

**Agreement between Central Depository Services (India) Limited and a  
Depository Participant**

This Agreement made and entered into at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ between **CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED**, a company incorporated under the Companies Act, 1956, having its registered office at A Wing, 25th Floor, Marathon Futurex, Mafatlal Mills Compounds, N M Joshi Marg, Lower Parel (E), Mumbai – 400013, hereinafter called "CDSL" of the One Part; AND

\_\_\_\_\_  
\_\_\_\_\_(description of the legal entity) having his / its office / registered office at \_\_\_\_\_

\_\_\_\_\_ hereinafter called "**the Participant**" of the Other Part.

WHEREAS the Participant had furnished to CDSL an application dated \_\_\_\_\_ for grant of certificate of registration as a Participant by the Securities and Exchange Board of India (SEBI).

AND WHEREAS CDSL has agreed to forward the said application to SEBI for grant of a certificate of registration to the Participant under Section 12 (1A) of the Securities and Exchange Board of India Act, 1992 read with Regulation 20 of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.

AND WHEREAS CDSL has agreed to admit the Participant to CDSL as a participant subject to grant of certificate of registration by SEBI as aforesaid, on the terms and conditions recorded hereinbelow.

**NOW THEREFORE** in consideration of CDSL having agreed to admit the Participant as a participant in CDSL, the parties hereto do hereby agree and covenant with each other as follows:

**1. General Clauses**

1.1. Words and expressions used but not defined in this Agreement 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, the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 or the Bye Laws of CDSL shall have the meaning assigned to them under the aforesaid Acts, Regulations or Bye Laws as the case may be.

1.2. Unless otherwise warranted by the context or meaning thereof, the words or expressions "Beneficial Owner", "Clearing Corporation", "Issuer", "Participant", and "RTA" used herein shall mean a

Beneficial Owner, Clearing Corporation, Issuer, Participant and Registrar to an Issue or Share Transfer Agent (as the case may be) respectively in relation to CDSL and the terms "Act", "Regulations", "Bye Laws" and "Operating Instructions" shall mean "The Depositories Act, 1996", "The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996", the Bye Laws of CDSL and the Operating Instructions issued by CDSL respectively.

- 1.3. The Participant shall be bound by the Depositories Act, 1996, Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and agree to abide by the Bye Laws and Operating Instructions issued from time to time by CDSL in the same manner and to the same extent as if the same were set out herein and formed part of this Agreement.
- 1.4. The Participant shall continue to be bound by the Bye Laws and Operating Instructions, even after ceasing to be a participant in so far as may be necessary for completion of or compliance with his/its obligations in respect of all matters, entries or transactions which the Participant may have carried out, executed, entered into, undertaken or may have been required to do, before ceasing to be a participant and which may have remained outstanding, incomplete or pending at the time of his/its ceasing to be a participant.
- 1.5. <sup>1</sup>*[The obligations on the part of the Participant herein contained are a reiteration of and/or are in addition to the obligations contained in the Bye Laws and the Operating Instructions, and the omission of one or more of such obligations from this Agreement shall not in any manner be construed as a waiver of such obligations as are not herein contained].*

## **2. Fees, charges and deposits**

- 2.1. The Participant shall, apart from such fees, charges and deposits as may be payable to SEBI, pay to CDSL such fees, charges and deposits as specified <sup>2</sup>*[from time to time in its Operating Instructions]*. In the event of the Participant failing to make payment of the fees, charges or deposits, as the case may be, by the respective due dates specified by CDSL in its Operating Instructions, then, in addition to any other rights or remedies that may be available to CDSL against the Participant, the Participant shall be liable to pay interest to CDSL on such delayed payment or part thereof on the quantum of such delayed payment at the rate

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<sup>1</sup> Inserted vide SEBI letter no. MRD/CDSL/VM/54623/05 dated 25.11.2005.

<sup>2</sup> Inserted vide SEBI letter no. SMDRP/CDSL/9658/2000 dated 14.06.2000.

<sup>3</sup>[*as may be prescribed by CDSL from time to time.*] Such fees, charges and deposits shall be subject to any change or revision from time to time by CDSL provided however that CDSL shall, before effecting any increase in the fees, charges or deposits payable by the Participant as aforesaid, give the Participant at least one month's notice in that behalf.

### **3. Unique Identification Number**

- 3.1. CDSL shall allocate a unique identification number to the Participant (Participant ID).

### **4. Hardware and Software to be installed by the Participant**

- 4.1. The Participant shall install at his/its premises allocated for CDSL related activities such computers, printers, communication equipment and uninterruptible power supply units, systems software and any other equipment, hardware and software as may be specified by CDSL from time to time.
- 4.2. It is further agreed that unless supplied directly by CDSL or its agents, all computers, communication equipment, printers, uninterruptible power supply units and all other hardware and software procured by the Participant shall be of the specified configuration and shall be sourced only from CDSL empanelled brands or any other brand which has been approved by CDSL in writing prior to such procurement.
- 4.3. The above hardware and software set-up shall be utilized by the Participant exclusively for CDSL specific application module and even if there be any spare processing or data storage capacity, the same shall not be used for any other application including the Participant's back-office systems or operations.
- 4.4. The above hardware shall not be connected by the Participant to its inter-office WAN (Wide Area Network) without the prior written permission of CDSL. CDSL reserves the right to deny such permission if, in its opinion, granting such permission involves violation of conditions relating to the operations of CDSL's own WAN as stipulated by Department of Telecommunications or if in permitting the same, CDSL apprehends any risk to the integrity of its WAN or for any other reason as may be deemed fit by CDSL.

