Central Depository Services (India) Limited

Convenient ⌖ Dependable ⌖ Secure

CHAPTERS

December 2024

Public

CDSL: ***your depository***

OPERATING INSTRUCTIONS

FOR

DEPOSITORY PARTICIPANTS

December 2024

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Abbreviation	Expansion of Abbreviation
A I & C	Audit Inspection & Compliance Department
AOA	Articles of Association
BOD	Board of Directors
BO	Beneficial owner, Demat account holder
BO ID	Unique Identification/Account Number of the Beneficial Owner
BOISL	BOI Shareholding Limited (Clearing House for BSE)
BSE	Bombay Stock Exchange Limited
CC	Clearing Corporation of a recognized Stock Exchange
CDSL	Central Depository Services (India) Limited
CH	Clearing House of a recognized Stock Exchange
CM	Clearing Member of a recognized Stock Exchange
CM ID	Clearing Member Identification Number
Communiqué	Communication / Circulars sent by CDSL to DPs
Demat	Dematerialisation
DIS	Delivery Instruction Slip
DP	Depository Participant. (A Depository Participant is one who is admitted or "registered" as such by SEBI under Section 12 of the SEBI Act 1992 and CDSL, as a DP. A DP shall, for all practical purposes, be an agent of CDSL, performing functions assigned to it by CDSL).
DP ID	Unique Identification Number of the Depository Participant
DRF	Dematerialisation Request Form
DRN	Dematerialisation Request Number
Early Pay-in	Transfer of securities from BO/CM account to CH/CC prior to actual pay-in deadline time for a specific settlement
ED	Executive Director
EOD	End of Day
FII	Foreign Institutional Investor
FN	Foreign National
FPO	Follow-on Public Offer
FRF	Freeze Request Form
FEMA	Foreign Exchange Management Act
INSTANCE	Each case where the non-compliance or violation is observed
Inter-depository transactions	Transactions done for transfer of eligible securities from an account held in one depository to an account held in another depository

Abbreviation	Expansion of Abbreviation
Invocation	A pledge creates a right of invocation of the beneficial ownership in the securities pledged by the Pledgor in favour of the Pledgee in the event of non-fulfillment of obligations by the Pledgor.
IPO	Initial Public Offer
IRF	Invocation Request Form
ISIN	International Securities Identification Number. A 12 character number which uniquely identifies specific securities of Issuers and is allotted, at the time of admission, in Depositories
ISSUER	Any person or entity making an issue of securities
KYC	Know Your Client
KRA	KYC Registration Agency
MC	Member Committee
MD	Managing Director
MICR	Magnetic Ink Character Recognition
MOA	Memorandum of Association
NRI	Non-Resident Indian (residential status of an individual as defined in the Income Tax Act, 1961)
NSCCL	National Securities Clearing Corporation Limited. Clearing Corporation for NSE.
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Body
OCCASION	The event during which the non-compliance or violation is observed example: Inspection
Off-market transactions	Transfer of securities between two demat accounts on mutually agreeable terms and where receiver of the securities is not a CH/CC
On-market transactions	Transactions entered in CDSL system for delivering securities to CH/CC for pay-in for "Trades" done through the trading platform provided by the stock exchanges and settled through CH / CC of the exchange
PAN	Permanent Account Number allocated by Income tax Department.
Pay-in obligation	This indicates the quantity of securities, that have been sold by the CM (on behalf of his clients), which a CM has to deliver to the exchange for pay-in

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Abbreviation	Expansion of Abbreviation
Pay-in of securities	Process of delivery of securities by the selling BOs / CMs to the CH / CC for settlement
Pay-out of securities	Process of delivery of securities by the CH / CC to the buying BOs / CMs who have purchased the same on behalf of their clients
Pledge	Placing of securities as collateral by a person in favour of another person against an obligation
Pledgee	A person in whose favour the securities have been pledged by the Pledgor
Pledgor	A person who pledges his securities in favour of the Pledgee
PMLA	Prevention of Money Laundering Act, 2002
POA	Power of Attorney
PRF	Pledge Request Form
PSN	Pledge Sequence Number
RBI	Reserve Bank of India
Remat	Rematerialisation
RRF	Rematerialisation Request Form
RRN	Rematerialisation Request Number
RTA	Registrar & Transfer Agent
SEBI	Securities and Exchange Board of India
Settlement Date	The date on which "Settlement" of market trades take place is known as "Settlement date"
Settlement of Market Trades	The activity done by the CH / CC of the exchanges of delivering funds and securities to the respective sellers and buyers is referred to as "Settlement of market trades"
SOD	Start of the Business Day
T	Trade Day
TM	Trading Member of a recognized Stock Exchange
TPRF	Transposition Request Form
TRF	Transmission Request Form
Unpledge	Release of pledged securities pledged by the Pledgor as per the Pledge Agreement
URF	Unfreeze Request Form

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1 ACCOUNT TYPES WITHIN CDSL

1.1 Objectives

1.1.1 The account structure in CDSL is designed to meet the following objectives:-

- To maintain proper records.
- To segregate accounts of Beneficial Owners (BO) from each other.
- To account for dematerialized securities at BO level.
- To provide a flexible accounting structure to support the settlement requirements of the stock exchanges.
- To enable Depository Participants (DP) to inquire about the BO accounts serviced by them.
- To provide the DPs BO master account details and the current and historic details of transactions.
- To enable Issuers / Registrar and Transfer Agents (RTA) to access an index of all accounts. This index represents the balances of holdings in a particular ISIN or for ISINs serviced by the Issuer / RTA.
- To segregate the various types of accounts required to be maintained by the Clearing Members (CM) for various purposes.

1.2 Features

1.2.1 All BO accounts are operated at DP level, however data is maintained at CDSL level.

1.2.2 The BO must act through its DP.

1.2.3 On dematerialisation, BO shall cease to be the registered owner of securities in the Register of Members of the Issuer. However, all rights and liabilities of the BOs for securities held in their BO accounts maintained with CDSL are protected. Hence the name Beneficial Owner account.

1.3 Reference to Law

1.3.1 Depositories Act, 1996-

- Section 5 - Services of Depositories
- Section 10 - Rights of Depositories and Beneficial Owners.
- Section 11 - Register of Beneficial Owners.

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1.3.2 Companies Act, 1956

- Section 150 - Register of Members.
- Section 151 - Index of Members.
- Section 152 - Register and index of Debenture holders.
- Section 152A -Register and index of Beneficial Owners.

1.3.3 SEBI (Depositories & Participants) Regulations, 1996

- Regulation 42 : Separate accounts.
- Regulation 43 : Statement of accounts
- Regulation 44 : Transfer or withdrawal by Beneficial Owner.
- Regulation 47 : Reconciliation
- Regulation 49 : Record of services
- Regulation 51 : Records to be maintained Depository-wise.

1.3.4 CDSL Bye Laws-

- Bye Laws 5.3.4 & 5.4.6 : Separate accounts for each Beneficial Owner.
- Bye Laws 8.3 : Rights and Obligations of Clearing Corporation.
- Bye Laws 9.1 & 9.2 : Clearing Member to open two separate accounts.
- Bye Laws 13.1.1, 13.1.2 : Separate accounts for each DP (by CDSL).
- Bye Laws 16.1 : Reconciliation

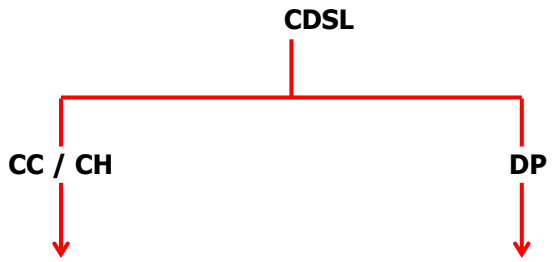
1.4 Overall Account Structure

CDSL system supports following six types of DPs

DP Type	Description
1	Clearing House (CH) / Clearing Corporation (CC)
2	Clearing Member (CM)
3	Regular DP i.e. Banks / Non Banking Financial Corporations (NBFC) etc.
4	Registrar and Transfer Agents
5	Depository
6	Custodians

The accounts that a DP is permitted to open on CDSL system depends on the DP type, mentioned in the above table, and is decided by CDSL from time-to-time.

The different kinds of accounts within CDSL are as follows: -



- Settlement Default (**CH** Pool) A/c
- CH/CC House accounts (to be opened for any specific purpose in relation to Settlements)

- BO Accounts
- CM Principal Account
- CM Unified Settlement (CM Pool) A/c
- CM Clearing Account
- Margin Trading Account

1.4.1 Accounts to be opened by Clearing House / Clearing Corporation: -

- The CH / CC may maintain the accounts in accordance with the CDSL Bye Laws and the agreement with CDSL.
- The CH / CC may open the following types of accounts: -

1.4.1.1 **Settlement Default (CH Pool) Account**: means an account opened by a CH/ CC in its own name with CDSL for the purpose of holding therein securities deliverable to a defaulting Clearing Member in respect of any transaction or dealing and withheld by the CC/CH/Stock Exchange as per the bye-laws, rules and regulations of the concerned CH/ CC or Stock Exchange.

The securities from the Settlement Default (CH Pool) Account can be transferred to any one of the following accounts as may be required: -

- CM Principal Account
- Original BO Account
- Any other BO Account
- CM Clearing Member Account
- Or any other a/c as may be specified by CDSL from time to time.

1.4.1.2 **CH/CC House Account:** means an account opened by the CH/ CC in its own name with CDSL for the purpose of routing securities to be received / delivered from the delivering CM and / or securities to be received / delivered to the receiving CM. The CH/CC may open multiple accounts for this purpose based on its requirement and settlement procedures.

1.4.2 Accounts to be maintained by Depository Participants: -

- **CM Principal Account** - means an account opened and maintained by a CM in its name as a BO with CDSL for the purpose of holding therein securities received from his clients or from the CH / CC for settlement. The CM may advise to credit the securities delivered to him by the CH/CC as a principal to this account. The CM shall be treated as the BO of such securities credited to this account.

- **CM Unified Settlement A/c (CM Pool Account)** - means an account opened and maintained by a CM with CDSL through a DP for the limited purpose of temporarily holding securities received by him from a CH/CC against the delivery due for settlement. The CM should ensure that the securities from CM Unified Settlement (CM Pool) Account are transferred to the concerned BO account within 24 hours or 1 working day, or such time as may be notified by SEBI from time to time, from the date of payout.

- **CM Clearing Member Account** - means an account opened by the CM in his own name for the purpose of receiving securities from his clients who have sold securities and from the CH/CC for the purchases made by his clients. This account will be opened by CMs of those exchanges, which are following the CM Level Settlement Model.

  All corporate benefits that may accrue in respect of securities that are held in the CM Principle Account / Unified Settlement Account / CM Clearing Member account shall be availed of and held by the Clearing Member in trust for the benefit of the concerned BO and shall be dealt with in accordance with the bye-laws, rules and regulations of the concerned Stock Exchange.

- **Mantra Account:** Mantra accounts can be opened by member-brokers to provide margin trading and stock lending facility to their clients in the cash segment.

  Only corporate brokers with the prescribed net worth would be eligible for offering margin trading facility to their clients. For holding securities purchased through margin trading, brokers would be required to maintain separate client wise demat accounts.

  For this purpose, DPs should note the following:

  a) For holding securities purchased through Margin Trading separate demat accounts, called as "MANTRA accounts" (**Ma**rgi**n** **Tra**ding accounts), would have to be opened.

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b) The MANTRA accounts should be opened in the name of the "CLIENT" and not the Broker Member.

c) The MANTRA accounts can be operated by the broker under a POA issued by the client.

d) In order to enable DPs to identify 'MANTRA' accounts, CDSL has allotted separate sub-status codes under which these accounts have to be opened.

- **BO Account** - means an account opened by an investor in CDSL system either in single name or in joint names through a DP for holding therein securities owned by the investor.

- **CMs engaged in Securities Lending and Borrowing [SLB]** settlement activity would have to open separate accounts, as given below:

- **For BSE CM**

  CM Principal Account

  CM Unified Settlement Account

- **For NSE & Other Exchanges**

  CM Clearing Member Account

Note – Pursuant to the release of facility of holding securities Settlement pocket wise, it is not necessary to transfer securities to **CM Investors Securities Account (CISA)** account**.**

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2 ACCOUNT OPENING

2.1 Objectives

2.1.1 By opening a demat account with a DP of CDSL, investors can carry out the following activities: -

- Convert physical securities held by them into electronic form by way of dematerialization.
- Deliver (sell) / receive (buy) securities in dematerialised form for trades done on stock exchanges or for any other reason.
- Receive credit of securities in dematerialized form in case of Initial Public Offerings or Corporate Action, such as: Rights Issues, Bonus Issues, Mergers, Acquisitions, Amalgamations, etc.
- Obtain statement of account of dematerialized securities held in their demat account.
- Pledge the securities held in the demat account.
- Rematerialize securities held in demat form.

2.1.2 Reference to Law

2.1.2.1 Depositories Act, 1996

- Section 5 : Services of Depository.
- Section 10 : Rights of Depositories and Beneficial Owner.
- Section 11 : Register of Beneficial Owner.
- Section 14 : Option to opt out in respect of any security (Remat).
- Section 16 : Depositories to indemnify loss in certain cases.
- Section 17 : Rights and Obligations of Depositories, etc.

2.1.2.2 SEBI (Depositories and Participants) Regulations, 1996

- Regulation 26 : Rights and Obligations of Depositories.
- Regulation 42 : Separate accounts.
- Regulation 43 : Statement of accounts.
- Regulation 44 : Transfer or withdrawal by beneficial owner.
- Regulation 45 : Connectivity.
- Regulation 46 : Monitoring, reviewing & evaluating internal systems and controls.

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- Regulation 47 : Reconciliation.
- Regulation 49 : Records of services.
- Regulation 50 : Manner of keeping records.
- Regulation 51 : Records to be maintained Depository-wise.
- Regulation 52 : Prohibition of assignment.

2.1.3 CDSL Bye Laws

- Bye Law 4.2.6 : Power to CDSL to issue Operating Instructions, inter alia, with respect to Account Opening procedure.
- Bye Law 5.3 : Rights and Obligations of Participants in relation to CDSL.
- Bye Law 5.4 : Rights and Obligations of Participants in relation to Beneficial Owner.
- Bye Law 6 : Rights and Obligation of Beneficial Owner.
- Bye Law 13.1 : Account Opening
- Bye Law 16.1 : Reconciliation.
- Bye Law 16.2 : Accounting, Internal Control, Reports and Returns.
- Bye Law 16.3 : Audit
- Bye Law 16.4 : Inspection and Investigation.
- Bye Law 16.4.3 :Obligations of Participant on Inspection / Investigations.

2.1.4 Prevention of Money Laundering Act, 2002.

- Rule 6 : Retention of records

2.2 Annexures-

- Annexure 2.1 Additional Know Your Client (KYC) Form for opening a Demat Account for Individuals (Account opening form for individuals).
- Annexure 2.2 Additional KYC Form for opening a Demat Account for Non-Individuals (Account opening form for non-individuals).
- Annexure 2.3 Instructions to the Applicants / BOs for account opening.
- Annexure 2.4 SMART Terms & Conditions-cum-Registration Form
- Annexure 2.5 Option Form for Issue of DIS Booklet
- Annexure 2.6 TRUST Terms & Conditions

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- Annexure 2.7 Rights and Obligations Document
- Annexure 2.8 Additional information to be obtained along with the SARAL Account Opening Form for Resident Individuals

2.3. Documents required to be submitted by the Investor while opening an account:

2.3.1. KYC related documents:

- DPs are required to comply with SEBI Circular no. MIRSD/SE/Cir-21/2011 dated October 5, 2011 regarding KYC documents admissible as Proof of Identity and Proof of Address and additional documents to be obtained from individuals and non-individuals, over and above the proof of identity and proof of address. DPs are also required to comply with SEBI Circular No. MIRSD/Cir-26/2011 dated December 23, 2011 providing the guidelines for intermediaries, in-person verification and subsequent circulars issued by SEBI from time to time in this regard including SEBI circular no. CIR/MIRSD/1/2015 dated March 04, 2015.
- The documents as prescribed by SEBI are the minimum requirements for opening a demat account.
- The DPs are required to exercise Customer due diligence while establishing the identity of the persons as given in SEBI Circular No. ISD/AML/CIR-1/2008 dated December 19, 2008, ensuring the safety and integrity of the depository system.

2.3.2. Documents required to be obtained over and above the KYC documents as prescribed by SEBI / KYC Registration Agency (KRA).

