
22.16.1.2. *the Arbitrator shall specify the party entitled to costs, the party who shall pay the costs, the amount of costs or method of determining that amount, and the manner in which the costs shall be paid.*

*Explanation: For the Purpose of Bye Law 22.16, “Costs” means reasonable costs relating to – the fees and expenses of the Arbitrators and Witness/es, legal fees and expenses, any administration fees of the Authority designated by CDSL, and any other expenses incurred in connection with the arbitral proceedings and the Arbitral Award.*

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<sup>310</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2022/55147/1 dated 31.10.2022

<sup>311</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2022/55147/1 dated 31.10.2022



## 22.17. OPERATION OF CONTRACTS

22.17.1. *All dealings, transactions and contracts which are subject to the Act, Regulations, Rules, Bye-laws and Operating Instructions of CDSL shall be deemed to have been made, entered into and liable to be performed in the city of Mumbai and the parties to such dealings, transactions, contracts and agreements shall be deemed to have submitted to the jurisdiction of the Courts in Bombay.*

## 22.18. TIME FOR MAKING THE AWARD

22.18.1. *The Arbitral Tribunal shall make its Award within 4 months of entering upon the reference. The Arbitration Committee may, at the instance of the Arbitral Tribunal or any of the parties to the Arbitration, extend this period by a further period of not more than four months.*

22.18.2. *The Arbitral Tribunal shall make its Award within 15 days of conclusion of the hearing of the arbitral proceedings and in case the Award is not made within that period reasons for the delay shall be recorded while making the Award. In case the Award is not made within 45 days of the conclusion of the hearing, any of the parties to the Arbitration shall have the right to move the Arbitration Committee to cancel the appointment of the Arbitral Tribunal. After hearing the parties and the Arbitral Tribunal, in case the Arbitration Committee is satisfied that there is no good reason for the delay in making the Award, it may cancel the appointment of Arbitral Tribunal. In the event of cancellation of appointment of the Arbitral Tribunal, the Arbitration Committee shall appoint another Arbitral Tribunal and the newly appointed Arbitral Tribunal shall hear the reference denovo unless the parties agree otherwise.*

## 22.19. ARBITRATION AWARD

22.19.1. *Every Award shall be made in writing and shall be signed by the Arbitral Tribunal.*

22.19.2. *The Award shall state the reasons upon which it is based, unless the parties have agreed that no reasons are to be given; or the Award is on terms agreed between the parties.*





22.19.3. *The Award shall state its date and the place of arbitration and the Award shall be deemed to have made on such date and at that place.*

## 22.20. PUBLICATION OF AWARD

22.20.1. *After the Award is made, a signed copy of the Award shall be delivered to each party.*

## 22.21. AWARD BINDING ON PARTIES AND THEIR REPRESENTATIVES

22.21.1. *The parties to the reference shall in all things abide by and forthwith carry into effect the Award of the Arbitral Tribunal, which shall be final and binding on the parties and their respective representatives notwithstanding the death of or legal disability occurring to any party before or after the making of the Award and such death or legal disability shall not operate as a revocation of the reference or Award.*

22.21.2. <sup>312</sup>*[A party aggrieved by the Arbitral Award may file an appeal before the Appellate Arbitrator by paying such fees as may be prescribed by the Arbitration Committee from time to time in addition to the statutory dues (stamp duty, service tax etc.) along with the appeal.*

*The above bye law 22.1 to 22.20.1 shall be applicable to Appellate Arbitration.]*

22.21.3. <sup>313</sup>*[In case award amount is more than Rs. 50 lakh (Rs. Fifty lakh), the next level of proceedings (arbitration or appellate arbitration) may take place at the nearest metro city, if desired by any of the party involved. The additional statutory cost for arbitration, if any, to be borne by party desirous of shifting the place of arbitration.]*

## 22.22. CORRECTION AND INTERPRETATION OF AWARD

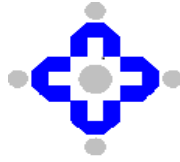
22.22.1. *Within 15 days of the receipt of the Arbitral Award;*

22.22.2. *Any party to an arbitration agreement, with notice to the other party, may request the Arbitral Tribunal to correct any computational error, any*

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<sup>312</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2022/55147/1 dated 31.10.2022