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<sup>3</sup> Amendment No. CDSL/BL/ Amend/2003/19 vide SEBI letter no. MRD/VSS/SU/22555/2003 dated 28.11.2003

- 4.5. The Participant shall, from time to time, at his/its own cost, carry out such addition, modification, upgradation or replacement of the said hardware and /or software as may be specified by CDSL.

## **5. Connectivity and Systems**

- 5.1. The Participant and CDSL shall establish and maintain a continuous electronic means of communication with each other.
- 5.2. CDSL shall provide necessary Operating Instructions from time to time to the Participant, as may be necessary for effective and prompt conduct of the business relating to depository operations.
- 5.3. The Participant shall, in respect of his/its operations as a participant in CDSL, procure and maintain at its own cost such systems, procedures, means of communication, infrastructure, hardware, software, security devices and back-up facilities as CDSL may specify and shall upgrade or replace the same from time to time as may be specified by CDSL.
- 5.4. The Participant shall comply with all systems and procedures recommended by CDSL and shall allow access to his/its systems to one or more teams of professionals with expertise or specialized skill in auditing the performance of computerised systems (called "Systems Audit Teams") designated by CDSL for periodic assessment of compliance with systems and procedures.

## **6. Effective date of commencement of activity**

- 6.1. The effective date of commencement of activity by the Participant as a participant shall be the last of the following dates namely:
- 6.1.1. the date of execution of this Agreement;
- 6.1.2. the date of grant of Certificate of Registration to the Participant by SEBI;
- 6.2. Neither anything contained herein nor anything done by either party hereto in pursuance of this Agreement shall be deemed or construed to constitute any promise or assurance by CDSL that the Participant is entitled to grant of a Certificate of Registration as a Participant by SEBI and CDSL shall not be liable or responsible in any manner for any costs, charges, expenses, losses or damages incurred or suffered by the Participant in respect of anything done in pursuance of this Agreement in the event of SEBI rejecting the

Participant's application for grant of registration as a Participant or cancelling the same at any time after the grant thereof.

## **7. Information to be furnished by the Participant to CDSL**

- 7.1. <sup>4</sup>*[The Participant shall submit Audited Financial Statement (AFS) and Net worth Certificate to CDSL within such period as prescribed in CDSL Bye Laws and/ or Operating Instructions]*
- 7.1.1.1 <sup>5</sup>*[In the event of the networth of the Participant falling below the networth last specified in the certificate issued under this clause, the Participant shall forthwith intimate CDSL of the same and shall, if so required by CDSL furnish to CDSL a fresh networth certificate computed as aforesaid and duly certified by a Statutory Auditors. CDSL may thereupon take such action as it may deem fit and necessary under the Act, Regulations, Bye Laws or this Agreement]*
- 7.1.1.2 <sup>6</sup>*[—]*
- 7.1.2. Where the Participant is a member of any recognised stock exchange and/or any clearing corporation or is a participant in any other depository and commits any breach or violation of or defaults in compliance with the bye laws of such stock exchange, clearing corporation or other depository as the case may be or of any rules or regulations made by the Central or State Government or by SEBI in that behalf or his/its operations, activities or membership is/are suspended or terminated by such stock exchange, clearing corporation or other depository as the case may be, the nature of the default and the reason for such default, suspension or termination to be communicated forthwith upon such occurrence;
- 7.1.3. The number of complaints received from beneficial owners during the month, complaints redressed during the month, complaints remaining unredressed, the nature and status thereof and the steps taken by the Participant for redressal thereof, to be communicated before the 10th day of every succeeding month;
- 7.1.4. The Participant shall notify CDSL at the earliest of any change in respect of any of the particulars with regard to any of the matters contained in the application form submitted to CDSL.

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<sup>4</sup> Amended vide SEBI's letter no. MRD/DP/MAS-OW/36013/11 dated 24.11.2011.

<sup>5</sup> Amended vide SEBI's letter no. MRD/DP/MAS-OW/36013/11 dated 24.11.2011

<sup>6</sup> Deleted vide SEBI's letter no. MRD/DP/MAS-OW/36013/11 dated 24.11.2011.

7.1.5. The Participant shall provide such information relating to beneficial owners and their accounts with the Participant as may be required by CDSL from time to time.

## **8. Obligations of the Participant**

8.1. The Participant shall, before entering into any agreement with or opening any account of any beneficial owner <sup>7</sup>*[during the subsistence of such agreement]*:

8.1.1. make all such inquiries as may be expedient and exercise due care and caution in ascertaining the bonafides and track record of the intending beneficial owner <sup>8</sup>*[inter alia, by carrying out appropriate due diligence]*;

8.1.2. scrutinize the authenticity of all documents <sup>9</sup>*[produced by the Beneficial Owners for opening the account or for dematerialisation of securities]*;

8.1.3. Where the securities are held jointly or are held in more than one name, the account shall be opened in the names of all the holders in the same sequence as it appears on the certificate/s relating to those securities;

8.1.4. Where the account is opened in more than one name and the account holders named therein desire to authorise one or more of them to issue instructions to the Participant from time to time, the Participant shall ensure that due authorisation is obtained by the holders so authorised by the other holders.

8.1.5. The Participant shall not effect any debit or credit to the account of a beneficial owner unless:

8.1.5.1. the Participant has received appropriate prior written instructions from the concerned beneficial owner or CDSL in that behalf and

8.1.5.2. an adequate audit trail of the same is duly maintained.