Correspondence address:

- This is applicable to all types of investors.
- If correspondence address of the BO is not the same as permanent address, then the DP shall obtain proof of correspondence address and enter the same in the system, in case the BO is not registered with KRA.
- If the BO is registered with KRA and wants to use the same correspondence address mentioned in the KRA system, the BO will inform the DP accordingly.
- If the BO is registered with KRA and does not want to use the correspondence address mentioned in the KRA system, the BO will inform the DP and submit SEBI specified proof of address document for the address to be entered on CDSL system.
- As per SEBI Circular No. CIR/MRD/DP/37/2010 dated December 14, 2010,

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address of a third party as a correspondence address, may be captured in a BO account provided that the Depository Participant (DP) ensures that all prescribed 'Know Your Client' norms are fulfilled for the third party also. The DP shall obtain proof of identity and proof of address for the third party. The DP shall also ensure that customer due diligence norms as specified in Rule 9 of Prevention of Money Laundering Rules, 2005 are complied with in respect of the third party.

- Where third party address is accepted as correspondence address, the DP shall ensure that proof of permanent address for the BO has been obtained and the same has been entered in the system. DPs should ensure that the statement of transactions and holdings are sent to the BO's permanent address atleast once in a year.
- In case of PMS accounts, portfolio manager's address cannot be captured as correspondence address.

2.3.3 Minor:

The minor shall be the first and sole holder in the account i.e. there shall not be any joint accounts where a minor is a First / Second / Third joint holder. PAN card details of minor have to be entered in CDSL system.

In case of death of Guardian of existing Minor account holder :

In the case of death of the guardian of an existing minor account holder, the following procedure shall be followed:

i. Original Death Certificate of the deceased Guardian or a copy of the same, duly notarized or attested by a Gazetted Officer or Death certificate downloaded from the online portal of Government carrying digital/facsimile signature/e-signed of the issuing authority may be submitted to the DP. Incase death certificate is downloaded from the online portal of Government, the authorised official of the DP should verify the details from the Governments website or from the office of the concerned registrar (birth/death) and keep a record of the same with his signature and stamp of DP.

ii. The minor's account shall be frozen under the appropriate reason code till the new guardian has completed all formalities.

iii. Original or copy of the Court Order (duly notarized or attested by a Gazetted Officer), if the new guardian has been appointed by the Court.

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iv. The new guardian shall submit a new account opening form duly complete in all respects along with KYC application form or details of KRA registered with.

v. DP has to provide a copy of Rights and Obligations document to the new guardian and keep an acknowledgement of the same on record.

vi. The new guardian shall submit a fresh Nomination Form for the minor's account.

vii. After verification of the AOF and documentation, details of the Guardian of the Minor account holder shall be suitably modified in the CDSL system.

viii. The signature of the deceased guardian shall be deleted and the signature of the new guardian shall be recorded in the CDSL system.

ix. Power Of Attorney (POA) / Demat Debit and Pledge Instruction (DDPI) documents/details, if any, recorded with the signature of the deceased guardian shall be deleted.

After the minor has attained majority, DP must collect new KYC application form after the minor has attained majority. The following procedure is to be adopted:

- The account holder shall submit new KYC application form or details of KRA registered with.
- The account holder shall submit a new account opening form duly complete in all respects. The DP shall provide a copy of the Rights and Obligations document to the account holder and shall keep an acknowledgment of the same on record.
- The guardian's details shall be deleted and guardian's signature shall be replaced by account holder's signature.

The above procedure can be followed only if the word 'minor' is not present in the "Account Holder's name" when the account was opened. If "minor" word is present, then the existing account has to be closed and a new account shall be opened.

2.3.4 HUF:

2.3.4.1 a) The PAN details of the HUF entity would have to be entered in the CDSL system.

b) Declaration by Karta giving details of the family members of the HUF with their names, sex (male/ female), date of birth and relationship with the Karta.

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c) DPs shall note the following while opening a HUF account:

- HUF accounts cannot be opened with joint holder(s).
- HUF accounts cannot appoint a nominee.
- In the account opening form, the Karta shall sign under the HUF stamp.
- Account shall be opened in the name of HUF entity.
- PAN details of both the HUF entity and Karta of the HUF. shall be obtained from the Beneficial Owner.
- The name shall be as it appears in the PAN card, e.g. A H Doshi & Sons, Bal Govind Zangle (HUF).
- In case POA /DDPI is to be given by the karta to some other entity to operate the HUF Account, the POA/DDPI shall be signed by all the members of the HUF account in addition to the karta

2.3.4.2 Procedure to be adopted in the event of death of Karta is as follows:

a) HUF, being a Hindu Undivided Family, the property of the family is managed by the Karta.

b) HUF does not come to an end in the event of death of the Karta.

c) In the event of death of the Karta of HUF,the name of the deceased Karta in the Beneficial Owner (BO) account shall be replaced by the new Karta of HUF, who in such case shall be eldest coparcener in the HUF or a coparcener who is appointed as Karta by an agreement reached amongst all the existing coparceners of the HUF.

d) The new karta shall submit the new list of members signed by all the members along with the declaration in the list stating that "we state that the list of surviving members is complete and exhaustive and does not leave out any members of the HUF. Further, we confirm that the list provided is correct in all respect and also the information provided herein is complete and correct in all respect. All the members of the HUF are fully perceptive of the request made to the participant and also there is no pending dispute or claim for the same among the members of HUF with reference to this.

e) Original or a copy of the death certificate of the deceased Karta duly notarized / attested by Gazetted Officer and a no objection from the surviving members of the HUF for him/her to act as Karta of the HUF.

f) The existing BO account need not be closed and the same account may

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continue.

g) The death of the Karta shall not mean that the securities lying in the BO account of the HUF is deemed to have divided among the coparceners as if the partition has taken place.

The new Karta will submit to the DP the account modification form and record change in signature of the new Karta to operate the account. DP will make necessary modifications in the name of Karta after verifying all the documents and record change in signature of the new Karta to operate the account.

The previous account need not be closed and the same account can continue.

2.3.4.3 Procedure to be followed in case of partition of HUF:

a) A total or partial partition shall be recognized only if a claim to that effect is made by one or more coparceners.

b) An intimation of a total or partial partition shall be accompanied by a signed letter mentioning the names of the other members and their confirmation of a partition having taken place.

c) In case of partial partition of the HUF, if desired by one or more coparceners the new Karta shall transfer shares to the said coparceners who seek partition and the BO account of the HUF shall continue. The account of such coparceners shall be treated as their individual accounts.

d) In case of full partition of the HUF, the shares shall be divided amongst all the coparceners in the manner specified by the applicant subject to fulfillment of clause 2.3.4.3.b. above and the HUF account shall cease to exist.

In both the above cases, the Karta can transfer shares to the members who seek partition. If the issue of transfer cannot be amicably settled, the family members can go to court and transfer of shares can then be based on the Court directions.

2.3.4.4 Procedure to be followed in case of POA/DDPI being given for the HUF

The Power Of Attorney (POA) /DDPI document shall be signed by the Karta of the HUF and all the co-parceners.

2.3.5 Foreign Corporate

a) A duly signed declaration that the corporate has complied with, and will continue to comply with, FEMA Regulations and other applicable laws.

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2.3.6 NRI

a) In case of foreign address, if address with P.O. Box No. has been submitted as Permanent and/or Correspondence address, additionally the DPs shall obtain the complete residential address of the NRI BO, under declaration at the time of opening of the account. Such BO shall give an undertaking that whenever there is a change in the residential address, the BO shall inform the DP.

b) A declaration duly signed by the NRI that he/she has complied with and will continue to comply with, FEMA regulations and other applicable laws.

2.3.7 Clearing Member (CM)

a) If CM is a corporate body:

- True copy of certificate of registration with SEBI, certified by Managing Director/Company Secretary / notarized.

b) If CM is a not a corporate body:

- The CM account (CM Pool / CM Principal / Early Pay-in) may be opened in the CDSL system:
  - either in the name of the partnership firm/entity as mentioned on the Certificate of Registration with SEBI, or
  - in the name of the proprietor or partners (up to three partners).
- Photocopy of Certificate of Registration with SEBI, duly notarized.

c) Asset Management Company (AMC) Pool Account:

- This account is linked with a stock exchange.

Following document is to be submitted by the AMC for opening the pool account with any DP of CDSL for the purpose of settlement of mutual fund units:

- Letter / circular / instructions issued by the concerned Stock Exchange indicating the CM ID.

2.3.8 OCBs

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a) Certified true copy of Board Resolution, certified by Managing Director/Company Secretary for persons authorized by the Board to act as authorized signatory (ies).
b) Names of the authorized signatory (ies), designation, photographs and their specimen signatures, certified by Managing Director/Company Secretary.
c) Memorandum and Articles of Association of the Company.
d) RBI Registration Certificate.
e) Declaration from the OCB that it meets with the guidelines issued by RBI / Ministry of Finance.
f) Certificate from overseas auditors in Form OAC or OAC – 1, as may be applicable.
g) Statement of account from the Bank.

2.3.9 Societies:

2.3.9.1 **Registered Society**: The account shall be opened in the name of the society.

2.3.9.2 **Unregistered Society**:

a) The account shall be opened in the names of the members under "Individual" category (maximum three accountholders).
b) All the documents, as applicable for account opening under individual category, shall be obtained.

2.3.10 Trust:

2.3.10.1 **Public Trust/ Charitable Trust and Trust capable of holding property in its name (Registered Trust /Public Trust):**

a) Account shall be opened in the name of the Trust.
b) Certificate of Registration of Trust under the Societies Registration Act/ Public Trust Act,1860 / Bombay Public Trust Act,1950 / Public Trust Act, of relevant State.
c) In case if BO informs the non-applicability of the relevant Public Trusts Act or the Indian Societies Registration act, in its specific case, then the BO may be allowed to open a demat account in the name of the trust on submission of the Certificate obtained by the BO as per Section 12AA of Income Tax Act, 1961 along with the Latest Income Tax Returns filed by the Trust.

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d) Certified true copy of Board Resolution to open the demat account and specifying the persons authorized by the Board of Trustees to act as Authorized signatory(ies) to operate the demat account.

e) Names of the authorized signatories, designation, and their specimen signatures duly verified by the Managing Trustee.

2.3.10.2. Private Trust:

a) The Board of Trustees shall specify the names of the trustee/s who shall hold/ operate the demat account.

b) The account shall be opened in the names of the trustees under "Individual" category of the first named trustee (maximum three account holders).

2.3.10.3. 'Recognized' Funds / Trusts/ Other similar entities.

The Funds/ Trusts/ Entities presently included under this category are as follows:

a) Employees Provident Fund, which have been recognized by the Provident Fund Commissioner under Employee's Provident Funds & Miscellaneous Provisions Act, 1952.

b) Employees Gratuity Fund, which are formed under Payment of Gratuity Act, 1972.

c) Superannuation Fund which are formed under the guidelines issued by Income Tax Department.

d) Venture Capital Funds which are registered by SEBI.

e) ESOP Trust formed pursuant to the guidelines issued by SEBI.

Accounts of the above Funds/ Trusts/ Entities shall be opened in the name of above Funds/ Trusts/ Entities as they are recognized either under the Income Tax Act or Securities & Exchange Board of India Act, etc.

Documents to be furnished by the above Funds/ Trusts/ Entities and other Funds/ Trusts/ Entities, which are similarly placed, are:

- Certificate of Registration, if any, issued by the authority recognizing the Fund / Trust / Entity as such;
- Trust Deed and Rules and/or any document or charter defining their constitution and providing for management thereof;
- List of Members on the Board of Trustees/Governing Body;

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- Certified true copy of the Resolution passed by the Board of Trustees/Governing Body to open the demat account and specifying the persons authorized by the Board to act as Authorized signatory(ies) to operate the demat account;
- Names of the authorized signatories, designation, and their specimen signatures duly verified by the Managing Trustee.

2.3.11. Banks

a) Certified true copy of Board Resolution, or

b) Letter on the letterhead of the bank, signed by the Chairman/MD authorizing opening of account and authority given to authorized signatories to open and operate the demat account.

2.3.12. Foreign Nationals

a) Documents – same as NRI.

b) If the foreign address with P.O. Box No. is given as Permanent and/or Correspondence address, additionally, the DPs should obtain the complete residential address of the Foreign National BO, under declaration at the time of opening of the account. Such BO shall give an undertaking that whenever there is a change in the residential address, the BO shall inform the DP.

2.3.13 Association of Persons (AOP):

a) Object of the association.

b) Powers of the Managing Committee.

c) Copy of the Bye Laws.

2.3.14. Mutual Funds

- SEBI Registration Certificate clearly indicating the name of the Mutual Fund.

2.3.15. Escrow Account

- KYC form / KRA details of entity that is opening the account (RTA / Clearing Member / Manager to the Issue).
- The photographs of the authorized signatory (ies) who would be operating the account.
- PAN card of both parties i.e. Corporate entity & Escrow Agent. The PAN details of the Corporate entity would have to be captured in the CDSL system.

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- Copy of the Escrow Agreement duly signed by the parties.

Procedure for opening Escrow account.

The escrow account shall be opened in the name and form of < Issuer name> - <Reason for opening the escrow account>-operated by-<Operator Name> for e.g. Infosys Technologies Ltd. – Buyback Account - Operated by – Karvy Consultants Ltd.

The photographs of authorized signatories who will be opening the account as well as who will be operating the account along with name, designation shall also be obtained.

The escrow account shall be active for the limited period of the activity for which it has been opened. Such period shall be as specified by SEBI / CDSL or any such regulating authority from time to time. After the specified period is over the account shall be closed by the DP irrespective of whether the closure instruction is received from the account holder or not.

2.3.16. Demat Account for Unclaimed Shares of a Listed Company

Pursuant to public issues, there is a large quantum of shares which remain unclaimed despite the best efforts of the Registrar to the public issues or Issuers. Since there is no uniform practice for dealing with such unclaimed shares, SEBI, vide Circular no. **SEBI/CFD/DIL/LA/1/2009/24/04** dated April 24, 2009 has provided a uniform procedure for dealing with unclaimed shares i.e. shares which could not be allotted to the rightful shareholder due to insufficient / incorrect information or any other reason. The procedure for opening of demat accounts for unclaimed shares of a listed company is as follows:

2.3.16.1 If a listed company wishes to open a demat account for dealing with "unclaimed shares", such an account shall be opened as "**<Issuer Name> - Unclaimed Securities Suspense Account.**" The suspense account shall be held by the Issuer purely on behalf of the allottees who are entitled for the shares and the shares held in such suspense account shall not be transferred in any manner whatsoever except for the purpose of allotting the shares to the allottee as and when he/she approaches the Issuer.

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2.3.16.2. The Board Resolution and all other documents as prescribed by SEBI and CDSL for opening a Corporate Account shall be obtained.

2.3.16.3. The Issuer shall furnish a **declaration** on its letterhead, signed by the authorized signatories, stating that: "***We hereby undertake that we will ensure compliance with the provisions of SEBI Circular no. SEBI/CFD/DIL/LA/1 /2009/24/04 dated April 24, 2009 related to the procedure for dealing with unclaimed shares. We further undertake that the said suspense account will only be used for the purpose as specified in the said SEBI circular.***"

2.3.16.4 Credits to the demat account:

Any corporate benefits in terms of securities accruing on such unclaimed shares, shall be credited to such demat suspense account.

2.3.16.5. Debits to the demat account:

The Issuer shall debit the shares lying in the suspense account and credit the same to the demat account of the allottee to the extent of the allottee's entitlement, after proper verification of the identity/bonafides of the allottee.

2.3.17. Suspense Escrow Demat Account of the Company:

2.3.17.1 Listed company is required to open the "Suspense Escrow" Demat Account of the Company demat account similar to the procedure as mentioned in 2.3.16 for crediting the investors securities incase of non-receipt of letter of confirmation from the investor within 120 days of the date of Letter of Confirmation. .(Reference - SEBI circular SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022 /8 dated January 25, 2022,)

2.3.17.2 The suspense escrow demat account of the company, shall be held by the Issuer purely for crediting the securities as mentioned in the above SEBI Circular on behalf of the investors to this account and shall not be transferred in any manner whatsoever except for the purpose of transferring the shares to the actual demat account holder (transferee) as and when he/she approaches the Issuer.

2.3.17.3. The Board Resolution and all other documents as prescribed by SEBI and CDSL for opening a Corporate Account shall be obtained.

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2.3.17.4. The Issuer shall furnish a declaration on its letterhead, signed by the authorized signatories, stating that: "We hereby undertake that we will ensure compliance with the provisions of SEBI circular SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022 /8 dated January 25, 2022. related to Operational guidelines for Issuance of Securities in dematerialized form in case of Investor Service Requests.