<sup>313</sup> Amended vide SEBI letter no. SEBI/HO/MRD/MRD-RAC-2/P/OW/2022/55147/1 dated 31.10.2022



*arithmetical error, any clerical or typographical error or any other error of a similar nature occurring in the Award;*

22.22.3. *A party with notice to the other party, may request the Arbitral Tribunal to clarify any part of the Award.*

22.22.4. *If the Arbitral Tribunal considers the request made under these Bye Laws to be justified, it shall make the correction or give its clarification, as the case may be, and such correction/clarification shall form part of the Award.*

22.22.5. *The Arbitral Tribunal may, of its own accord, correct the errors of the type indicated hereinabove within 10 days of making the Award. An intimation of such correction shall be given to the parties and corrected copies of the Award shall be made available to the parties.*

22.22.6. *A party with notice to the other party may request the Arbitral Tribunal within 15 days of receipt of the Award, to make an additional Award as to claims presented in the arbitral proceedings, but omitted from the Arbitral Award.*

22.22.7. *If the Arbitral Tribunal considers that the aforesaid request is justified, it shall make the additional Arbitral Award within 7 days of the receipt of such request. However, the additional Award may be made after 7 days by the Tribunal after recording the reasons for delay in writing.*

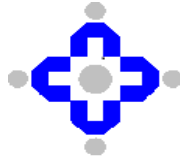
### 22.23. ENFORCEMENT OF THE AWARD

22.23.1. *An Award so passed by the Arbitrator shall be an "Award" under section 36 of the Arbitration and Conciliation Act, 1996 and shall be enforceable in accordance with the provisions of that Act.*

### 22.24. ARBITRATION COMMITTEE TO PRESCRIBE ARBITRATION FORMS AND PROCEDURE

22.24.1. *The forms to be used and the procedure to be followed in connection with a reference to Arbitration under these provisions shall be such as may be prescribed from time to time by the Arbitration Committee of CDSL.*

### 22.25. FEES AND CHARGES



- 22.25.1. *It shall be a condition precedent to the hearing of any reference that the prescribed fees and charges shall have been paid in advance to the Arbitration Committee Secretariat by the party or parties to the reference. The Arbitration Committee Secretariat shall collect all such fees and charges and make necessary payments provided always that no larger sum shall be paid than actually collected.*
- 22.25.2. *In all claims, differences and disputes where the CDSL is either the sole respondent or one of the respondents, CDSL and the other party shall each appoint one Arbitrator and the two Arbitrators so appointed shall in turn appoint a third Arbitrator who shall act as the Presiding Arbitrator. In case the two arbitrators fail to agree upon the appointment of the third arbitrator, the third arbitrator shall be appointed in accordance with the provisions of sub section 4 of Section 11 of the Arbitration and Conciliation Act, 1996.*
- 22.25.3. <sup>314</sup>*[Where the cases/ matters are remanded by the Court of Law, the BOs (Client) shall not be liable to pay arbitration fees and charges again for such remanded matters/ cases.]*

#### 22.26. GENERAL PROVISIONS APPLICABLE TO ALL ARBITRATION PROCEEDINGS

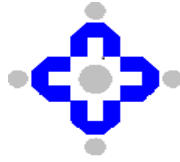
- 22.26.1. *For all claims, disputes and differences which are required by the provisions of these Bye Laws to be submitted for Arbitration, irrespective of the parties involved in such claims, disputes and differences, the place of Arbitration shall be as specified in the Operating Instructions.*
- 22.26.2. *The language to be used in Arbitration proceedings shall be English unless otherwise agreed upon by the parties.*
- 22.26.3. *The Arbitral Award shall be written in English language.*

#### 22.27. POWER TO REMOVE DIFFICULTIES

- 22.27.1. *The Board of Directors may, from time to time, issue Operating Instructions as it may deem fit, for removing any difficulties in the working or implementation of Bye Laws in this Chapter and such Operating Instructions shall have the same force and effect as these Bye Laws.]*

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<sup>314</sup> Inserted vide SEBI letter no. MRD2/DDAP/OW/P/2020/15422/1 dated 17.09.2020



**23. JURISDICTION**

- 23.1. All disputes between CDSL and participant(s) or Issuer(s) or RTA(s) under these Bye Laws will be subject to the jurisdiction of the courts in Mumbai.