8.1.6. Separate accounts shall be opened and maintained by the Participant in the name of each Beneficial Owner and the securities of each beneficial owner shall be kept segregated and shall not be mixed up with the securities of other beneficial owners or with the Participant's own securities.

<sup>7</sup> Inserted vide SEBI letter no. MRD/CDSL/VM/54623/05 dated 25.11.2005.

<sup>8</sup> Inserted vide SEBI letter no. MRD/CDSL/VM/54623/05 dated 25.11.2005

<sup>9</sup> Inserted vide SEBI letter no. MRD/CDSL/VM/54623/05 dated 25.11.2005

- 8.1.7. <sup>10</sup>*[Subject to the provisions of any other law, the Participant shall preserve for a 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 and instructions received from beneficial owners, as also copies of dematerialization request forms and rematerialization request forms.
- 8.1.8. The Participant's responsibility and liability for payment to CDSL of all fees, charges, dues and penalties in respect of all transactions and entries effected or carried out by or through the Participant shall be unconditional and such amounts shall be payable by the Participant to CDSL irrespective of whether the Participant has received payment of or recovered any amount from the concerned beneficial owner or not, such recovery from the beneficial owner being the sole responsibility of the Participant.
- 8.1.9. The Participant shall, as far as possible, carry out instructions received from any beneficial owner on the same day on which the instructions are received and failing that, shall carry out the instructions before the close of working hours of the immediately succeeding working day.
- 8.1.10. The Participant shall not exercise any lien without the prior approval of CDSL, on any securities belonging to the beneficial owners held in dematerialised form in any 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 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.
- 8.1.11. The Participant shall, forthwith upon discovering any loss, destruction or theft of any securities, instruments or documents belonging or owed to any beneficial owner that may have been entrusted to or may otherwise have come into the hands of the Participant in the course of his/its business, notify CDSL, the concerned Issuer and/ or RTA and beneficial owner in that behalf.

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<sup>10</sup> Amended vide SEBI letter no. MRD2DDAP/OW/2021/3695/1 dated 10.02.2021.

- 8.1.12. The Participant alone shall be responsible to ensure that all duties, taxes or levies, if any, of whatsoever nature that may be payable under any Central or State enactment in respect of entries transactions or transfers effected by or through the Participant are duly paid as required in law.
- 8.1.13. The Participant shall process requests received from beneficial owners for dematerialisation or rematerialisation within such time and in such manner as may be specified in the Bye Laws and Operating Instructions and shall be required to keep records of the same as laid down by the Regulations and by CDSL.
- 8.1.14. <sup>11</sup>*[Notwithstanding anything to the contrary contained herein or in the Bye Laws, the Participant shall not be bound to give effect to]* any entries or transactions <sup>12</sup>*[and CDSL shall not be bound to permit any entries or transactions]* to be effected, which would violate any law or any decree or order of any court or tribunal or any order or direction of the Central or State Government or SEBI or that of any other statutory or revenue authority that may have been served upon or intimated to the Participant or CDSL or which to their knowledge, would constitute a breach of any covenant or undertaking given to any court, tribunal or statutory or revenue authority or which CDSL otherwise deems not to be in its interest or that of its participant or beneficial owners.
- <sup>13</sup>*[8.1.14A 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 Permanent Account Number (PAN) coupled with specific directions if the same are not set out in such order with sufficient accuracy.]*
- 8.1.15. The Participant alone shall be responsible for taking necessary action on the instructions and/or mandate given by the Beneficial Owner and the Participant alone shall be liable to the Beneficial Owner for default or failure in carrying out the instructions and/or mandate of the Beneficial Owner.
- 8.1.16. The Participant shall strictly comply with the time schedule specified from time to time by CDSL for data entry and transfer.
- 8.1.17. The Participant shall furnish to the Beneficial Owner a statement in such form as may be specified of his/its account at the end of every

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<sup>11</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/172461/09 dated 07.08.2009.

<sup>12</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/172461/09 dated 07.08.2009.

<sup>13</sup> Amended vide SEBI's letter no. MRD/CDSL/VM/182969/09 dated 12.11.2009



month if there has been even a single entry or transaction during that month, and in any event once at the end of each financial year. The Participant shall furnish such statements at such shorter periods as may be required by the Beneficial Owner on payment of such charges by the Beneficial Owner as may be specified by the Participant.

8.1.18. <sup>14</sup>*[The Participant assumes full responsibility for verifying the authenticity of instructions issued by or on behalf of Beneficial Owners including signature/s of the beneficial owner/s on the instruction slips and undertake to process the instructions after satisfying itself about the accuracy and genuineness of the signatures on the instructions slips. The Participant shall ensure that it has in place appropriate systems and/or processes as CDSL and/or SEBI may specify from time to time in this regard.*

8.1.19. *It shall be the duty of the Participant to ensure that no account of any Beneficial Owner is opened unless it complies with the provisions of the Act, Regulations, and guidelines, notification, circular or any communication by whatever name called issued by SEBI, Department of Company Affairs, Registrar of Companies, and the provisions of these Bye Laws and 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].*

## **9. Obligations relating to Participant's own account**

- 9.1. The Participant shall not commingle the securities held by it in his/its own right in CDSL with those held by it as the Participant on behalf of beneficial owners.
- 9.2. The Participant shall comply with such procedures for deposit and withdrawal of securities to and from any of his/its own accounts (as distinguished from the accounts of beneficial owners with it) as may be laid down under the Bye Laws and Operating Instructions.