2.3.17.5 Credits to the demat account: Any corporate benefits in terms of securities accruing on such Issuance of Securities in dematerialized form in case of Investor Service Requests, shall be credited to such demat account of the "Suspense Escrow Demat Account of the Company"

2.3.17.6. Debits to the demat account: The Issuer shall debit the shares lying in the suspense escrow demat account and credit the same to the demat account of the transferee to the extent of the securities belonging to the transferee after proper verification of the identity/bonafides of the transferee by way of corporate action.

2.3.18 Demat Account for Limited Liability Partnership Firm [which is registered under the Limited Liability Partnership Act (2008)]

2.3.18.1. Such an account shall be opened as: <"**Company Name**" **Limited Liability Partnership**> or <"**Company Name**" **LLP**>. For example, if the company name is "ABC" then the demat account shall be opened in the name of **<ABC Limited Liability Partnership**> or <**ABC LLP**>.

2.3.18.2. The following documents shall be obtained :

(i) Registration Certificate granted by the Registrar to the LLP under the LLP Act 2008.

(ii) Declaration, on the letterhead of the LLP signed by all the designated partner/s clearly stating that the within named persons, who are designated partners of the LLP, have been nominated as authorized signatories to open and operate the said demat account on behalf of the LLP.

(iii) The declaration shall specify the manner in which the account will be operated, that is: jointly or severally and shall give details of the names,

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addresses and DPIN [**D**esignated **P**artner **I**dentification **N**umber allotted by the Registrar for each designated partner] / DIN [**D**irectors **I**dentification **N**umber] along with their signatures and photographs.

(iv) PAN Card details of the LLP are to be entered in the CDSL system.

(v) The bank details in the name of the LLP, as sole / first holder in the bank account.

(vi) PAN card of the authorized signatories to be kept on record.

(vii) In case of change in registered office address of the LLP, the DP should take on record the notice of change of address filed by the LLP with the Registrar

2.3.18.3. Joint holders in the demat account may be allowed.

2.3.18.4. Nomination in such demat accounts shall not be allowed.

2.3.18.5. Such demat accounts shall be opened under "Corporate" status in the CDSL system with the sub-status "Limited Liability Partnership".

2.4. Procedure to be followed while opening an account

2.4.1 An investor wishing to open an account in CDSL shall approach a DP registered with CDSL. The applicant shall fill up the KYC Application form as specified by the KYC Registration Agency for individuals or for Non-Individuals as the case may be and additional KYC Form for opening a Demat Account for Individuals (Annexure 2.1) or for Non-Individuals (Annexure 2.2) and submit the same to the DP. The applicant should submit any one of the documents as valid Proof of Identity and Proof of address as specified by SEBI from time to time. If the investor is already KRA compliant, the investor should disclose such details of KRA with whom he / she is registered. Such investor need not submit KYC documents and KYC application form again. A Power of Attorney holder cannot open a demat account on behalf of the BO.

2.4.2. DP must collect separate KYC application forms from sole / first holder, second holder and third holder in case of Joint Accounts. In case, if sole holder is a minor /person with mental disability **,** KYC application form should be collected from the guardian also. Separate KYC application form to be collected from the HUF entity, Karta, Trust and Trustees in case of unregistered Trust, Partnership Firms.

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2.4.3. The DP shall provide a copy of the Rights and Obligations document to the applicant and shall keep an acknowledgment of the same on record. A BSE CM, who is not a participant in CDSL, is required to enter into an agreement with the DP (when opening Settlement Accounts). Format of the agreements shall be as specified by CDSL. A BO belonging to any one of the exempted categories specified under the CDSL Bye Laws need not be provided with a copy of the Rights and Obligations document as mentioned above.

FII:

A **F**oreign **I**nstitutional **I**nvestor registered with SEBI, 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. Provided that such agreement gives the Participant 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 SEBI.

International Multilateral Agency and Global Custodian

An International Multilateral Agency and Global Custodian 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.

2.4.4. In order to open an account, the investor needs to fill up KYC Application form (if not KRA compliant) and Additional KYC form for opening a demat account as per the format provided by CDSL (Annexure 2.1 or 2.2). The investor shall complete the standard form in all respects and submit the same to the DP along with the relevant documents as prescribed by SEBI and mentioned in Section 2.3 above. However, the DPs can obtain a single form from the CM for opening the multiple accounts of same exchange, e.g. CM Principal and CM USA account, for BSE and CM Clearing Member account for exchanges other than BSE. Instructions to the applicants / BOs for account opening as given in Annexure 2.3 may also be printed on the account opening forms or given to the BOs as a separate sheet along with the accounting form. Those sections of the application form, which are not relevant to any particular type of BO, shall be marked `Not Applicable'.

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2.4.5. For Proprietary / Partnership Firms: A BO Account shall be opened in the name of a proprietor or in the name of partners [Maximum 3 Partners]. BO accounts in the name of the Proprietorship Concern or Partnership Firm cannot be opened in CDSL system. KYC application form / KRA details are to be obtained for proprietor / partners and partnership firm. For Partnership firm, Partnership deed is also to be obtained. The pan card details of the partnership firm / proprietor is to be updated in the CDSL system.

2.4.6. A BO's Account can have a maximum of three names associated with it: the Sole/ First Account holder, the First Joint holder and the Second Joint holder. One passport-size photograph of each applicant shall be pasted on the form along with their signatures across the photograph and Account Opening Form.

2.4.7. Opening a demat account for more than three holders

In case the number of joint account holders are more than three (especially in the case of Share Certificates being held in more than three names), the account may be opened in the name of the first holder and the balance joint holders shall be accommodated in the two joint holders' names, ensuring that the pattern of holding as per the Certificate tallies with the pattern of holding as per the BO Account. Such an account shall be used only for the purpose of dematerialization and once all certificates have been dematerialised, such an account shall be closed and shares transferred to a NEW ACCOUNT opened in the name of maximum three holders. An undertaking shall be obtained from the account holders that in such account credits shall be only through demat and corporate actions. For such accounts purchase waiver flag shall be marked as 'NO' to ensure that credits through other transactions do not come in such accounts.

2.4.8 Obtaining PAN Card details of all holders is compulsory for all categories of demat account holder(s).

2.4.9. In some cases, the PAN is not required to be entered. Such cases are to be handled by entering appropriate exemption code. The exemption codes provided are as follows:

Exemption Code	Exemption Description for the account holder
D	Custodian

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Exemption Code	Exemption Description for the account holder
G	Governor
P	President of India
S	Sikkim Resident
U	UN entities / Multilateral Agencies
H	Holder Deceased

2.4.10. Bank Details : DPs shall collect proof of bank details.

a) Any one of the following documents can be collected: -

i. Photocopy of the cheque / cancelled cheque having the name of the account holder where the cheque book is issued.

ii. Photocopy of the Bank Statement having name and address of the BO.

iii. Photocopy of the Passbook having name and address of the BO.

iv. Letter from the Bank.

In case of option (ii), (iii) and (iv) above, MICR code of the branch shall be present/mentioned on the document and it shall be self-certified by the BO.

MICR code starting with 000 will not be eligible for ECS.

b) In case of Bank DPs, where a BO is having banking relation with the Bank and has also provided the same Bank details for the demat account, then the Bank DP need not obtain proof of such bank details as mentioned above.

2.4.11. Special care shall be taken to check genuineness of the client if disproportionately large number of accounts (say, above 20) are opened with the same or similar names and/or same address and/or with the same bank account details.

2.4.12. The DP shall obtain and maintain photocopies of documents submitted on regular paper and not on thermal facsimile paper.

2.4.13. The DP shall accept the duly completed KYC application form and additional KYC form along with relevant documents and give an acknowledgement to the BO after signing and stamping the acknowledgement slip.

2.4.14. The DP shall enter the account opening information in the CDSL system from the account opening form and KYC application form filled by the BO(s). The DP shall

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capture the BO details accurately.

2.4.15. If a client is already KRA compliant, the DP shall fetch / obtain the details from KRA system for KYC compliance and proceed further with other formalities for account opening.

2.4.16. A BO shall be classified with a BO status. These statii are system-defined. The BO status identifies the BO as an Individual, NRI, Corporate body, Bank, etc.). The DP shall ensure that a separate BO Account is opened for each BO sub–status (sub-type), e.g. – A BO being an Individual (BO Status) may be a Resident BO for a particular ISIN, but may be a Resident Individual Director (sub–status) for another ISIN. In such a case, the BO shall open two BO accounts, one for each sub–status. A BO will be classified with a BO status. The information to be captured for each BO status will be different. The system will allow the DP to capture only the relevant fields as per the BO status. By defining different BO status codes, relevant fields for each type of BO can be entered (e.g. sex code will not be relevant to a Corporate BO). The DP will first select which Product code to use for the set-up of a BO account. Only those fields that are pre-defined for the Product code will come up on the screen for the user to enter.

2.4.17. The DP shall scan the signature(s) of the BO(s), authorised signatory(ies) and POA holder(s) / DDPI holder(s), if any, at the time of account opening or immediately thereafter

2.4.18. Once the transaction is committed, the data is captured and stored at CDSL. A unique BO account number (ID) is generated by the system. The DP shall record the BO ID on the original application form.

2.4.19. The BO account number is unique within the system and will serve as a reference number for the BO in all his future dealings with his DP or with CDSL.

2.4.20. The account number is a combination of the CDSL Code (1), DP Type (1), DP Code (4), Sub DP Code (2), serial number (7) and the Check Digit (1). {Figures in brackets indicate number of characters}. The first 8 digits form the DP ID and the remaining 8 digits form the Client ID.

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2.4.21. The DP shall send the BO a system-generated confirmation letter for having opened the account mentioning the account number along with the formats of necessary forms and instruction slips. This letter shall be given to the BO and the DP shall maintain proof of such dispatch. The letter along with other documents mentioned earlier may also be given to the BO if the BO wants to collect the same in person. Proof of such delivery shall be maintained by the DP.

Alternatively, the client master report may be provided by the DP to the BO at the email address recorded in the CDSL system or through its website, provided the same can be accessed by the BO through secured access-e.g. Login ID-Password / three factor authentication. In case the DP is not able to provide the same by email / the BO cannot access the same through its website due to any reason (including bounced emails), the DP should ensure that the same is provided to the BO in paper form. The DP should maintain record of delivery/ non-delivery of the emails to the BO or accessing of the information by the BO through its website. The BO should be informed at the time of account opening that such information will be made available through email /website, as the case may be. In case DIS booklet is required to be sent to BO, it must be separately issued to the BO.

A BO may have an on-line trading account and give /execute a POA / DDPI in favour of the CM for executing delivery instructions for settling stock exchange trades effected through such CM or a BO may have registered for eDIS (submission of electronic instructions through online portal of DP) facility provided by DP or a BO may be a PMS client of a PMS manager and give / execute a POA in favour of the PMS manager or execute a PMS agreement with an authority to PMS manager to manage the portfolio of securities. In such a case, the BO shall be given an option to receive the Delivery Instruction Slip Booklet (DIS) on the DP completing the account opening procedure or at any later date on request by the BO. The BO can exercise such option by submitting an 'Option Form for issue of DIS booklet', as given in Annexure 2.5, which shall be given to the intending-BO along with the Account Opening Form (physically / electronically). A written consent shall be obtained from BO in case BO agrees to waive off the right to receive DIS booklet at the time of account opening and opts to receive it at a later date.

If the BO requires the DIS booklet at a later date then the DP shall issue the DIS booklet on receiving a request letter signed by all accountholders. The procedure for verifying the request/signatures, dispatch of DIS booklet or hand-delivery

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thereof, and maintenance of dispatch record / acknowledgement record by the DP would remain the same as mentioned under Item 6.5.1 (Issue of Instruction Slips) of CDSL's DP Operating Instructions.

2.4.22. All correspondence/queries relating to BO Account are sent to the First Holder only at the correspondence address recorded in the system.

2.4.23. Information to KYC Registration Agency (KRA):

a. After doing the initial KYC / due diligence of the new clients, DP shall forthwith upload the KYC information with proper authentication on the system of the KRA furnish the scanned images of the KYC documents to the KRA, and retain the physical KYC documents.

b. For existing clients, the KYC data may be uploaded by the DP provided it is in conformity with the details as per SEBI circular No. MIRSD/SE/Cir-21/2011 dated October 05, 2011.

c. In case of those existing clients, who deal with the DP for execution of any transaction like dematerialisation / rematerialisation requests, change of address/ demographic details, debit instruction on client request, transmission (surviving holder on the demat account), freeze / unfreeze request, pledge / unpledge / confiscation (invocation) request etc., the DP should forthwith upload their KYC details in the KRA system. Further the DP should also send original KYC documents to the KRA on continuous basis and complete the process within the prescribed time limits.

d. The DP shall maintain electronic records of basic / KYCs of Clients and keeping physical records would not be necessary.

e. The DP shall highlight the KYC details about the existing client which is missing/not available, as per the KYC requirements specified vide circular dated October 5, 2011, only if it was not mandated earlier, when the client's account was opened.

2.5. Procedure for opening a BO account of an Illiterate / Disabled Person / Blind person /Person with mental disability:

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2.5.1. The BO shall, as far as possible, come in person to open the demat account. Such persons shall, at the time of opening an account with a DP, affix the thumb impression (left hand thumb in case of a male and right hand thumb in case of a female), on the account opening form as well as on the acknowledgement of Rights and Obligations document in the presence of an authorised officer of the DP, who shall certify that the thumb impression was affixed in his presence.

2.5.2. In case of disabled persons, the BO shall produce a medical certificate about the BO's disability.

2.5.3. The DP shall identify the BO by verifying the photograph submitted by the BO and if the BO is illiterate/blind, the DP shall read out/explain the contents of the account opening form and Rights and Obligations document to such BOs, in the presence of a witness at the time of opening the account. The said witness shall sign the account opening form and acknowledgement of Rights and Obligations document, as a witness. The official of the DP shall then put his signature and remarks "Details explained to the BO" on the account opening form.

2.5.4 Rest of the procedure remains the same as point no.2.4.

2.5.5 A person suffering from conditions relating to Autism, Cerebral Palsy, Mental Retardation and Multiple disabilities, can open a demat account in his/her own name through a guardian. The guardian may be appointed by Local Level Committee under the National Trust for the Welfare of persons with Autism, Cerebral Palsy, Mental retardation and multiple disabilities Act, 1999 or District Court under Mental Health Act, 1987. Based on Guardianship Certificate issued by the aforesaid authorities for the purpose of opening and operating the demat accounts, the demat account can be opened.

If the person is a "mentally ill person" (person who is in need of a treatment) by reason of any mental disorder other than mental retardation, the account can be opened in his/her own name through a guardian appointed by the District court and collectors of districts under the Mental Health Act 1987.

2.6 Procedure for opening of CM accounts:

2.6.1 The procedure for opening of a CM Account remains similar to opening a normal BO Account.

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2.6.2 The DPs shall use the corporate account opening form for opening of a CM account, even though the CM may be an individual/ partnership firm.

2.6.3 The DP's shall also take note of the following for opening of the CM account –

- If the CM is a 'Sole Proprietor', the name of the sole proprietor shall be entered in the first holder field or the account may be opened in the name of the entity / firm as mentioned on the Certificate of Registration with SEBI.
- In case the CM is a corporate, the name of the company is to be entered in the first holder field.
- If the CM is a partnership firm, the CM account (CM Pool / CM Principal / Early Pay-in) may be opened either in the name of the partnership firm/entity, as mentioned on the Certificate of Registration with SEBI or in the name(s) of the partner(s) (up to three accountholders).
- While entering the CM-ID, care shall be taken to enter the entire ID without preceding zeroes, spaces or special characters in the ID. (e.g. CM ID 100 to be entered as 100, CM-ID 001 to be entered as 1). Moreover, the same shall be entered without spaces and special characters. The same number is to be entered in all the accounts, i.e. Principle and CM Pool account in case of BSE and CM Clearing Member Account in case of other exchanges.

2.6.4 The CM of exchanges other than BSE shall be given a copy of the Rights and Obligations document. The DP shall keep an acknowledgment of the same on record. The CM of BSE shall execute DP-CM agreement.

2.6.5 The CM shall execute an undertaking on its letterhead and the same shall be stamped and signed by the authorised signatories/accountholder(s). This undertaking shall authorize CDSL to debit/credit the Clearing Member account based on the instructions received from the exchange.

2.6.6 DPs shall collect the original undertaking and two copies thereof. The original undertaking is to be sent to CDSL, one photocopy to be retained by the DP and the other photocopy to be sent to the CH/CC by the CM.

2.6.7 The PAN card details of the entity shall be entered in the CDSL system.

2.7 Procedure for opening of accounts for the "surviving holders" of a BO account (TRANSMISSION) – with the same DP:

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2.7.1 In case of "Transmission", the new account would need to be opened in the same order of names of the surviving holders as given in the old account. For example: If the old account is in the names of **A, B & C** and "C" expires, the new account, should necessarily be in the names of **A and B**.