## **10. Maintenance of records**

- 10.1. The Participant shall maintain all documents and records in respect of his/its CDSL related operations in such manner as may be specified in the Regulations, Bye Laws and Operating Instructions.

## **11. Reconciliation and Rectification of Errors**

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<sup>14</sup> Inserted vide SEBI letter no. MRD/CDSL/VM/54623/05 dated 25.11.2005.

- 11.1. The Participant shall reconcile its records with CDSL on a daily basis. The Participant shall, as a continuous process and on an on-going basis, check and reconcile with his/its own records and those of his/its beneficial owners, all records, balances, advices, statements and reports received by the Participant from CDSL and promptly notify CDSL of any error or omission in such records, balances, advices, statements and reports.
- 11.2. Any advice, statement or report provided by CDSL shall in the absence of manifest error or fraud, be conclusive as to its subject matter. Unless otherwise agreed to by CDSL, the failure of the 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 the Participant of any right to require rectification.
- 11.3. CDSL may, if it is satisfied that it is in the interest of any beneficial owner/s, entertain a late request by the Participant to rectify an error or omission as aforesaid. If CDSL entertains a late request by the Participant, the Participant shall be liable for any loss caused to CDSL or to any other participant or beneficial owner due to such late request.
- 11.4. CDSL reserves the right to rectify any erroneous entry or transaction made to the account of any beneficial owner. In the event of CDSL carrying out any such rectification, CDSL shall inform the Participant and the concerned beneficial owner of such rectification.
- 11.5. Without prejudice to any other rights or remedies that CDSL may have, in the event of any erroneous entry or transaction having been effected on account of any error, mistake or negligence on the part of the Participant resulting in wrongful reduction in or a negative balance of securities in the account of any beneficial owner, CDSL may, in its absolute discretion, do one or more of the following:
- 11.5.1. require the Participant to replenish the deficient securities at the Participant's own cost and expense;
- 11.5.2. itself purchase such deficient securities as replenishment at the prevailing market price. The cost and expenses incurred by CDSL in connection with purchase of such securities shall be borne by the Participant. The Participant shall reimburse CDSL for all costs, fees, charges, expenses, liabilities, losses and damages incurred by

CDSL in connection with the purchase or replenishment of such deficient securities by CDSL as aforesaid;

- 11.5.3. if the deficient securities cannot for any reason whatsoever be replenished within the time specified by CDSL, CDSL may require the participant to forthwith reimburse the concerned beneficial owner by payment in cash of an amount equivalent to the market value of the deficient securities as on the date of such erroneous entry or transaction or as on the date of such reimbursement, whichever is higher and call upon the Participant to make good such amount within such period as CDSL may deem fit;
- 11.5.4. call upon the Participant to forthwith pay to CDSL such amount as CDSL considers appropriate by way of security or additional security pending replenishment of the deficient securities or reimbursement in lieu thereof.
- 11.6. For the purposes of Bye Law 11.5 above, the term "deficient securities" shall include any loss of securities to the Beneficial Owner by way of bonus or rights entitlements or dividend and any other corporate benefits on the quantum of the wrongful reduction.

## **12. Ceiling on Holdings**

- 12.1. If the Participant is a Stock Broker, the Participant shall ensure that the aggregate market value of the securities of all Beneficial Owners in their accounts with the Participant does not exceed the limits as specified by SEBI from time to time on any given day and if it so exceeds the said limits on any given day, the Participant shall forthwith inform CDSL about it and CDSL shall be entitled to issue such Operating Instructions as it may deem fit in order to rectify the position in that behalf.

## **13. Form of Agreement to be binding**

- 13.1. Notwithstanding anything contained herein the Participant shall strictly adhere to the form of the draft agreement annexed as Annexure C and Annexure D to the Bye Laws in respect of every agreement that may be entered into by the Participant with every beneficial owner and clearing member respectively and no variation, modification, addition, alteration or deletion thereto shall be effected except with prior written consent of CDSL in that behalf. The Participant shall be solely responsible for any statement or representation made or any obligation or liability undertaken by him/it in so far as the same is contrary to or inconsistent with or is in excess of the said draft agreement and/or

the Bye Laws and Operating Instructions or which is otherwise not authorised by CDSL.

#### **14. Internal controls and Audit**

- 14.1. The Participant shall install and maintain suitable systems, audit and control measures including setting up of separate internal controls and an audit department inter alia for regularly reviewing his/its internal operations ensuring due compliance and maintaining the integrity and confidentiality of data transmitted to CDSL as may be laid down under the Bye Laws and Operating Instructions.
- 14.2. The Participant shall from time to time submit such operational, financial, technical or other data, information, reports and returns, in relation to his/its activities and operations as a participant, duly audited and certified by a Chartered Accountant, <sup>15</sup>[*a Company Secretary in practice*] or by a Systems Auditor, as the case may be, in such form and manner and within such period, as may be specified in the Bye Laws and Operating Instructions.

#### **15. Inspection by CDSL**

- 15.1. CDSL shall be entitled to carry out inspection of the facilities, systems, records and books of the Participant relating to all dealings of the Participant with it through such persons as may be authorised in that behalf by CDSL and the Participant shall permit the persons so authorised entry into his/its premises during regular business hours on any working day and shall allow access to his/its facilities, systems, records and books and permit copies thereof to be made.