2.7.2 Rights and Obligations Document : If the surviving BO(s) decide to open the new account with the same DP, a fresh copy of the Rights and Obligations document need not be given. The account opening form and "Agreement / acknowledgement of Rights and Obligation document signed at the time of opening of the old account may be used for the new account.

2.7.3 **Address Proof:** If the 1st Holder of the new account is the same as the old account, the address proofs obtained for permanent address and correspondence address, as submitted with the old account, may be used for the new account. However, if the 1st Holder is different, the DP should take care to ensure that existing KYC norms are adhered to in obtaining the required proofs for recording of permanent and correspondence address. Further, the DP shall ensure that the KYC documentation for opening of new accounts is as per SEBI and CDSL specifications in force at the time.

2.7.4 **SMS Alert**: If the 1st holder of the account is the same as the old account, the same registration form and mobile number may be continued for receiving SMS Alerts. However, if the 1st holder of the account is different, the surviving BO(s) will have to provide the mobile number of the 1st holder of the new account for availing the "SMART" facility.

2.7.5 **Nomination:** a fresh Nomination form, duly signed by the surviving holders will have to be obtained for the new account and duly updated in the CDSL system and Nomination Register.

2.7.6 The DP should ensure that any original documents removed from the **old** account opening records (and used for KYC purposes in the **new** account), are replaced with photocopies of the same, for future co-relation / reference.

2.8 SARAL Account Opening Form (AOF) for resident individuals:

SEBI vide its circular no. CIR/MIRSD/1/2015 dated March 04, 2015, has specified

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a simplified Account Opening Form (AOF) termed as SARAL AOF which can be used by only resident individuals for opening demat accounts.

If an applicant submits SARAL AOF then the DP should obtain additional KYC form as per annexure 2.8 (instead of annexure 2.1)

2.9 Mode of operation in Joint Account

2.9.1 In the case of demat account with joint holders, the DP shall ensure that all instructions submitted are duly signed by all account holders.

2.9.2 2.9.2 The joint account holders may opt for any one of the following modes of operation for executing the transactions (as mentioned under OI 2.9.4) by submitting a specific instruction at the time of demat account opening or at a later date duly signed by all account holders:-

a. Jointly

b. Anyone or Survivor

In system the default option for mode of operation will be "Jointly". If mode of operation chosen by the demat account holders is other than "Jointly", then the same should be captured by the DP in CDSL system.

2.9.3 DP can execute the following transactions as per the mode of operation captured in the CDSL system.

i. Transfer of securities including Inter-Depository Transfer.

ii. Pledge / Unpledge / Confiscation Margin repledge (Creation, closure and invocation and confirmation thereof as applicable).

iii. Freeze/ unfreeze of demat account and/ or the ISIN and / or specific number of securities.

2.9.4 For all transactions other than mentioned under O.I. 2.9.3, the mode of operation shall be as "Jointly" .

2.9.5 Where the demat account holders have opted for operation by "any one or survivor", the transactions as mentioned in 2.9.3 should be duly signed by any one of the holders of the joint account.

2.9.6 Where the account holders opted for operation by jointly the transactions mentioned above should be duly signed by all the holders of the joint account.

2.9.7 All the existing joint account holders may also opt for one of the modes of operation 2.9.2

2.9.8 With regard to transactions undertaken in client demat account as mentioned under 2.9.3, signature of one of the joint holders as per the mandate of operation

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given by the joint account holders shall discharge the DP in full vis-à-vis all the account holders of the joint account and the account holders undertake to cover and guarantee the DP against all claims including by third parties pursuant to the DP acting on the transaction so received by it from one of the Client account holders.

2.9.9 Each demat account holder is jointly and severally liable towards the DP for all the commitments entered into by himself/ herself or by any other client account holder or authorised representative (within the limits of the power) .

2.9.10 The arrangement of mode of operation shall not expire on the death of one of the client holders, if surviving account holders choose the option to continue with the same demat account by deletion of deceased's name.

2.9.11 The surviving members have to inform the Participants about the death of account holder with requisite documents.

2.9.12 The applicability of mode of operations needs to be checked and submitted for change basis on pattern of only surviving account holder/s after deletion of name of deceased holder.

2.9.13 Necessary audit trails should be in place in depository systems for the name deletion / new account set up.

2.9.14 Any holder of demat account may opt out from the facility as mentioned under Operating Instructions 2.9.2 by giving a written request to the DP and upon receipt of such a request by DP, the DP shall change the mode of operation to 'jointly'.

2.9.15 In case of a demat account with joint holders, all communications shall be sent to the first holder and shall be deemed to have been duly sent to all account holders.

2.9.16 The DP should provide a facility whereby the account holders can opt to receive communication from DP to all holders in electronic mode.

2.9.17 The DP should note that POA / DDPI if executed by the BOs will be independent of the 'mode of operation' or any change in the 'mode of operation' chosen by the BO.

2.9 Reconciliation:

The DP shall do the following reconciliation :-

Account Opening request received in a day } = Request for which accounts Opened + Request for which account opening is pending

2.10 Records

Public

2.10.1 The DP shall maintain the following records -

- Electronic records of KYC Application form
- Additional KYC forms for opening a demat account
- Agreement or acknowledgement of Rights and Obligations document, as applicable
- Power of Attorney documents (POA)
- Demat Debit and Pledge Instruction (DDPI)
- Nomination Form
- Supporting documents furnished with Account Opening Form.
- Nomination register
- Power of Attorney register

2.10.2 All the above documents related to account opening activity shall be maintained as long as the account is active and, subsequently, for a minimum period of 8 years or any such period as specified by SEBI/CDSL/ Prevention of Money Laundering Act 2002, whichever is higher, after the account is closed and subject to any other law in force for the time being.

It is noticed that enforcement agencies like CBI, Police, Crime Branch, etc. have been collecting copies of the various records/documents during the course of their investigations. These original documents both in physical form and electronic form would be required by such enforcement agencies during trial of the case also.

In view of the above, not withstanding anything contained in D&P Regulations, 1996, DPs are advised to preserve the originals of the documents, both in electronic and physical form, copies of which have been taken by CBI, Police or any other enforcement agency during the course of any investigation till it is confirmed that the trial is completed.

2.11.1 $Opening of BSDA

With the objective of achieving wider financial inclusion to encourage holding of demat accounts, facilitate ease of investing and reduce the cost of maintaining securities in demat accounts for eligible individual investors, all depository participants (DPs) shall make available a "Basic Services Demat Account" (BSDA) facility as per terms specified herein.

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A) Eligibility for BSDA:

An individual shall be eligible to opt for BSDA subject to the following conditions:

i) The individual has or proposes to have only one demat account where he/she is the sole or first holder.

ii) The individual shall have only one BSDA in his/her name across all depositories.

iii) Value of securities held in the demat account shall not exceed Rs.10 Lakhs for debt and other than debt securities combined at any point of time.

B) The DPs shall open only BSDA for Beneficial Owners (BOs), if such demat accounts are eligible for BSDA as per criteria specified in para 2.11.1.A above, unless such BOs specifically provide their consent by way of email from their email-id registered with the DP to avail the facility of a regular demat account.

2.11.2 Services for Basic Services Demat Accounts:

a) Electronic statements shall be provided free of cost.

b) Physical statement may be charged at a fee not exceeding ` 25/- per statement.

c) All other conditions as applicable to regular demat accounts, other than the ones mentioned above, shall continue to apply to basic services demat account.

[$]Refer Communique no. CDSL/OPS/DP/POLCY/2024/644 dated October 25, 2024

Public

3 ACCOUNT ADMINISTRATION AND MAINTENANCE

3.1 Objectives

3.1.1 The main objective of Account Administration and Maintenance is to allow DPs to make additions, modifications/deletions to the details submitted by the BO at the time of account opening. Additions, Deletions and Modifications should be done only against written instructions from the BO.

3.2 Reference to Law

3.2.1 **Depositories Act, 1996-**

- Section 5 : Services of depository
- Section 10 : Rights of depositories and beneficial owner
- Section 11 : Register of Beneficial Owner

3.2.2 **SEBI (Depositories and Participants) Regulations, 1996 -**

- Regulation 47 : Reconciliation.
- Regulation 49 : Record of Services.
- Regulation 50 : Manner of keeping records.
- Regulation 51 : Records to be maintained Depository-wise.

3.2.3 **CDSL Bye Laws-**

- Bye Law 5.3 : Rights and Obligations of Participants in relation to CDSL
- Bye Law 5.4 : Rights and Obligations of Participants in relation to Beneficial Owners
- Bye Law 6 : Rights and Obligation of Beneficial Owner
- Bye Laws 13.9 : Transmission
- Bye Law 16.1.2 : Reconciliation

3.2.4 **Prevention of Money Laundering Act 2002.**

- Rule 6 : Retention of records

3.3 Annexures

- Annexure 3.1: Account Details Addition/Modification/Deletion Request Form.
- Annexure 3.2: Nomination form.

3.4 Procedure

- In case of any change in details of the BO except change in address or signature, DP should execute modification in account details only on receiving written instructions duly signed by all the holders of the BO Account on the Account Modification Form (Annexure 3.1) or letter containing all the details as specified in the Account Modification Form.
- In case of change in correspondence address or signature, the BO should inform the DP as to whether the change should be effected in KRA and CDSL system or only in CDSL system. If the change is to be effected in KRA, the procedure as prescribed by KRA should be followed by the BO.
- The DP should exercise sufficient controls in the internal working of their office to check that no unauthorized person is able to access a BO Account either for addition/modification/deletion or inquiry by implementation of variable access rights.
- DPs should verify the signatures of the BO on the Account Modification Form with the signatures of the BO captured in the CDSL system. The requested modifications can be entered into the CDSL system only if the Account Status is neither "Closed" nor "Pending for Activation".
- The DP cannot modify the names of any of the holders of an account except as provided under Operating Instruction 3.4.10 and 3.4.11 and if a name change is desired, a new account has to be opened by the BOs in the new name(s).
- Only those fields can be modified under a given BO status, which are predefined as modifiable. The modified data is updated and stored at CDSL.
- In case of change only in CDSL system, the DP should maintain proper records of all documents verified against original.
- DP can also Add/ Modify details of name and address in respect of guardian / nominee (s).
- DP can also modify details of name and address in respect of Power of attorney holder.

- On receipt of information on change in KYC details except in case of change in address to be effected only in CDSL system / status of the clients, the DP shall be responsible to upload the updated information on the KRA system and send the physical documents to KRA.
- In case of any change in KYC details downloaded from KRA system, the DPs can update CDAS without obtaining account modification form from the BO.

3.4.1 Modification of Address for individual BO

Modification of address to be effected in KRA and CDSL system

- The DP has to follow the procedure prescribed by the KRA for modification in address and also effect the change in address in CDSL system.

Modification of correspondence address to be effected only in CDSL system

- The DP shall take documents prescribed by SEBI as proof of address for modification of address
- DP can modify the address of BO on receipt of request letter for change of address / account modification form duly signed by the holder whose address is being changed.
- An authorized official of the DP shall put the "verified with original" stamp on the copy after verification with the original documents and sign the same under stamp of the DP.
- After effecting modification of address in CDSL system, the DP should send the system-generated letter to the BO, confirming change of address at the old as well as the new addresses.

3.4.2 Addition of nomination

- This transaction allows the DP to setup a nomination request for a BO.
- The DP should mandatorily obtain a nomination form (Annexure 3.2) from the BO (Individual/NRI/Foreign National categories), duly filled and signed by all the holders.
- The DP shall ensure that the nomination is given by individuals only. Non-individuals including society, trust, corporate body, partnership firm, HUF, AOP, holder of POA, cannot appoint a nominee. A minor can nominate through a guardian. An NRI can nominate.

- The DP shall also ensure that the nominees appointed by the BO(s) are individuals. A body corporate, trust, society, partnership firm, HUF **and** AOP cannot be appointed as a nominee. An NRI can be appointed as a nominee subject to the Foreign Exchange Control Regulations in force from time to time. A minor can be appointed as a nominee represented by a guardian.
- The DPs should maintain a record of the nominees registered in a nomination register. The register can be in physical form or in electronic form. Each nomination entered in the register should be given a serial number. This serial number should be written on the nomination form along with date of entry of the nominations in the nomination register.
- In case of physical nomination request is received duly signed by all holders [wet signature] in this case witness will not be required.
- In case the demat account holder affixes the thumb impression instead of the signature, in this case DP shall ensure that the nomination form has to be signed by one witness also. The name, address and signature of witness are required to be mentioned on the nomination form.
- In case of nomination request is received online through web portal of the DP and the same is e-signed by the demat account holder in this case witness signature will not be required.
- If a BO does not wish to nominate, the option: "I/WE DO NOT WISH TO NOMINATE" in the Nomination Form should be selected. The DP should ensure that the nomination form is duly signed by all the account holders.
- A BO can appoint multiple nominees (upto three) in a demat account.
- If a BO chooses to appoint multiple nominees, the BO has to specify the share of securities in terms of percentage which will be distributed ISIN wise equally and the same should total to 100%.
- In case of multiple nominations, if the no of securities are not exactly divisible in the specified proportion in respect of a particular ISIN, the same shall be divided at ISIN level to the extent the securities are divisible and for the remaining securities which are in odd nos will be credited.

3.4.2.1 The DP shall, at all times, irrespective of subsequent variations and cancellations, maintain an updated "Register of Nominations" which shall contain the following information: -

a) Nomination Registration Number.

b) Date of Registration.

c) BO Account Number for which nomination is being received.

d) Name of nominee(s).

e) Percentage of share to be paid to the nominee.

f) Address of nominee(s).

g) If Nominee is a minor, then scheduled date of at attaining majority

h) Name/address of the guardian, if nominee is a minor.

i) Remarks.

3.4.2.2 After verification of the documents for adding/changing nomination, particulars of the nomination details should be recorded in the CDSL system.

3.4.2.3 In case the DP has not entered the details of nomination in the Nomination Register and in the CDSL system, the BO account will be considered as "without nomination".

3.4.3 **Delete Name and Address**

DP can delete the name and address of guardian/ nominee / holder of POA / holder of DDPI in respect of a BO account on receipt of account modification form / letter signed by the account holder(s). The name(s) of the account holder(s) cannot be modified or deleted except as stated in 3.4.10 and 3.4.11.

3.4.4 **Set up a POA / DDPI for BO**

- The DP shall ensure that all the joint holders sign the POA / DDPI, if the POA and / or DDPI has been is granted by all of them.
- The DP shall verify the signature of the holders with records.
- The POA and / or DDPI should be duly stamped. Notarization thereof, is at the discretion of the DP. In case a copy of the POA and / or DDPI document is submitted, the BO(s) should certify the same as a "TRUE COPY".
- The dates till which the POA and / or DDPI is valid are captured. This date may be specified by the BO in the Account Modification form or mentioned in the POA and / or DDPI

- At the time of set up of a POA and / or DDPI for a BO account, the DP shall, mandatorily, register the BO (or first holder of a joint account), with the exception of accounts held by non-individuals, foreign nationals and NRIs, for the SMART [SMS Alert] facility [see Annexure 2.4 – SMS Alert Registration Form].
- All debits to the account, effected by the POA and / or DDPI holder , will be intimated by CDSL to the BO directly through the SMS Alert facility.
- The DP shall give a unique POA and / or DDPI Identification number, which is stored along with the BO ID for which the POA / and the DDPI is setup. A register of the POA and / or DDPI received should be maintained.
- All POA and / or DDPI details are stored and linked to a BO.

3.4.4.1 The DP shall, at all times, irrespective of subsequent variations and cancellations, maintain an updated "Register of POA and / or DDPI" either in physical or electronic form which shall contain the following information:-

a) POA Registration Number.
b) DDPI registration number
c) Date of Registration.
d) BO A/c Number for which POA and / or DDPI is being received.
e) Name of POA / DDPI holder
f) Address of POA / DDPI holder
g) Purpose of DDPI i.e. for Settlement of trades on exchange, Margin pledge / repledge or both, in favour of trading member (TM) / clearing member (CM) , Mutual Fund transactions , Tendering shares in open offers (in compliance with SEBI circular SEBI/HO/CFD/DCRIII/CIR/P/2021/615 dated August 13, 2021)
h) Remarks.

3.4.4.2 The setup / modification (cancellation request) letter should be dated and time stamped on receipt of the same. After verification of the documents for setup/modification/cancellation of Power of Attorney, particulars of the same should be recorded in the CDSL system within 7 days of receipt of the documents.

3.4.4.3 A beneficial owner may revoke the POA / DDPI executed in favour of the Stock Broker / DP / any other entity at any time. Such revocation shall become applicable from the date and time the letter, communicating such revocation, is received by the

DP. However, such revocation shall not be applicable to any outstanding settlement obligation arising out of the trades carried out prior to receiving the request for modification / revocation of the POA/DDPI.

3.4.4.4 The BO should submit request for revocation of POA/DDPI at a DP branch / centre which is servicing him. The revocation letter shall be dated and stamped by the DP branch / centre to ensure proper audit trail.

3.4.5 **Modify POA/DDPI details for BO**

- Additional care should be taken by the DP to verify the authenticity of the BO authorising the change in the POA/DDPI at the time of accepting any request for modification in the POA/DDPI details.
- All the holders should sign the account modification form.

3.4.6 **Delete POA/DDPI details for BO**

- When POA/DDPI details are deleted, the associated name, address and signatures of the POA/DDPI holder are also deleted.
- Written instruction, Account modification form / letter, should be obtained from the BO for deletion of POA/DDPI, signed by all joint account holder(s) and in case of DDPI the request can be accepted digitally signed / signed also.

3.4.7 **Set up BO Signature**

- In order to set up the BO signature, there are three pre–requisites namely: -
  1. BO should be set up before the signature is attached to the BO ID.
  2. POA/DDPI should be setup before scanning the POA/DDPI signature and incase the DDPI is digitally signed /e-signed the same can also be scanned and stored
  3. Scanned data of signature should be available.
- All the signature data is stored along with BO details in the CDSL system.

3.4.8 **Replace Signature of individual BO**

Change in signature to be effected in KRA and CDSL system

- The DP has to follow the procedure prescribed by the KRA for change in signature and also effect the same in CDSL system.

Change in signature to be effected only in CDSL system

- The DP can modify the signature of BO on receipt of account modification form or letter from the BO duly signed by the holder whose signature is being changed and stating the reason for change of signature.
- The BO should personally visit office of the DP with a valid proof of identity.The account holder(s) should affix the new signature in presence of a DP official.
- The DP should keep record of the proof of identity and name of the DP official in whose presence the new signature(s) was affixed.
- If the BO cannot come in person, the letter or account modification form containing the old and new signatures must be attested by the BO's Banker.
- The DP should exercise utmost precaution before replacing signatures of any BO.
- The DP should send a confirmatory letter generated by the system to the BO informing the BO that the change in signature has been recorded in the system.

3.4.9 **Delete Signature**

- When the BO account is closed, the signature for the BO is automatically dropped. Hence, signature cannot be deleted.

3.4.10 Updation of Change in Name /Rectification in name due to typographical errors at DP end

3.4.10.1 Updation of change in name of Beneficial Owner

The DP can modify the name of the BO in the CDSL system on receipt of a request letter for change in name / account modification form duly signed by the holder whose name is being changed along with the self attested copies of the following documents:

A. **Change in name on account of marriage /Divorce :**

i. Copy of Marriage Certificate /Divorce Certificate or

ii. Copy of Passport showing husband's name /Father's name or

iii. Publication of name change in official gazette.

B. **Change in name on account of reasons other than marriage:**

i. Publication of name change in official gazette

C. **I Change in father's name.**

i. Publication of name change in official gazette.

The DP shall retain the originals of the documents received from the BO.

II Rectification of name due to typographical error at DPs end

The DP can modify the name of the BO in CDSL system, if it is observed that the name as given by the BO in the account opening form has been wrongly entered by the DP in CDSL system. The DP should keep following documents on record for name change.

i. Copy of the demat account opening form showing details of the name as filled by the BO.
ii. Copy of the PAN card, checked and verified for the name of the BO.
iii. Extract of the PAN details from income tax website duly verified by DP official.
iv. Authorisation by the compliance officer/ authorized signatory of the DP for rectification/modification in the name.

3.4.10.2 Updation of change in name of corporate / FII and Rectification of name due to typographical errors at DP end:

I. Updation of change in name

The DP shall update the change in name of the corporate / FII in the CDSL system on receipt of the following documents from the Corporate / FII :

- Letter from Corporate / FII requesting for change in name.
- Certified copy of the Board resolution where the change in name was approved.
- Certified copy of the Fresh Certificate of Incorporation from Registrar of Companies (ROC) / SEBI Registration Certificate in case of FII.
- List of authorized signatories along with specimen signature with due verification from Managing Director/Company Secretary.

In case of amalgamation / scheme of arrangement of the entity registered under the Companies Act, 1956, the DP shall obtain the following documents and update the change in name in the CDSL system:

- Letter from Corporate / FII requesting for change in name.

- Certified true copy of court order sanctioning the amalgamation / scheme of arrangement.
- Form no. 21 filed with the Registrar of Companies along with ROC receipt showing the payment of fees as generated from the website of Ministry of Corporate Affairs.

The DP shall retain the originals of the documents received from the BO.

II Rectification of name due to typographical error at DPs end.

The DP can modify the name of the BO in CDSL system, if it is observed that the name as given by the BO in the account opening form has been wrongly entered by the DP in CDSL system. The DP should keep following documents on record for name change.

i. Copy of the demat account opening form showing details of the name as filled by the BO.

ii. Copy of the PAN card, checked and verified for the name of the BO.

iii. Extract of the PAN details from income tax website duly verified by DP official.

iv. Authorisation by the compliance officer/ authorized signatory of the DP for rectification/modification in the name.

3.4.11 **Updation of change in name of Clearing Member**:

The DP shall update the change in name of the Clearing Member in the CDSL system on receipt of the following documents from the Clearing Member:

- Letter from clearing member requesting for change in name.
- Certified copy of the Board resolution where the change in name was approved, if applicable.
- Certified copy of SEBI Registration Certificate with the change in name.
- Copy of the letter received from the Stock Exchange, where the clearing member is a member acknowledging change in name.
- List of authorized signatories along with specimen signature with due verification from Company Secretary/Whole-time Director.
- The DP shall retain the originals of the documents received from the BO.
- The above procedure is applicable only if CM ID remains unchanged.

3.4.12. **Updation of change in address of Corporate / Clearing Member / Bank**

Modification of address to be effected in KRA and CDSL system

- The DP has to follow the procedure prescribed by the KRA for modification in address and also effect the change in address in CDSL system.

Modification of correspondence address to be effected only in CDSL system

- The DP shall take documents prescribed by SEBI as proof of address for modification of address
- DP can modify the address on receipt of request letter for change of address / account modification form duly signed by the authorized signatory.
- An authorized official of the DP shall put the "verified with original" stamp on the copy after verification with the original documents and sign the same. DPs are also requested to note that the proof of address of all the account holders must be obtained.
- After effecting updation of address in CDSL system, the DP should send the system-generated letter to the Corporate / Clearing Member / Bank, confirming change of correspondence address at the old as well as the new addresses.

3.4.13. **Updation of change in signature of Corporate / Clearing Member / Bank**

Change in signature to be effected in KRA and CDSL system

- The DP has to follow the procedure prescribed by the KRA for change in signature and also effect the same in CDSL system.

Change in signature to be effected only in CDSL system

- The DP can modify the signature of BO on receipt of account modification form or letter from the BO duly signed by the authorized signatory and stating the reason for change of signature.
- Certified true copy of Board Resolution for persons authorized by the Board to act as Authorized Signatory(ies).
- Fresh List of Authorized Signatories along with their photographs and signatures.
- In case of Banks, letter on the letterhead of the Bank, signed by the General Manager or higher authority.

3.4.14. **Change of signature and address simultaneously**

- Change in signature and change in address should not be accepted simultaneously. In the event of such an occurrence, abundant caution should be exercised in carrying out the request and the matter should be reported to CDSL.

3.4.15. **Modification of Bank details**

DPs should collect proof of bank details. Any one of the following documents can be collected: -

(i) Photocopy of the cheque / cancelled cheque having the name of the account holder where the chequebook is issued.

(ii) Photocopy of the Bank Statement having name and address of the BO.

(iii) Photocopy of the Passbook having name and address of the BO.

(iv) Letter from the Bank.

In case of option (ii), (iii) and (iv) above, MICR code of the branch should be present/mentioned on the document and it should be self-certified by the BO.

3.4.16. Change of Residential status of a BO

It is the responsibility of the individual to inform the change of status to the DP with whom he/she has opened the demat account In case of change of residential status of BO, the DP can modify the status and sub-status of the existing demat account. But, the change of status/sub- status from Resident Individual, NRI-non repatriable to NRI Repatriable is not allowed.

DP will be required to obtain the following documents:

(i) Duly filled and signed modification form as per Annexure 3.1

(ii) In case of change of status from Individual Resident to NRI-non repartiable proof of residential status i.e. Passport which indicates the change of residential status of the Client along with Resident Visa/ Work Permit/ Employment Visa/ Current Visa or any other type of visa.

(iii) In case of change of status from NRI Repatriable to Individual Resident or to NRI- Non Repatriable, a declaration from the BO stating that he/she is aware that the sale proceeds of the securities earlier held under NRI-Repatriable status will lose its repatriability on change in status.

(iv) In case of change of status from Resident to Non-resident, documents as required for opening a NRI account will required to be obtained. Further DPs will be also required to obtain, a declaration duly signed by the NRI that he/she has complied with and will continue to comply with, FEMA regulations and other applicable laws.

3.4.17 Change of email ID & Mobile no simultaneously.

In case of non-compliant or non-availability of email id and / mobile no. in the records of the DP out of the mandatory 6 KYC attributes relating to the demat account, based on the duly signed modification request received from the BOs, the DPs are required to do the following.

- In this case DP is required to send the physical copy of the modification acknowledgement letter to the BOs through the registered post on the registered address i.e. the permanent address of the BOs for such addition / updation in email Id and / or mobile number.
- DPs are required to keep the records of such logs i.e, the physical copies of the letters sent through courier / registered / speed post, PODs/courier receipts, for audit purposes.

3.5. **Reconciliation**

3.5.1 The DP should reconcile, on a daily basis, the total number of requests received for modification, addition, deletion to the total number of requests executed and total requests pending.

3.6. **Records**

3.6.1 The DP will have to maintain all the written instructions with the enclosures received from the BO till the account is active and subsequently for a period of 8 years or any such period as specified by SEBI/CDSL/Prevention of Money Laundering Act 2002, whichever is higher after the account is closed.

The DP should maintain the hard copies or soft copies of letters sent to BOs confirming modifications done along with proof of dispatch of such letters sent to the BO(s). Any change in KYC details downloaded from the KRA system, the DPs are required to maintain electronic records of KYCs of Clients for modified details.

3.6.2 If the DP intends to maintain/store the system-generated letters (for modifications carried out in BO accounts), in electronic form, then the DP shall ensure that the provisions of the Information Technology Act, 2000 in this regard are complied with.

3.6.3 If original copies of the documents have been submitted to the CBI, Police, Courts or any such competent authority or agency for investigation, then copies of such documents should be stored till the investigations are completed.

3.6.4 If photocopies of the documents have been submitted to the CBI, Police, Courts or any such competent authority or agency for investigation, then the original documents should be stored till the investigations are completed.

3.6.5 If soft copies of the documents [data in electronic form] have been submitted to the CBI, Police, Courts or any such competent authority or agency for investigation, then the DP shall ensure that the provisions of the Information Technology Act, 2000 in this regard are complied with, and that the said electronic data [soft-copies] are maintained on record and stored till the investigations are completed.

3.7.1 $Conversion of existing eligible demat accounts into BSDA

The DPs shall also reassess the eligibility of all the existing BOs with respect to BSDA as provided in para 2.11.1.A and shall convert all such eligible demat accounts into BSDA unless such BOs specifically provide their consent by way of email from their email-id registered with the DP to continue to avail the facility of a regular demat account. Later, this exercise shall be carried out by DPs at the end of every billing cycle.

3.7.2 $Charges

a) $The charge structure shall be as indicated below:

Value of Holdings in the Demat Account (Debt as well as other than debt securities combined)	**Maximum Annual Maintenance Charges**
Up to Rs. 4 lakhs	NIL
More than Rs. 4 lakhs but up to Rs. 10 lakhs	Rs.100
More than Rs.10 lakhs	Not a BSDA. Regular AMC may be levied.

b) **$It is emphasized that other than AMC as specified above, BSDA shall be treated at par with non-BSDA for the purpose of levying charges for various other services and DPs shall not levy higher charges to BSDA**.

c) **[$]The value of holding shall be determined by the DPs on the basis of the daily closing price or NAV of the securities or units of mutual funds, as the case may be. Where such price is not available, the last traded price may be taken into account and for unlisted securities other than units of mutual funds, face value may be taken into account. The value of suspended securities may not be considered for the purpose of determining eligibility of demat account as BSDA.**

[$]If the value of holding in such BSDA exceeds the prescribed criteria at any date, the DPs may levy charges as applicable to regular accounts (non-BSDA) from that date onwards.

[$]Refer Communique no. CDSL/OPS/DP/POLCY/2024/644 dated October 25, 2024

4 DEMATERIALISATION OF EXISTING SCRIPS

4.1 Objectives

4.1.1 Dematerialisation is the process, which enables BOs to convert their existing holdings of securities in physical form to electronic form and hold the same in their accounts with CDSL.

4.2 Reference To Law

4.2.1 Depositories Act, 1996

- Section 6: Surrender of certificate of security

4.2.2 SEBI (Depositories and Participants) Regulations, 1996

- SEBI Regulation 27 : Depository to declare specific securities eligible from the agreements entered into by them
- SEBI Regulation 28 : Securities eligible for Dematerialisation
- SEBI Regulation 29 : Agreement between Depository and Issuers
- SEBI Regulation 38 : Records to be maintained
- SEBI Regulation 50 : Manner of keeping records
- SEBI Regulation 51 : Records to be maintained depository-wise
- SEBI Regulation 53 : Agreement by Issuer
- SEBI Regulation 54 : Manner of surrender of Certificate of Security
- SEBI Regulation 55 : Reconciliation
- SEBI Regulation 56 : Connectivity
- SEBI Regulation 57 : Information

4.2.3 CDSL Bye laws

- Bye - Law 13.2 : Dematerialisation

4.2.4 Prevention of Money Laundering Act 2002.

- Rule 6 : Retention of records

4.3 Annexures

- Annexure 4.1 : Dematerialisation Request Form.
- Annexure 4.2 : Transposition Request Form.

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- Annexure 4.3 : Format of Indemnity for shares lost in transit
- Annexure 4.4 : Transmission Request Form (Death of sole holder).
- Annexure 4.5 : Transmission Request Form (death of one/more of the joint holders.

4.4 Procedure

4.4.1 BOs, who are the registered holders of the securities of an Issuer, will approach the DP for dematerialisation of securities held by them in physical form.

4.4.2 The DP shall hand over a Demat Request Form (DRF) to the BO. (Annexure 4.1.)

4.4.3 The BO shall fill up the following details in the DRF: -

- BO Account Number
- Name(s) of the account holder(s)
- ISIN
- Name of the Company
- Nature of Security
- Type of Security
- Number of Certificates
- Total quantity to be dematerialised
- Certificate Details: Folio No., Distinctive Nos., Certificate Nos., Number of Securities, Face Value.
- Lock-in reason & Lock-in release date, if any.

4.4.4 A separate DRF should be filled up for free securities and lock-in securities. If certificates with different lock-in reason / lock-in release date exist, then a separate DRF should be filled for each lock-in reason / expiry date combination.

4.4.5 The BO account holder(s) shall sign the DRF: -

- As per the specimen signature(s) recorded with the DP, and
- As per the specimen signature(s) recorded with the Issuer/RTA.

4.4.6 The BO shall also surrender the physical certificates to be dematerialised along with the duly filled DRF to the DP.

4.4.7 The DP shall verify the following before accepting the DRF :-

- Whether the securities intended for Dematerialisation have been admitted in CDSL. If the securities intended for dematerialisation are not admitted in CDSL, the DP shall inform the same to BO and return the documents to the BO.
- Whether the certificate details mentioned on the DRF and on the certificates enclosed, tally.
- Whether the name(s) of the account holder(s) and the name(s) of the holder(s)

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appearing on the certificates tally exactly with those recorded under the BO account maintained with CDSL. (In case the names are matching, but order of the names is not the same, refer to Transposition-cum-Demat procedure mentioned elsewhere in this chapter).

- In case the BO's name on the DRF is not matching with that on the certificate (e.g. the holder of the securities may have opened the demat account in the name of Sushil Ramesh Shah but his name on the certificate may appear as Sushil R. Shah or S. R. Shah, etc.), the dematerialisation request could be accepted by the DP, if the BO's signature on the DRF matches with specimen signature available on record with the DP.
- Whether all the holders have signed the DRF and the signatures of the account holders tally with those recorded by the DP.
- If there is any discrepancy in any of the details, the DP shall get it rectified and duly authenticated by all the holders.
- The error-free DRF shall be taken up for further processing by the DP.
- The Participants shall check the Distinctive Numbers of certificates of securities submitted by its clients for dematerialisation with the records of Distinctive Numbers made available by the depository and ensure that the appropriate International Securities Identification Number [ISIN] is filled in DRF, as applicable.
- In case BO submits the Certificates having the old name of the company
- DPs are advised to check for the name of the company on CDSLs website wherein details of old and new name of the company are available.