#### **16. Events requiring immediate intimation by the Participant to CDSL**

- 16.1. The Participant shall notify CDSL forthwith:
- 16.1.1. in case the Participant is an individual, in the event of his incapacity to act as such;
- 16.1.2. in case the Participant is a partnership firm, in the event of dissolution of the firm or a notice being served under section 43 of the Indian Partnership Act, 1932 or a suit being filed under section 44 of that Act;

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<sup>15</sup> Inserted vide SEBI letter SMDRP/CDSL/17754/99 dated 17.09.1999

- 16.1.3. in case the Participant is a company or a body corporate, upon a petition for winding up being presented in any court or a resolution being passed for winding up of the Participant;
- 16.1.4. any scheme being framed for merger, amalgamation or reconstruction of the Participant;
- 16.1.5. on its becoming aware of the presentation of any application or petition for its bankruptcy, insolvency, liquidation or attachment of its property;
- 16.1.6. upon its becoming aware of any distress, execution, attachment or other process being threatened or levied by any statutory or revenue authority against the Participant or its property for recovery of any taxes, duties, levies, penalties, cesses or dues;
- 16.1.7. upon any application being presented to any court for attachment of the assets or properties of the Participant;
- 16.1.8. in the case of any change in his/its financial conditions which may lead to his/its insolvency or dissolution or winding-up or if it suffers a composition with his/its creditors ;
- 16.1.9. upon convening of any meeting to consider a resolution for the appointment of a liquidator or receiver or administrator in respect of any of its properties or any other change in circumstances which could materially affect its capacity to act as a participant;
- 16.1.10. in case the Participant is also a clearing member, upon his/its being declared a defaulter or being suspended or his/its membership being terminated by the concerned stock exchange or clearing corporation or by SEBI.
- 16.1.11. in the event of the Participant being an intermediary (in any capacity other than as a participant) as contemplated by the Securities and Exchange Board of India Act, 1992, upon suspension or termination or de-registration of the Participant as such intermediary by SEBI or any other regulatory body or authority empowered to do so.
- 16.1.12. in the event of the Participant ceasing to meet any of the eligibility and/or admission criteria laid down by SEBI and/or CDSL.
- 16.1.13. upon the Participant becoming aware of any event or occurrence which is reasonably likely to materially affect his/its commercial viability or existence or his/its ability to perform his/its obligations

under this Agreement or which constitutes a material adverse change in the eligibility criteria laid down by CDSL or by SEBI or any other regulatory authority under any law in force for the time being.

**17. Insurance cover**

- 17.1. The Participant shall maintain such insurance coverage as CDSL may specify from time to time.

**18. Contribution to Funds**

- 18.1. The Participant shall contribute to one or more trusts or funds established by or at the instance of CDSL for protection of the interests of beneficial owners and/or participants in the manner laid down under the Bye Laws, Operating Instructions or in any separate deed, document, instrument or writing made or executed in that behalf.

**19. Security to be furnished by the Participant**

- 19.1. CDSL may, at any time, require the Participant to provide, on demand, such security or additional or collateral security in such form, to such extent and in such manner as may be 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 balances and excess or deficit balance of securities in the accounts of beneficial owners due to any fraud, negligence, error or omission on the part of the Participant, his/its employees or agents. Such security shall be in addition to and independent of any security earlier furnished by the Participant to CDSL.
- 19.2. The Participant shall not sell, transfer or otherwise alienate or create or permit the creation of any mortgage, charge or other encumbrance or permit or suffer to be attached or otherwise jeopardise the title to any of the assets provided as security or additional or collateral security to CDSL.
- 19.3. CDSL may apply all or any of the security deposit/s or other security (including additional or collateral security) furnished by the Participant to CDSL at any time without prior notice to the Participant in or towards satisfaction of any of the obligations and/or liabilities of the Participant to CDSL or to any beneficial owner/s, other participants, issuers, RTAs or clearing corporations as the case may be.

**20. Authorised Representative**

- 20.1. The Participant shall, simultaneously with the execution of this Agreement furnish to CDSL, a list of officials authorised by it, who shall represent and interact on his/its behalf with CDSL. Any change in such list including additions, deletions or alterations thereto shall be forthwith communicated to CDSL.

**21. Confidentiality**

- 21.1. The parties hereto shall keep strictly confidential all technical and business information including but not limited to that which may be disclosed or confided to it by the other in the course of the performance of the obligations under this Agreement or under the Bye Laws and neither party hereto shall disclose the same to any third party without prior approval of the other party hereto.
- 21.2. Either party hereto shall be at liberty to 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 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, neither party 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.

**22. Change in address**

- 22.1. The Participant shall inform CDSL of any proposed change in address of his/its office/ registered office as also of any change in location of the premises where the equipment for maintenance of computerised records, back-up facilities and communication with CDSL are situated, at least thirty days before the date of such change.

**23. Back-up facilities**

- 23.1. The Participant shall strictly follow the back-up procedure recommended by CDSL. A copy of the latest back-up of the

database shall at all times be maintained at a remote site. CDSL shall not be liable to the Participant for any loss or damage arising out of failure on the part of the Participant to maintain up to date back-up of the computer programme and the relevant data.

- 23.2. The Participant shall permit access to any person/s designated by CDSL to inspect his/its back-up and shall make available such extracts or reports of the records maintained at the said back-up facilities as may be required by CDSL.