4.4.7.1 If the new name is available on the CDSL website, DPs can accept the physical certificates having the old name on the physical certificate/s without the sticker of the company name or physical certificates with new company name and process such dematerialization requests.

- DP official shall put his / her sign, DP's stamp and date with remarks on the DRF stating "old name and new name verified from CDSLs website.

4.4.7.2 If the old and new name details are not available on CDSL website, DP shall also check for the name of the company on the MCA portal.

- If the new name is available on the the MCA portal, DPs can accept the physical certificates having the old name on the physical certificate/s without the sticker of the company name or physical certificates with new company name and process the dematerialization requests.

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- If the DP has verified old and new company name from MCA portal, they can attach a print out of such verification with physical certificates while forwarding demat requests to respective RTA/s.

4.4.8 If the DRF is complete in all respects, then the DP should give an acknowledgement to the BO. Date of receiving the DRF should be written on the DP's copy of the DRF and on the acknowledgement given to the BO. The authorised official of the DP should sign it.

4.4.9 The DP shall capture the details from the DRF & Certificates in the CDSL system and shall generate the Demat Request Number (DRN). The DP shall write down the DRN on the DRF. The DP should ensure that the correct ISIN is selected where the Issuer has more than one ISIN.

4.4.10 In case the Securities are in "Lock-in", then the following details need to be specified: -

- Lock-in Release date(s)
- Lock-in reason
- Lock-in reason can be any one from the list provided in the CDSL system from time to time.

4.4.11 The "System-generated acknowledgement" of the demat request should be given to the BO after the authorised official of the DP has signed and stamped the same.

4.4.12 The DP shall deface the certificates by affixing a rubber stamp as shown below. The DP should take proper care that the stamp is affixed in such a manner that no material information such as Distinctive number, Folio number, Certificates number, etc., are smudged or become illegible.

Surrendered for Dematerialisation
DP Name: XYZ Limited
BO ID **:** 12012000 00001234
DP ID **Client ID**

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4.4.13 The DP shall mutilate the certificates, by punching two holes at the top of the certificate(s).

4.4.14 The DRF shall be authorised by the DP by putting his seal & signature. The certificates & the original DRF shall be sent to the Issuer/RTA along with a system-generated covering letter. A copy of the DRF is to be maintained by the DP for its own reference and records.

4.4.15 The DP shall capture the despatch details on the CDSL system, such as the despatch reference number, despatch date, name of courier, etc. The DP must despatch the physical documents to the Issuer / RTA within 7 days from the date of receiving physical documents from the BO.

4.4.16 After receiving the physical documents, Issuer/RTA shall compare the physical documents with the electronic data. If the details do not tally between electronic and physical request, the Issuer/RTA shall inform the DP. The DRF and certificates shall be sent back to the DP under a Rejection Memo, specifying the reason for rejection.

4.4.17 The Issuer/RTA should complete processing of the demat request within 15 days of receiving the physical documents. The BO Account is credited for the number of securities confirmed by the Issuer/RTA.

4.4.18 The reasons under which a dematerialisation request can be rejected by an Issuer/RTA shall be as provided in the CDSL system from time to time.

4.4.19 The DP shall arrange to return the certificates along with the rejection letter sent by the Issuer/RTA to the concerned BO within 7 days from receipt of rejected certificates.

4.4.20 If the demat request is not processed by the Issuer/RTA within 21 days after it has been set up on the system, then the DP should follow up with the Issuer/RTA.

4.4.21 If the DP does not get the documents within 30 days from the date of rejection by Issuer/RTA, then the DP should follow up with the Issuer/RTA.

4.5 Procedure to be followed if Physical Securities are lost in Transit

4.5.1 In cases where the Issuer/RTA has received information, setup by the DP, about dematerialization electronically from CDSL but physical certificates have not been received, the procedure to be followed is as under: –

- The DP shall provide the Issuer/RTA proof of dispatch and also confirm that the certificates are not returned undelivered at their end.

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- If the certificates have not been returned undelivered and are not traceable at the Issuer/RTA's office, then it will be assumed that the certificates have been lost in transit. In such a case, the DP shall execute an Indemnity Bond in favor of the Issuer/RTA. Format of the Indemnity is given in Annexure – 4.3.
- If the Issuer/RTA has already rejected the original demat request, then a fresh demat request is to be set up by the DP and the Indemnity Bond duly executed shall be submitted to the Issuer/RTA, along with a new DRN. The Issuer/RTA shall accept the demat request and carry out dematerialization on the basis of the Indemnity Bond given by the DP.
- In cases where the Issuer/RTA has rejected the demat request (for such a reason where the rejection can be rectified by the BO/DP), and despatched the same to the DP, and such certificates are lost in transit, then an Indemnity Bond is to be executed and submitted to the Issuer/RTA along with a new DRN. In such cases, the DP is required to obtain prior consent from the Issuer/RTA for execution of Indemnity.
- However, in cases where the Issuer/RTA has rejected the demat request (for such a reason where the rejection cannot be rectified by the BO/DP), the Issuer/RTA will retain the documents. Such rejections may be on account of Fake / Forged / Duplicates already issued / Court Injunctions, etc. In such cases, the DP should obtain rejection letters from the Issuer/RTA & hand over the same to the BO in order to enable the BO to take up the matter with the Issuer/RTA concerned.

4.6. Transposition-cum-Dematerialization

Transposition is "Change in order of names". For example, if the certificates are in the names of A & B, the same can be lodged for dematerialization under account held in the name of B & A, by filling up the DRF and the Transposition Request Form (TPRF) as per Annexure 4.2. This will enable the Issuer/RTA to transpose the securities in the order of the names in which the account is opened and then accept the dematerialization request.

4.6.1 In case of transposition-cum-dematerialisation, the BO should mention the details of the account in which they wish to dematerialise the securities.

4.6.2 The DP shall verify the following on the TPRF :

- Whether the TPRF is complete.
- Whether the TPRF contains only those names (in any order) that are the holders of the BO account.
- Whether all the holder(s) have signed the TPRF.

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- The DP should maintain a copy of the TPRF along with a copy of the DRF.

4.7 Transmission – cum - Dematerialization

4.7.1 In case of death of one or more joint holders, the surviving holder(s) can get the Share Certificate(s) dematerialized by submitting the following documents, along with the Share Certificate(s) :–

a) Dematerialisation Request Form with selection of the option "Transmission-cum-Dematerialization"

b) Original or copy of the death certificate of the deceased holder(s). If copy of death certificate is submitted the same should be duly notarized or attested by a Gazetted Officer.

4.7.2 The DP should ensure that the demat account is in the name of the surviving holders only.

4.7.3 DP should setup a demat request and submit all the documents to the Issuer/RTA with the system generated letter.

4.7.4 DP should write in the "FROM BO ID" column as "Transmission-cum-Demat".

4.8 Dematerialized Form in Case Of investor Service Requests:

In case of subsequent processing the RTA will be retaining the physical shares and shall intimate the investor (transferee) about the execution of transfer through Letter of Confirmation.

4.8.1 Based on the confirmation letter and the duly filled and signed demat request form received from the BO, within a period of 120 days from the date of confirmation letter issued by RTA. If the request is received after 120 days the same shall be rejected and BO can directly liaise with RTA.

4.8.2 The DP shall follow the procedure as mentioned in 4.4 for verification and shall verify that the PAN no (including joint holder/s, if any) as mentioned in the confirmation letter and the PAN recorded in the demat account of the BO is / are same as additional check of demat request form and setup the same in the depository system.

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4.8.3 DP shall ensure that the confirmation letter is submitted by the BO well in time i.e. within a period of 120 days by the RTA /Issuer.

4.8.4 DP shall process the Demat Request on the basis of Letter of Confirmation as this letter is a confirmation of holding of physical shares on behalf of the investor by RTA shall send the original demat request form, to the Issuer/RTA along with a systemgenerated covering letter.

4.8.5 DP shall process the Demat Request on the basis of Letter of Confirmation as this letter is a confirmation of holding of physical shares on behalf of the investor by RTA shall send the original demat request form, to the Issuer/RTA along with a systemgenerated covering letter.

4.8.6 Further the "System-generated acknowledgement" of the demat request should be given to the BO after the authorised official of the DP has signed and stamped the same

4.9 Procedure for Dematerialization of Shares which are held in more than three names

In case the number of joint holders are more than three, the DP has to process the dematerialization request as per usual procedure ensuring that the main BO name is mentioned as 1st Account Holder and the balance joint holders are accommodated in the two joint holders' names but ensuring that the pattern of holding as per the certificate tallies with the pattern of holding as per the account.

Such an account should be used only for the purpose of dematerialization and once all certificates have been dematerialized, such account should be closed and shares transferred to a new account opened in the name of maximum three holders (as given in chapter 2, point 2.4.7).

4.10 Reconciliation

The DP has to do a daily Reconciliation in respect of the following: -

Total Demat = Requests logged electronically and sent physically +

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(Requests)		Requests pending + Requests received physically only + Request logged electronically but not sent physically.
Total Demat (Confirmation)	=	Total confirmations (quantity) + Total Rejections Requested (quantity) + Pending (quantity) + Request Logged electronically but not sent physically (quantity).

☑ A list of Top 200 companies with the maximum pending demat requests is uploaded to the CDSL system and to CDSL's website every fortnight. DPs should ensure that this list is made available to DP-staff who receive demat requests from BOs, so that they may be in a position to appraise BOs of the Issuer (especially defaulting Issuers) and accept the shares for demat, only after re-confirming the same with the BO.

4.11 Records

4.11.1 The DP must maintain a record of the demat requests sent to the concerned Issuer/RTA.

4.11.2 The DP shall maintain a copy of the DRF and supporting documents, for a minimum period of 8 years or any such period as specified by SEBI/CDSL/Prevention of Money Laundering Act 2002, whichever is higher.

4.11.3 The DP must maintain a proper record of the demat rejections received and the despatch details for the documents returned to the BO.

4.11.4 Hard copies or soft copies of "follow-up" letters sent to the Issuer/RTA for pending demat requests are to be maintained by the DP.

4.11.5 If the DP intends to maintain/store the "follow-up" letters sent to the Issuer/RTA, in electronic form, then the DP shall ensure that the provisions of the Information Technology Act, 2000 in this regard are complied with.

4.11.6 If original copies of the documents have been submitted to the CBI, Police, Courts or any such competent authority or agency for investigation, then copies of such documents should be stored till the investigations are completed.

4.11.7 If photocopies of the documents have been submitted to the CBI, Police, Courts or any such competent authority or agency for investigation, then the original documents should be stored till the investigations are completed.

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4.11.8 If soft copies of the documents [data in electronic form] have been submitted to the CBI, Police, Courts or any such competent authority or agency for investigation, then the DP shall ensure that the provisions of the Information Technology Act, 2000 in this regard are complied with, and that the said electronic data [soft-copies] are maintained on record and stored till the investigations are completed.

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5 TRANSFER-CUM-DEMAT OF EXISTING SCRIPS

Transfer-cum-Demat scheme stands withdrawn w.e.f. 11/02/2004 vide SEBI Circular no. SEBI/MRD/Cir/-10/2004.

Hence, this chapter has been deleted w.e.f. 5/3/2004.

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6 SETTLEMENTS

6.1.1 Objectives

6.1.2 To enable investors having demat accounts with CDSL to settle trades done by them on Stock Exchanges or transfer securities to any other demat account within CDSL or with the other depository.

6.2 Features

6.2.1 To enable a DP to enter debit / credit instructions in the CDSL system given by the BO, for sale / purchase of securities done by them.

6.2.2 To enable a DP to enter debit / credit instructions for transfer of securities from / to an account within CDSL or with the other depository.

6.3 Reference to law

6.3.1 Depositories Act, 1996

6.3.2 SEBI (Depositories and Participants) Regulations, 1996

6.3.3 CDSL Bye laws

- Bye law 5.4.5 and 5.4.7 - Execution of instructions of the BO.
- Bye law 13.8 - Transfer of Balances
- Bye Law 16.3 - Audit
- Bye Law 16.4 - Inspection and Investigation

6.3.4 Prevention of Money Laundering Act, 2002.

- Rule 6 : Retention of records

6.4 Annexures

- Annexure 6.1 : Instruction Form for Purchase Waiver.
- Annexure 6.2a : Combined DIS
- Annexure 6.3a : DIS – Off Market
- Annexure 6.4a : DIS – On Market
- Annexure 6.5 : Letter to modify / delete instruction
- Annexure 6.6 : Grievances Redressal Mechanism to be printed on the inside back cover of the DIS Booklet
- Annexure 6.7 : Fax Indemnity Format

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6.5 Procedure

6.5.1 Issue of DIS

6.5.1.1 The DIS shall be in the formats, as specified by CDSL, in Annexures 6.2a, 6.3a and 6.4a. The information stated in Annexure 6.6 shall be printed on the inside back cover of the DIS booklet.

6.5.1.2 Format of the instruction may be modified to suit data entry in back office. The DP should ensure that while modifying format of the DIS, the information content of the slip should be same as specified by CDSL.

6.5.1.3 DP shall print the DIS with a pre-printed unique serial number on the top portion and the acknowledgement copy of the DIS.

6.5.1.4 DP's name, address and CDSL's name shall be printed on the DIS.

6.5.1.5 DP shall ensure that the BO ID is pre-printed or pre-stamped on the DIS as well as requisition slips.

6.5.1.6 DIS shall be issued in booklets to the BO and the DP shall maintain a register of serial numbers of the instructions slip issued to the BO.

6.5.1.7 DIS booklet should contain a requisition slip, which the BO can use while requesting for new DIS booklet. The requisition slip should have a pre-printed serial number range of the current DIS booklet.

6.5.1.8 DIS booklets shall be dispatched / handed over to the BO once the account opening process is completed. The DP should maintain record of dispatch / delivery. In case of hand-delivery, the same should be delivered only to the BO and the signature of the BO should be kept on record.

6.5.1.9 Fresh issuance of DIS booklets should be done on the basis of duly signed requisition slip (contained in the previous booklet). DP shall verify whether the requisition slip forms a part of the booklet issued to the BO as well as verify the signature(s) of the Bos as per DP records. Such issuance of DIS shall be authorized by the Compliance Officer or any other designated senior official of the DP. In case the fresh DIS booklet is hand-delivered to the BO, record of the signature of the BO of having received the DIS booklet should be maintained.

6.5.1.10 DIS booklet may be hand-delivered to any person other than the BO, only on the basis of a requisition slip forming part of the earlier booklet issued and signed by the BO. The requisition slip should contain the signature of the person authorised by the BO to receive the new DIS booklet.

6.5.1.11 DP shall verify the signature of the BO(s) on the requisition slip before handing over the DIS booklet. DP shall record the name and signature of the person to whom the DIS booklet is hand-delivered.

6.5.1.12 In case DIS booklet issued by the DP does not contain the requisition slip or in case the BO has lost the requisition slip, a letter to that effect signed by all the holders shall be

taken for issuance of fresh DIS booklets. In such case, one of the accountholder should personally come with such letter and with a valid proof of identity. DP should check the proof identity and keep the same on record and hand deliver the DIS booklet. In case the account holder cannot come in person, the DIS may be couriered / mailed to the registered correspondence address of the BO. The DP should maintain record of dispatch.

In case the request for issuance of the DIS booklet is received in an inactive/dormant account i.e. wherein no transactions have taken place for a period of 12 months, the DIS booklet shall be delivered at the registered address of the BO as per address in the DP records.

DP shall ensure the genuineness of the BO's request for issuance of DIS, such issuance of DIS shall be authorized by the Compliance Officer or any other designated senior official of the DP.

6.5.1.13 **Precautions in case of Inventory Control of DIS booklets:**

- Either manual or electronic register should be maintained for Inventory of the DIS booklets.
- This register should be updated as and when new DIS booklets are printed and also at the time of issuance of the DIS booklets to the BOs.
- Custody of the stock of DIS booklets as well as the inventory register should be with a senior official of the DP.
- Periodic reconciliation of the inventory register with physical stock should be carried out and properly recorded. A senior official of the DP who is not responsible for issuance and maintenance of the DIS booklets should do the said checks.
- For accounts operated by holder of POA/DDPI or joint account holders, DIS may be printed in such a way that they can be distinguished from those used by single holder account(s).
- Along with the preprinted / pre-stamped account number, DPs may print name of the first holder on the DIS.
- For those BO accounts where correspondence address has been changed and request for DIS booklets is received within 30 days of address change, DP may confirm the request for issuance independently by way of written / verbal communication before despatching the DIS booklet to the new address.