#### **24. Disaster Recovery Plan**

- 24.1. The Participant shall forthwith inform CDSL of any loss or failure of connectivity between the Participant and CDSL.
- 24.2. The Participant shall strictly adhere to such plan, scheme or procedure (to be known as "Disaster Recovery Plan") as CDSL may specify in that behalf for meeting any situation or eventuality resulting in loss of connectivity or failure of communication, loss or corruption of data or damage to equipment, hardware or software whether by reason of any technical failure, unauthorized access, calamity, accident, sabotage or disaster or otherwise.

#### **25. Redressal of grievances / complaints of beneficial owners**

- 25.1. The Participant shall resolve grievances/complaints of beneficial owners and submit a report on the grievances so resolved to CDSL within 30 days from the date of receipt of such complaint / grievance by the Participant in such manner as may be specified in the Bye Laws and Operating Instructions.

#### **26. Prohibition against Assignment etc.**

- 26.1. The functions, rights or obligations under this Agreement shall not be assigned or delegated to any party or person by the Participant without the express prior written consent of CDSL. Any purported assignment or delegation in contravention of the terms of this Agreement shall be null and void. For the purpose of this clause, any substantial change in the share holding pattern or the constitution of the Board of Directors or in the composition of the partnership shall constitute an assignment of the business and/or functions.

#### **27. Suspension and Termination**



- 27.1. 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 this Agreement with the Participant by communication in writing under the following circumstances:
- 27.1.1. the Participant no longer meets the eligibility and/or admission criteria to be a participant as laid down by SEBI and/or by CDSL;
  - 27.1.2. if the Participant is an individual or a sole proprietor, in the event of the death or physical or mental incapacity of the Participant;
  - 27.1.3. if the Participant is a partnership firm, in the event of dissolution of the firm or a notice being served under section 43 of the Indian Partnership Act, 1932 or a suit being filed under section 44 of that Act.
  - 27.1.4. in the event of the Participant being a company or body corporate, upon a petition for winding up being presented in any court or a resolution being passed for winding up of the Participant.
  - 27.1.5. in the event of the Participant ceasing to carry on business as a participant with CDSL;
  - 27.1.6. in case CDSL has reasonable grounds to believe that the Participant is approaching financial difficulty or will be unable to meet his/its obligations in relation to CDSL or his/its beneficial owners;
  - 27.1.7. in the event of any distress, execution or other process being levied or enforced or served upon or against any property of the Participant;
  - 27.1.8. in the event of bankruptcy, insolvency, liquidation or winding up of the 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;
  - 27.1.9. in the event of the appointment of a receiver or administrator of the assets of the Participant or in the event of the Participant suffering a composition with his/its creditors or in the event of a scheme of arrangement being approved by a 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;

- 27.1.10. in the event of the Participant's failure to pay security deposits, fees or any other charges as required under the Bye Laws or this Agreement (including any revised or increased fees, charges or deposits) or furnish additional or collateral securities within such time as may be required by CDSL;
- 27.1.11. in the event of failure of the Participant to fulfill the obligations arising out of the indemnification of CDSL by the Participant;
- 27.1.12. in case CDSL has reasonable grounds to believe that the Participant has been responsible for negligence or fraudulent or dishonest conduct or has made a material misstatement or omitted to state a material fact in any statement to CDSL;
- 27.1.13. in case the Participant has violated or committed any breach or default in the observance or performance of any provisions of the Act, Regulations, Bye Laws or this Agreement or has failed to comply with any Operating Instructions;
- 27.1.14. in case the Participant's registration granted by SEBI has been suspended or cancelled;
- 27.1.15. in case the Participant is a member of a stock exchange, if the Participant has been expelled or his/its trading privileges have been suspended by the Stock Exchange;
- 27.1.16. in case the Participant is an intermediary (other than as a Participant) as contemplated by the Securities and Exchange Board of India Act, 1992, in the event of suspension, termination or de-registration of the Participant as such intermediary by SEBI or by any other regulatory body or authority empowered by law in that behalf;
- 27.1.17. in the event of the Participant failing to redress grievances of beneficial owners to the satisfaction of CDSL;
- 27.1.18. in case CDSL has reasonable grounds to believe that the Participant has been carrying on his/its activities in a manner which is detrimental to the interest of CDSL and/or beneficial owners or that the termination of the 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;

27.1.19. in case the Participant has or is likely to expose itself to risk which, in the opinion of CDSL, is not commensurate with the Participant's networth;

27.1.20. in case the quality of the services rendered by the Participant is not satisfactory in the opinion of CDSL as evidenced by the complaints of the beneficial owners and/or other participants, Issuers, RTAs 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 this Agreement is sought to be terminated and the Participant shall have been given a reasonable opportunity of being heard by any officer authorised by CDSL in that behalf and CDSL being satisfied on the strength of the report of such officer that it is necessary to terminate this Agreement with the Participant;

Provided however that CDSL may, if it 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 Participant to rectify or remedy the breach or default within such period and on such terms and conditions as CDSL may deem fit.

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.

27.2. Without prejudice to any other rights CDSL may have, in the event of occurrence of any of the events listed hereinabove, CDSL may suspend with immediate effect, the business or activities of the Participant in CDSL, before issuance of any notice or pending the notice period and/or inquiry under the Bye Laws.

## **28. Withdrawal by the Participant**

28.1. The 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 thirty days of his/its intention to terminate this Agreement with CDSL with effect from the expiry of the said period of thirty days or such further period as may be specified in the notice. CDSL may, however, require the Participant to continue his/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 in the orderly functioning of CDSL. CDSL shall notify the Beneficial Owners of the Participant, other participants, clearing corporations and SEBI within seven days of the Participant ceasing to act as such.

- 28.2. The Participant shall not be permitted to withdraw as a participant from CDSL unless and until the Participant shall have provided satisfactory evidence to CDSL of its having :
- 28.2.1. issued notice of his/its intended withdrawal to all Beneficial Owners holding accounts with it;
- 28.2.2. transferred all accounts of the Beneficial Owners to any other Participant/s of the Beneficial Owner's choice in CDSL;
- 28.2.3. ensured that there are no pending instructions or unresolved grievances/complaints of beneficial owners, CDSL, Issuer/ RTA or clearing corporation;
- 28.2.4. complied with such other terms and conditions as CDSL may have specified in that behalf.
- 28.3. no amount due, owing or payable to SEBI or to CDSL inter alia by way of fees, charges, penalties or interest.

## **29. Consequences of Termination /Withdrawal**

- 29.1. On termination of this Agreement or on withdrawal by the Participant, CDSL shall return to <sup>16</sup>*[or make available for collection by the participant,]* all security deposits or other securities that may have been furnished by the Participant to CDSL by way of collateral or additional security <sup>17</sup>*[on expiry of six months 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 however that CDSL shall have the right (without prejudice to any other right or remedy available to CDSL in law) to retain any security/ deposit or to adjust or set off amounts from such security deposit equivalent to the amount which is due or is likely to become due to CDSL, other Participants or beneficial owners in respect of transactions or entries effected by the Participant during the currency of this Agreement.

<sup>16</sup> Amended vide SEBI's letter no. MRD/DP/PP-OW/19886/10 dated 15.09.2010.

<sup>17</sup> Amended vide SEBI's letter no. MRD/DP/PP-OW/19886/10 dated 15.09.2010.

- 29.2. Without prejudice to the above, 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 the Participant through CDSL, notwithstanding that such claim may have arisen after the date of termination of this Agreement.
- 29.3. CDSL shall, upon termination of this Agreement by CDSL or on receipt of communication in writing from the Participant conveying his/its decision to withdraw from CDSL and/or to terminate this Agreement, notify all other participants and initiate suitable steps for the protection of the interests of beneficial owners and other participants. CDSL shall notify other participants, clearing corporations, Issuer/RTA and SEBI within seven days of the termination of this Agreement.
- 29.4. The Participant shall be required to meet all his/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 the currency of this Agreement.
- 29.5. On termination of this Agreement or on withdrawal by the Participant from CDSL, every beneficial owner holding an account with the Participant shall have the option to either get his securities held with the Participant transferred to another participant or get the same rematerialised. Notwithstanding anything stated above even after such termination or withdrawal, the Participant shall continue to 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.
- 29.6. Upon termination of this Agreement, CDSL shall give notice in writing to all beneficial owners holding accounts with the Participant calling upon the beneficial owners to have their accounts transferred to any other participant within fifteen 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 debits in respect of the securities in such transferred account shall be effected until such time as the concerned beneficial owner shall have entered into an agreement with any other participant.
- 29.7. Notwithstanding termination of this Agreement by CDSL or withdrawal by the Participant, the provisions of this Agreement

and all mutual rights and obligations arising therefrom shall, except in so far as the same is contrary to or inconsistent with such termination or withdrawal, continue to be binding on the parties in respect of all acts, deeds, matters and things done and transactions effected during the period when this Agreement was effective.

### **30. Disciplinary Action**

- 30.1. The Participant shall be subject to the disciplinary jurisdiction of the Disciplinary Action Committee as provided in the Bye Laws.

### **31. Indemnity**

- 31.1. The Participant shall indemnify and keep indemnified and saved harmless CDSL, its officers, employees, servants and agents from and against all harm, loss, damage, injury, taxes, levies, penalties, cesses, duties, suits, action, litigation, arbitration, disciplinary action, prosecution or other proceedings (and all costs, charges and expenses relating thereto) suffered or incurred by CDSL, its officers, employees, servants 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, his/its officers, employees, servants or agents contrary to or inconsistent with the terms, conditions and covenants herein contained including any default or breach of any provision/ s of the Act, Regulations, Bye Laws, this Agreement and Operating Instructions or by reason of any mistake, error, misfeasance, wilful misconduct, misrepresentation, fraud, forgery, theft, misappropriation or breach of trust by the Participant, his/its officers, employees, servants or agents or on account of the Participant failing to meet any of his/its obligations and/or liabilities to CDSL and/or to any of his/its beneficial owners and/or to any other participants, Issuers, RTAs or clearing corporation or on account of any deficiency in services rendered by the Participant. For the purposes of this clause, all acts of commission or omission, whether intentional or not, of his/its officers, employees, servants and agents, shall be deemed to be acts of commission or omission of the Participant. Where any loss or damage is caused to any beneficial owner due to the negligence of the Participant, CDSL shall, if it deems it necessary to do so, in the first instance make good the loss or damage incurred by such beneficial owner and CDSL shall be entitled to recover the same from the Participant, inter alia, by adjustment of or appropriation from any security deposit held by CDSL.