6.5.2 Issue of Loose DIS

6.5.2.1 While issuing loose DIS to BOs, DPs must ensure the following–

- As far as possible, a DP shall not issue loose DIS.
- Loose DIS shall be issued only to the BO in person after verification of signature. Identity of the BOs should be verified with the documents submitted along with the account opening form. If this is not possible, then the BO should produce proof of identification.

- DP shall obtain the signature of the BO in the register for loose DIS.
- BOs should fill and sign the instruction in presence of the authorized official of the DP. Another official of the DP as an additional precaution may verify the DIS.
- Custody of loose DIS should be with a senior official of the DP.
- Only one loose DIS booklet may be opened at any time
- The DP shall not issue more than 10 loose DIS to one account holder in a financial year (April to March). The loose DIS can be issued only if the BO(s) come, in person, and sign the loose DIS in the presence of an authorised DP official.
- Instruction pertaining to loose DIS shall be entered in the CDSL system on the same day. If not entered, then the reason for not entering on the same day should be noted in the Loose DIS Register.

6.5.3 Annexures to DIS

6.5.3.1 DPs can accept "Annexures" to DIS in any of the following cases:

- Where a BO gives instructions for credit of securities to multiple BO accounts, or
- Where a BO gives receipt instructions for receiving securities from multiple BO accounts, or
- Where the space provided in the DIS is insufficient.

6.5.3.2 While accepting the "Annexures" to DIS, DPs must take the following precautions:

- Each page of the Annexure should bear the DIS serial no.
- Each page of the Annexure should be signed by all the holders / authorised signatories POA/DDPI, if any.
- Any alteration, correction, cancellation on the Annexure should be authorised by all the holders / authorised signatories / POA/DDPI, if any.
- DIS should bear the details of the total number of pages annexed to the DIS and also the total number of instructions contained therein.

6.5.3.3 Where multiple BOs have given POA/DDPI to a single entity, including DP or CM for execution of transactions on their behalf, following procedure is to be followed by the DP in such cases–

- DPs must maintain a separate register containing the details of BOs from whom such POA/DDPI has been given. DPs should check that the delivery BOIDs have given POA/DDPI to the entity signing such DIS.
- DPs shall maintain a separate series of DIS numbers for such purposes.
- BO ID shall not be pre-printed / pre-stamped on such DIS.
- Each page of the statement / computer printout attached along with such DIS should bear an DIS serial number.
- DIS number to be checked against the issue details before execution of the instruction.
- Each page of the statement / computer printout should be signed by the POA(s) /DDPI.

- A record of statement / Computer printouts containing consolidated details of instructions executed by the DP on behalf of the clients who have given POA/DDPI should be maintained.
- For different types of transactions, separate statement / Computer printouts should be maintained.
- *The statements / computer printouts should contain all the details as specified by CDSL in the format of the DIS. Each instruction should bear the delivering BO ID.*
- *Each row in the statements / computer printouts should contain the delivering BO ID.*

6.5.4 Precautions while accepting DIS and executing transactions

6.5.4.1 As a risk management measure as well as to increase efficiency in DP operations, DPs are advised to install a back-office system with Maker/Checker facility incorporating features as specified by CDSL through communiqués,

6.5.4.2 In addition to specified features, the back office system should be "Settlement Pocket" compliant, that is: it should have all the features to support "Settlement Pocket". As a further risk management measure, CDSL has provided a utility to encrypt transaction files created in the back office. This feature should also be implemented in the back office system.

6.5.4.3 DP shall record the date and time of receipt on the Delivery Instruction Slip, on DP's as well as BO's copy while accepting the same for execution.

6.5.4.4 The DP shall accept the DIS for pay-in of securities from the BO in physical form at least up to 4 p.m. on T+1 day and in electronic form up to 6 p.m. on T+1 day. In case of late receipt of instruction, it should be accepted by affixing a stamp "*accepted for execution on best effort basis*".

6.5.4.5 DP must appoint an authorised official to check the DIS received from BO for execution of the instructions. Verification of delivery instruction slips has to be done by the staff of the DP only.

6.5.4.6 The authorized official must verify the following details from the DIS :

- Whether the DIS received from the BO is from the range of DIS issued to the same BO.
- Whether all the account holders / authorized signatories / duly constituted POA/DDPI, if any, have signed the DIS and the signature(s) on DIS match with signature(s) recorded in the CDSL system.
- DIS having transactions with value more than 5 lakhs have to be verified by a senior official of the DP. Moreover, such DIS should be checked and countersigned by another employee of the DP (that is, two step verification).
- Any alteration, correction, cancellation on the DIS should be authorized by all the holders / authorized signatories POA/DDPI holders, if any.

6.5.4.7 In case the signature(s) on the DIS do not match with the CDSL records, then the DP shall reject the DIS.

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6.5.4.8 Utmost care shall be exercised while storing DIS for future reference.

6.5.4.9 If a DIS is received from an account, which has been dormant i.e. not operated for a long period, SIX months or more or any such period specified by CDSL and / or SEBI from time to time, the DP may verify the same with the account holders independently before executing the instruction.

However if all the ISIN balances in that account (irrespective of the number of ISINs) are getting transferred then the DPs shall mandatorily verify with the BO before acting upon the DIS. In case of active accounts such verification is mandatory if the BO account has 5 or more ISINs and all such ISIN balances are transferred at a time.

- The authorized official of the DP verifying such transactions with the account holders shall record the details of the process, date, time, etc., of the verification on the instruction slip under his / her signature.
- Moreover, Such DIS may be checked and countersigned by another employee of the DP (that is, two step verification).

6.5.4.10 After entering an instruction in the CDSL system, a unique instruction id is generated. This instruction id should be written against the instruction on the DIS or annexure if an annexure is attached with the DIS. This should be done irrespective of whether the instruction is executed successfully or it has failed. Alternatively it should be possible to retrieve the transactions from the back office by entering DIS serial number / Internal reference number or any such unique reference number.

6.5.4.11 In case of the DIS having a large number of instructions by way of annexure attached to a DIS, the first transaction ID and the last transaction ID may be mentioned. Alternatively, the DP may mention the individual transaction ID against each transaction in the Annexure.

6.5.5 Safeguards to address the concerns of BOs on transfer of securities

6.5.5.1 The cautionary note: "*BLANK* & or SIGNED DIS *SHOULD NOT BE LEFT WITH YOUR DP/*any other person / entity" should be printed on all types of DIS.

6.5.5.2 DPs should not accept pre-signed DIS with blank columns from the BO(s).

6.5.5.3 If the DIS booklet is lost / stolen / not traceable by the BO, the same must be intimated to the DP immediately by the BO in writing. On receipt of such intimation, the DP shall cancel the unused DIS of the said booklet so as to avoid execution such DIS in future.

If a DIS is received from an account, which has been dormant wherein no transactions have taken place ,for a period of continuous Twelve months or more or any such period specified by CDSL and / or SEBI from time to time , the DP shall mandatorily verify the same with the account holders independently before executing the instruction.

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A credit in the demat account through purchase of securities and voluntary corporate action (such as subscribing to rights issues/ systematic investment plans (SIPs) of mutual funds, etc.) may be considered as a transaction for assessing the dormancy. However, any credit due to involuntary corporate action (such as bonus, split, etc.) may not be considered as transaction for assessing the dormancy.

DPs shall be required to verify the same by way of recorded phone call on registered number of BO by the authorized official of the DP.

However, in case of active accounts, such verification may be made mandatory, if the BO has 5 or more International Securities Identification Number (ISINs) and all such ISIN balances in that account (irrespective of the number of ISINs) are getting transferred at a time.

The authorized official of the DP verifying transactions in dormant accounts / 5 or more ISINs in active account with the BO shall record the details of the process date, time etc., of the verification on the Instruction slip under his signature.

Such verifications shall be additionally authorized by the Compliance Officer of the DP or any other designated senior official of the DP.

6.5.6 Precautions while executing Fax Instructions

6.5.6.1 DPs should obtain a "FAX INDEMNITY" from the BOs before accepting instructions through fax. Format for FAX INDEMNITY to be undertaken on stamp paper has been given as Annexure 6.7

6.5.6.2 The DPs can modify the format of the fax Indemnity to suit their requirements. However, DPs should ensure that the format of fax indemnity used by them should cover all the clauses mentioned in Annexure 6.7.

6.5.6.3 DPs should ensure that the indemnity has been signed by all holders of the account, is executed on a stamp paper of appropriate value and is submitted to the DPs in physical form.

6.5.6.4 If the BO has multiple accounts in different combination of names, a single fax indemnity could be obtained for all such accounts eg: For accounts in the name of A, B & C or B, C & A or A, C & B, a single fax indemnity can be used.

6.5.6.5 The DP can accept a single indemnity for multiple accounts of the same CM meant for different exchanges. E.g.: For a CM, having both BSE CM accounts and NSE CM accounts, the DP can accept one Indemnity.

6.5.6.6 The DPs should instruct their clients to first fill in the DIS. The DIS duly filled in and signed by the holder(s) or authorized signatories should be faxed to the DP on the fax number designated for this purpose.

6.5.6.7 DPs must advise the BOs to mention "FAX INSTRUCTION" on the top of the DIS. This would enable the DP to distinguish between original DIS and the fax copy, to avoid double processing of the same instruction.

6.5.6.8 DPs should preserve the instruction received through fax in legible form preferably by taking a photocopy of the fax instruction.

6.5.6.9 DPs may consider keeping a cut-off for the value of securities up to which the fax instructions can be accepted.

6.5.6.10 If annexures are faxed along with the DIS, DPs must advise BOs to mention the DIS number on each page of the annexure and also advise the BOs to sign each page of the annexure.

6.5.6.11 Before executing the fax instruction, the DP's official should affix the time stamp on the fax copy and verify the signatures of all the holders and authenticate the DIS as per the normal procedure as prescribed in the operating instructions for DPs.

6.5.6.12 DPs should ensure that the original DIS is received within 3 working days from the date of receipt of the fax instruction. The original DIS should bear the following words on the top –

"This is a hardcopy of the fax transmission to you, transmitted on
_____ day of _____ month of _____ year.

6.5.6.13 DPs should inform the BOs that failure to submit the original DIS within the stipulated time would result in suspension of the facility immediately and that the DP would not be responsible for non-execution of fax instructions after such suspension.

6.5.6.14 DPs should keep track of the DIS numbers received through fax to ensure that same fax instruction is not executed twice in case the BOs have faxed the same DIS twice.

6.5.6.15 DPs must affix the time stamp of receipt on both the fax as well as the original DIS.

6.5.6.16 DPs must file the original DIS and the fax copy together.

6.5.6.17 DPs should establish proper procedures to exercise utmost precaution to prevent multiple execution of same instruction

6.5.6.18 Branches of the DP may fax or send scanned instructions received from the BOs to the Main DP for execution. The Main DP should preserve/store the scanned/faxed documents along with the originals when received, for a period of not less than 5 years or as stipulated by SEBI / CDSL from time to time.

6.5.7 Shifted to Chapter 17 – Miscellanea – point No. 17.9

6.6 Instruction processing for temporarily disabled / illiterate / Blind BO

6.6.1. In case the BO cannot come in person to submit the DIS, the thumb impression of the BO on the DIS must be attested by a Magistrate or a Notary Public who is authorized to use the seal of his office, or a Manager of the bank where the BO has a bank account.

6.6.2 In case of temporarily disabled persons, the BO should also produce a medical certificate about BO's disability.

6.6.3 Transactions [i.e. transfer of securities between two BO accounts within CDSL]

6.6.3.1 DP shall receive a duly filled in DIS from the transferor BO OR transferee BO for execution of off-market transactions.

6.6.3.2 If the transferee BO has given instructions to waive confirmations for all credits, i.e. if the transferee BO has given purchase waiver as "Y", then the transferee BO need not give "receipt" instructions to the DP. In case the BO has given confirmation waiver as "NO" while setting up the account and subsequently wants to waive confirmations for all credits, the BO shall inform the DP by filling in the purchase waiver form – Annexure 6.1. The DP on receipt of such instructions will verify the signatures of the BO and set up instructions to waive confirmations.

6.6.3.3 After necessary verification, DP shall set an off-market instruction in the CDSL system. All off-market transactions in CDSL are subject to the One Time Password (OTP) Verification in CDSL if reason code is not amongst the exemption list for OTP verification. Transfers between BO accounts would be considered for further processing only after the OTP authentication by the transferor BO. Till such time OTP is not validated by the transferor BO it will remain under "Pending for OTP authentication". In case the transferor BO fails to authenticate the transaction by the end of the day of execution date the transactions would be rejected under the status of OTP Validation not completed.

6.6.3.4 Transactions set up with execution date as the "Current Business Date" would be taken up for processing immediately after OTP authentication. If the DIS has been received with an execution date not available for processing (e.g. Sunday / System holiday then the DPs can enter the DIS with the next available date for processing.

6.6.3.5 Transactions set-up with execution date as "Future Business Date" would be taken up for processing at the beginning of the respective business date and OTP will be received by the BO the date of setup of transaction. Till such time the transaction would remain in the "Pending" status. All future-dated transactions should not have an execution date greater than 10 days from the date of entry/upload on the CDSL system.

6.6.3.6 If the balance at the time of Debit is insufficient, the transaction will not be executed and will remain in the "Overdue" status. Transactions with "Overdue" status would be picked up for execution at pre-determined intervals (decided by CDSL from time to time) during

the day. If sufficient balance comes in the account before End of the Day (EOD) of the execution date, the transaction shall be executed.

6.6.3.7 If sufficient balance does not exist in the account till the EOD of the execution date, the transactions would be reported as "Failed" transactions, partial balance if available in the demat account will not be considered for execution.

6.6.3.8 Registration of demat account of transferee:

1. Transferor will request to his/her DP through a request form (as per depository's prescribed format) physically or electronically (digitally signed to DP or submit a request in his/her Easiest login / mobile app to add beneficiary details i.e. add the demat account of transferee before execution of off-Market transfer.
2. Transferee account will be added on successful OTP submission by the Transferor.

De-registration of demat account of transferee:

1. Transferor Client/DP will be provided option to remove the beneficiary. On successful OTP authentication from Transferor Client, beneficiary will be removed.

6.6.4 Pay-in of securities: Pay-in options

6.6.4.1 CM can perform pay-in of securities using either of the options given below:

a) BO Level Pay-in: This option enables the BO to deliver the securities directly to the CC of the CM.

b) CM Level Pay-in: For using this option, securities have to be delivered by the BO to the respective CM through on-market transfers. The CM, in turn, would deliver securities received from the delivering BO to the CC.

CM can deliver securities to the CH / CC using the following modes, which are explained below:

- **Normal pay-in**
- **Auto pay-in**
- **Early pay-in**

6.6.4.2 **Normal Pay-in**

- DP shall receive a duly filled in DIS for execution of normal pay-in transactions from the BO / CM.
- DP shall verify the same and set-up an normal pay-in instruction, i.e. set-up a BO

obligation confirmation in the CDSL system.

Seller BO / CM can give normal pay-in instructions to the DP on the "T" day itself even if no balance is available in the account as the available balance from the seller BO /CM account would be picked up only at the pay-in deadline time or as decided by CDSL from time to time.

- In case of ICCL settlements, at the pay-in time, CDSL shall first earmark the available balances in the accounts for which "normal pay-in" instructions have been entered.

  Part earmarking in case of insufficient balances is permitted.

  E.g.: If a BO account has 500 shares and a normal pay-in instruction is entered for 600 shares, available balance of 500 shares will be earmarked, at the pay-in time.
- In case of settlement of trades through ICCL, the securities are moved from BO accounts for which on-market settlement instructions have been given, to their respective CM accounts at the pay-in deadline time. In case of insufficient balances, available balances are moved. After this transfer, all available balances in the CM accounts would be considered for pay-in**.**
- DP can advise BO / CM to maintain adequate balances in the accounts from where the normal pay-in instructions are entered before the scheduled pay-in timings, as specified by the CC.
- The BO confirmations can be modified or deleted by the DP till the pay-in time on receipt of instructions from the BO / CM under the desired settlement pocket for the purpose of pay-in.

6.6.4.3 **Auto pay-in**

- Using this pay-in option, securities would be automatically picked up from the ICC[L] CMs Principal account at the pay-in time, without the CM having to give any instruction.
- Based on the details of the net pay-in obligations of the CMs (who have opted for auto pay-in) received from the corresponding CC shall generate the instructions for obligation confirmations through the CDSL system. Thus DPs will not receive any instructions from CMs for setup of auto pay-in instructions.
- Since modifications are not allowed for auto pay-in confirmations generated by the CC. If a CM wants to cancel a specific auto pay-in instruction for a particular ISIN for a particular Settlement, the DP would receive a duly filled in deletion request in the format specified by CDSL - (Annexure – 6.5).
- DP shall verify the deletion request form and set-up a deletion request in the CDSL system.