- 31.2. CDSL shall indemnify and keep indemnified and saved harmless the Participant from and against all harm, loss, damage or injury, and all taxes, cesses, duties, levies, penalties and all suits, action, litigation, prosecution, arbitration or any other proceedings (and all costs, charges and expenses relating thereto) suffered or incurred by the Participant by reason of or on account of any act, deed, matter or thing made done executed or committed or omitted to be done by CDSL, its officers, employees or servants contrary to or inconsistent with the terms, conditions and covenants herein contained including any breach or default of any provisions of the Act, Regulations, Bye Laws or the Operating Instructions or by reason of any misrepresentation, fraud, forgery, theft, misappropriation or breach of trust by CDSL or its employees or by reason of CDSL failing to meet its obligations and/or liabilities to the Participant or on account of any deficiency in the services rendered by CDSL.

### **32. Stamp duty**

- 32.1. Any stamp duty (including interest or penalty levied thereon) payable on this Agreement and/or any deed, document or writing executed in pursuance hereof between the parties hereto shall be borne and paid by the Participant.

### **33. Force Majeure etc.**

- 33.1. Notwithstanding anything contained herein or in the Bye Laws, neither party hereto shall be liable to indemnify or compensate the other for any breach, non-performance or delay in performance of any obligations under this Agreement or for any harm, loss, damage or injury caused to the other due to causes reasonably beyond its control including but not limited to tide, storm, cyclone, flood, lightning, earthquake, fire, blast, explosion or any other act of God, war, rebellion, revolution, insurrection, embargo or sanction, blockade, riot, civil commotion, labour action or unrest including strike, lock-out or boycott, interruption or failure of any utility service, enemy action, criminal conspiracy, act of terrorism or vandalism, sabotage, <sup>18</sup>[--] unanticipated technological or natural interference or intrusion, loss or damage to satellites, loss of satellite linkage or any other data communications linkage, loss of connectivity or any other irresistible force or compulsion.

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<sup>18</sup> [hacking,] Deleted vide SEBI letter no. SMDRP/CDSL/20865/99 dated 04.11.1999.

**34. Service of Notice**

- 34.1 Any notice or communication required to be given under this agreement <sup>19</sup>*[shall be in writing, and shall be legally effective only when it is delivered to the addressee at the last known address in the manner prescribed in the operating instructions].*

**35. Severability**

- 35.1. If any provision of this Agreement shall be held or adjudged by any competent court, tribunal or regulatory authority to be unlawful, void or unenforceable or if any such provision is rendered void or unenforceable by reason of any statutory amendment, notification or any judicial decision, such provision shall to the extent required be severed from this Agreement and rendered ineffective as far as possible without modifying the remaining provisions of this Agreement but shall not in any way effect the validity or enforcement of the rest of the provisions of this Agreement which shall continue to apply with full force and effect.

**36. Amendments/Modifications at SEBI's instance to be binding**

- 36.1. The parties hereto shall be bound by any additions, alterations, modifications, amendments or deletions to this Agreement or to any provisions thereof as may be required or directed by SEBI and shall execute all such deeds, documents or writings as may be required for giving effect thereto.

**37. No Waiver**

- 37.1. Neither party hereto shall be deemed to have waived, abandoned or relinquished any right, power, privilege or remedy available to it under this Agreement or in law except by a writing executed in that behalf and no failure or delay on the part of any of the parties hereto in the exercise of such right, power, privilege or remedy shall operate as a waiver thereof or as a waiver of any preceding or succeeding breach by the other party to this Agreement nor shall any single or any partial exercise of any right, power, privilege or remedy preclude any other or further exercise of such or any other right, power, privilege or remedy available under this Agreement or otherwise available in law or in equity it being agreed that all such rights, powers, privileges and remedies are several and cumulative of each other.

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<sup>19</sup> Amended vide SEBI's letter no. MRD/DoP/ST/OW/8796/12 dated 19.04.2012.



**38. Arbitration and Conciliation**

38.1. The parties hereto shall, in respect of all disputes and differences that may arise between them, abide by the provisions relating to arbitration and conciliation specified under the Bye Laws. The place of arbitration shall be Mumbai.

**39. Governing Language**

39.1. All deeds, documents and writings that may be executed and all correspondence that may be exchanged between the parties hereto in relation to the subject matter of this Agreement shall be in English language, which shall be the governing language between the parties hereto.

**40. Governing Law**

40.1. This Agreement shall be governed by and construed in accordance with the laws in force in India.

**41. Jurisdiction**

41.1. The parties hereto agree to submit to the exclusive jurisdiction of the courts in Mumbai.

**42. Headings**

42.1. The headings in this Agreement are for convenience and reference only and shall in no way affect the construction or interpretation of this Agreement.

**43. Interpretation**

43.1. Unless the context otherwise requires, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine and vice versa and any reference to any statute, enactment or legislation or any provision thereof shall include any amendment thereto or any re-enactment thereof.

**44. Execution of Agreement**

44.1. This Agreement is executed in duplicate and a copy each shall be retained by each of the parties hereto.

IN WITNESS WHEREOF the parties hereto have hereunto set and subscribed their respective hands and seals to this Agreement in duplicate on the day, month, year and place first hereinabove mentioned.

SIGNED AND DELIVERED )  
by the withinnamed )  
CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED )  
by the hand of its authorised representative )  
Shri/Smt \_\_\_\_\_ )  
in the presence of \_\_\_\_\_ )

SIGNED AND DELIVERED )  
by the withinnamed the Participant )  
\_\_\_\_\_)  
\_\_\_\_\_)  
by the hand of its authorised representative )  
Shri/Smt \_\_\_\_\_ )  
in the presence of \_\_\_\_\_ )