6.6.4.4 **Early pay-in**

- DP shall receive a duly filled DIS for execution of early pay-in instructions from the BO / CM.

- DP shall verify the DIS and set up an early pay-in instruction in the CDSL system.
- DP shall ensure that the early pay-in instruction is given from the CM Clearing a/c or CM Principal a/c or BO a/c only.
- On set up of early pay-in instruction, the securities are blocked in the respective CM or BO account immediately and transferred from the concerned BO / CM account to the designated early pay-in account maintained with the CC on pay-in date Setup / upload of early pay-in transactions from BO account with valid UCC details for e-DIS registered client is allowed only if there exists an unconsumed mandate verified and authorized by CDSL generated TPIN and OTP.
- On T Day evening, early pay-in transactions setup / uploaded from BO account with valid UCC details for e-DIS registered / block mechanism opted clients are checked with the corresponding obligation details by CC and entire / excess securities blocked in the client account is made free based on the reversal instruction received from CC.
- Effective from T+1 SOD till allowed early pay-in acceptance setup / upload of early pay-in transactions is allowed only for those e-DIS registered / block mechanism opted client where there exists an unconsumed mandate and pending obligation quantity as per the applicable case may be.
- In case balances in the delivering a/c are insufficient at the time of set up of instruction, the transaction shall fail. DP will have to set up a fresh early pay-in instruction after the balance is available in the account.

6.6.5 Pay-out of securities

6.6.5.1 On pay-out, securities are delivered by the CH / CC of the exchanges to the designated CM accounts.

6.6.5.2 Alternately pay-out securities could be directly transferred to the buying BO account provided the CM gives the BO ID of their buying client through their respective trading terminals to the CH / CC.

6.6.5.3 DP shall receive duly filled-in DIS for execution of off-market transactions from the CM for transfer of securities from their designated CM accounts (where the pay-out of securities is received) to the buying BO account.

6.6.5.4 DP shall verify the DIS and set up off-market transactions in the CDSL system.

6.6.5.5 As per SEBI directive, CM must deliver the pay-out securities to their buying BO accounts within 1 working day from the day of pay-out or such time as may be decided by SEBI from time to time.

6.6.5.6 In case the securities are not transferred out within the specified time period, the CM Principal / CM Unified Settlement / Clearing Member Pool will attract a penalty as stipulated by SEBI from time to time. The pay-out can be received directly from CC into the receiving BO accounts.

6.6.6 Inter depository transactions

6.6.6.1. DP shall receive a duly filled-in DIS for execution of Inter-depository transactions from the BO / CM.

6.6.6.2 In case the BO has opted for "Purchase Waiver" as "No" at the time of account opening, the DP shall receive receipt instructions from the BO / CM.

6.6.6.3. DP shall verify the following from the DIS –

- If the transfer is from/to an account holder with the other depository, whether the client ID and DP ID of the account held with the other depository has been mentioned in the DIS.
- If the transfer is to the CM Pool A/C with the other depository, whether the CM BP-ID, the market Type and Settlement Number for which the securities are to be transferred to the CM Pool Account has been mentioned.

6.6.6.4. After verification, DP shall set up an inter-depository instruction in the CDSL system.

6.6.6.5. DPs should ensure that Inter-depository transactions with execution on current business date are executed first. If the DIS has been received with an execution date not available for processing (e.g. Sunday/trading/system holiday) then the DPs can enter the DIS with the next available date for processing.

6.6.6.6. All future-dated transactions should not have an execution date greater than 10 days from the date of entry/upload on the CDSL system.

6.6.6.7. DPs shall set-up inter-depository instructions in the CDSL system within such business hours as specified by CDSL from time to time.

6.6.6.8. Inter-depository transactions for execution on current business date will be taken up for processing on FIFO (first-in-first-out) basis.

6.6.6.9. If, on the execution date, the delivering account does not have sufficient free balance, the transaction will not be executed and will remain in the "Overdue" status. Transactions with "Overdue" status would be picked up for execution at pre-determined intervals (decided by CDSL from time to time) during the day. If sufficient balance does not come in the account before the Inter depository deadline time of that execution date, such transactions will fail.

6.6.6.10. For all inter-depository transactions accepted by the other depository, the delivering accounts will be debited.

6.6.6.11. For all inter-depository transactions rejected by the other depository, proper reason for rejection will be provided.

6.6.6.12. For account holder(s) who have opted for purchase waiver, CDSL system shall automatically process transactions received from the other depository and credit the accounts of the receiving account holders.

6.6.6.13 For account holder(s) who have not opted for purchase waiver, receipt instructions will have to be given by the account holders to the DPs. In such cases, transactions received

from the other depository would be processed only if corresponding matching receipt instructions are found in the CDSL system.

6.6.7 Online DIS (e-DIS)

DPs are given the option to offer the Electronic Delivery Instruction Slip (e-DIS) facility to their clients which permit clients to submit transactions online through their online portal which is equivalent to obtaining the physical or digitally signed DIS from their clients.

Transactions under the e-DIS should be accorded with the following norms:

1. DP will provide the option to client to initiate the transaction and ensure transaction authentication by client through CDSL generated TPIN and OTP from their website through the API Provided by CDSL.
2. The DP should have completed all the validations and adhere to all the norms and requirements applicable for the eDIS facility as specified by CDSL and SEBI from time to time.
3. DPs should ensure that timely system audit reports are furnished to CDSL.
4. DPs should also ensure that logs and transaction details are maintained and available for audit and inspection.
5. Any adverse reporting in the audit may result in withdrawal of the e-DIS registration by CDSL

6.6.8 **Erroneous Transfer Procedure:**

a. DP from whom the erroneous transaction has been executed i.e. the transferring entity , may request CDSL in the specified format, to freeze the erroneously credited account for precautionary measures including restraining the receiving account holder from transferring and/or creating any interest / rights / encumbrance in favour of any third person(s) with respect to the securities transferred erroneously along with request for reversal of erroneous transfer.

b. The DP making such a request shall furnish prescribed documents to CDSL as mentioned below:

- DP has to set up the details as per 'Annexure A' to be filled up online in easiest by accessing the option 'Erroneous Transfer' provided in DPs easiest login under the menu Easiest > Setup > Erroneous Transfer.
- After clicking on the new option, a setup screen will be available to enter the erroneous transfer details. The required mandatory fields will have to be entered by the DP including Trade ID field which is mandatory. In case of multiple ISINs, separate Annexure 'A' (ISIN wise) will be required to be setup.

- On submitting the erroneous transfer request details, system will validate and match the details entered by the DP i.e Seller BO and Buyer BO and Quantity against the Trade ID details present in CDAS and Success/Failure message will be displayed. The quantity entered can be less than or equal to the quantity present for the Trade ID in CDAS.
- After successful set-up of 'Annexure-A', the DP can download and submit the same to CDSL, duly stamped and signed by the compliance officer or authorized signatory along with the other documents (refer details below).
- For erroneous transfer due to error by BO / CM, the said BO / CM if required can also set up 'Annexure A' online by accessing the new option 'Erroneous Transfer' under Transaction menu provided in their easiest login.
- The 'Annexure A' set up by the BO / CM will be sent to the DP of the BO or CM for authentication.
- The BO/CM can modify / delete the details in 'Annexure-A' till such time the details are not authenticated by the DP.
- The DP can either accept / reject the request. The details entered by the BO / CM cannot be modified by the DP. The DP can view the list of 'Annexure-A' set-up by the BO / CM which are pending for DP authentication.
- Once the details are authenticated by the DP, the DP will be required to download and submit the same to CDSL stamped and signed by the compliance officer or authorized signatory along with the other documents listed below along with Annexure
- Letter from the BO / CM (whichever is applicable) addressed to the DP informing about the erroneous transfer.
- Copy of the Delivery Instruction Slip (DIS) duly filled in by the BO / CM (from whom the error was initiated)
- Letter from the DP duly signed by the compliance officer / authorized signatory requesting CDSL to rectify the error.
- Indemnity from the BO (Refer Annexure-6.8) or CM (Refer Annexure-6.9) or DP (Refer Annexure-6.10) on Rs. 500/- stamp paper / stamp duty as applicable for the state of Maharashtra.
- Copy of the transaction cum holding statement containing the details of the erroneous transfer duly stamped and signed by the DP.

c. The Depository reserves the right to advise the Depository Participant of the receiving BO to initiate preventive measures for a period of 7 business days or such number of days as may be decided by the Depository on a case by case basis, by restraining the receiving BO from transferring and/or creating any interest / rights / encumbrance in favour of any third person(s) with respect to the securities transferred erroneously, pending submission of complete documentation by the Applicant.

d. DP/ CC/ BO shall comply with such procedures as may be prescribed by the Depository from time to time, for rectification of such erroneous transfers.

e. Upon confirming to the procedure by DP/ CC/ BO, the Depository may advise the Depository Participant of the receiving BO to initiate reversal of securities transferred erroneously. DP shall give 24 hours intimation to recipient BO before debiting the demat account.

f. At the time of initiating off-market transaction for debiting securities from BO account (who has received credit of securities erroneously) is required to execute the following process.

g. a) Off-market transfers will be allowed only to the transferee accounts which are added as beneficiaries to the transferor account.

h. If the transferor (account from which securities will be reversed/debited), wherein prior registration of beneficiary is also required as a pre-requisite for off-market transfer, does not provide OTP to register the transferee account and also does not provide OTP for reversing the securities, then the process will be as follows:

i. Such erroneous transfer cases will be examined by a joint committee constituted by depositories for Intra depository and Inter- depository erroneous Transfers.

ii. The joint committee will examine the erroneous transfer cases based on documentary evidence and hearing will accordingly take a decision. CDSL and other depository in case of inter-depository erroneous transfer cases) will act based on the decisions of the joint committee and the decision of the said committee will be conveyed via email to the registered email ID of the transferee.

6.7 Reconciliation

6.7.1 The DP will have to ensure that the total instructions received are equal to the instructions executed + instructions pending.

6.8 Investor Protection Fund (IPF) Utilization by Depository in case of Unauthorised Transfer of Securities by misuse of Power of attorney ("POA") by Broker/DP.

6.8.1 All legitimate claims received from BOs which are eligible under the Insurance Policy obtained by the depositories may be compensated from the Insurance Policy.

Depository shall compensate the investors, in the following scenarios:

1)In the event of Negligence / Fraud committed by DP/ DP employee in its DP operations.

2)Transfer of securities from client account to account of broker/any other entity without corresponding pay-in obligation, post implementation of pay-in validation.

I. If a claim is due to negligence of Depository or DP (In cases of the claim amount is more than/less than deductibles specified in Insurance Policy).

a. In case the legitimate claim received is due to negligence of the depository participant (including errors and omission committed by its employees), the depository shall indemnify such beneficial owner in terms of Section 16 (1) of the Depositories Act, 1996 and the depository shall have the right to recover the same from such participant in terms of Section 16 (2) of Depository Act, 1996.

b. In case the legitimate claim received is due to negligence of the depository, the Depository shall indemnify such Beneficial owner.

c. Such claims shall not be reimbursed from the IPF of Depository.

II. In case of all other claims:

a)In case of other claims (i.e. claim NOT due to negligence of the Depository or DP), if the claim is legitimate and the claim amount received is less than the deductibles specified in the Insurance Policy, then the same may be compensated from the IPF of the depository subject to the maximum cap for reimbursement of the legitimate claims of the beneficial owners as approved by the Governing Board of Depositories. However, in case the claim is due to issue at Depository end, the BO may be compensated by the Depository and the same shall not be reimbursed from IPF.

In case of other claims (i.e. claim NOT due to negligence of the Depository or DP), if the claim is legitimate and the claim amount is more than the deductible specified in the Insurance Policy, in such cases, the deductibles specified in the Insurance Policy may be compensated from the IPF of the depository subject to the maximum cap as approved by the Governing Board of Depositories. However, in case the claim is due to issue at Depository end, the BO may be compensated by the Depository and the same shall not be reimbursed from IPF.

6.9 Records

6.9.1 DP shall reconcile the records of all instructions received on daily basis.

6.9.2 All DIS received from BO should be maintained for a period of 8 years or any such period as specified by SEBI / CDSL /Prevention of Money Laundering Act, 2002, whichever is higher.

6.9.3 DP shall maintain a register, which records the serial number of the instructions slips issued to the BO.

6.9.4 Requisition slips received from the BO for fresh issuance of DIS booklets.

6.9.5 Register for loose DIS.

6.9.6 A record of statement / computer printouts containing consolidated details of instructions executed by the DPs on behalf of the clients who have given POA/DDPI to the DPs should be maintained. For different types of transactions, separate statements / computer printouts should be maintained.

6.9.7 If original copies of DIS are submitted to CBI, CID or such investigation agencies, then copies of the document(s) should be preserved till such inquiry is completed.

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7-TRANSMISSION

7.1 Objective:

7.1.1 The objective of transmission functionality is to allow the transfer of title of securities in case of death of an account holder and inheritance by a successor, as stated by the deceased BO.

7.2 Features

7.2.1 The securities are transferred into the account of either the surviving joint holder(s) or the claimant to the securities.

7.3 Reference To Law :

Depositories Act, 1996, SEBI (Depositories and Participants) Regulations, CDSL Bye-Laws

7.3.1 SEBI Regulations

- Regulation 44 : Transfer or withdrawal by beneficial owner

7.3.2 Companies Act, 1956

- Section 109 : Transfer by legal representative

7.3.3 CDSL Bye Laws

- Bye Laws 13.9 : Transmission of securities

7.3.4. Prevention of Money Laundering Act, 2002

- Rule 6. : Retention of Records.

7.4 Annexures

- Annexure 7.1 : Transmission Request Form - (In case of Sole Holder's Death)
- Annexure 7.2 : Transmission Request Form - (In case of Death of one of the Joint Holders)
- Annexure 7.3 : Letter of Indemnity
- Annexure 7.5 : Affidavit

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7.5 Precautions

7.5.1 This transaction can be initiated by the DP for transfer of securities only in case of death of all or any of the holders or in any other case with the prior approval of CDSL. For transmission of securities in case of death of one of the holders, the surviving holders can opt to continue the existing demat account by giving a request for deletion of name of the deceased holder[s] from the existing account and DP will have to obtain the documentation as mentioned in Operating Instruction 7.6.2. If the surviving BO wishes to open a new account the same would need to be opened in the same order of names of the surviving holders as given in the old account. The account can be opened with the same DP as in mentioned in Operating Instruction 7.5.3 or with any other DP as mentioned in Operating Instruction 7.5.2. For example: If the old account is in the names of A, B & C and "C" expires, the new account, shall necessarily be in the names of A and B.

7.5.2 In case the surviving holders wish to transfer the securities to a demat account with any other DP of CDSL, the DP shall ensure that the names of the surviving holders are in the same order of names as in the existing account. The surviving holders shall submit to the old DP, the physical copy of the Client Master Report of the new account duly stamped and signed or electronic copy of the Client Master Report of the new account digitally signed/e-signed by the new DP for effecting the transmission of securities. A declaration stating that all transactions in the account are authentic shall be submitted by the surviving holders to the old DP.

7.5.3 If the surviving holders wish to transfer the securities to a demat account with the same DP, the new account may be opened by the DP, based on the documents submitted at the time of opening of the original account. However, if the 1st holder in the new account is different from that in the old account, the DP shall ensure that the existing KYC norms are adhered to in obtaining the required proofs for recording of permanent and correspondence address. A declaration stating that all transactions in the account are authentic shall be submitted by the surviving holders to the old DP. Further, DPs shall ensure that the KYC documentation, for opening of new accounts, is as per SEBI and CDSL specifications in force at the time.

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7.5.4 If the surviving holders wish to transfer the securities to a demat account with the other depository, they would have to submit the Client Master Report of the account with the other depository duly stamped and signed in case of physical copy or digitally signed/e-signed in case of electronic copy by the DP of the other depository. The CDSL-DP would need to verify if the account is in the same order of names of the surviving holders before effecting the transfer. The transfer may be effected using the Across-Depository option in the "Transfer-Transmission" Module in the CDSL system. The following documents shall also be obtained along with the Client Master Report:-

- Duly filled and signed Account Closure Request form.
- Obtaining a Delivery Instruction Slip [DIS] is not required.
- A declaration stating that all transactions in the account are authentic.
- The DP shall apply to CDSL requesting waiver of charges for such transfers on a case-to-case basis.

7.5.5 If the transfer of securities from the account is to be effected to a claimant / Successor, the DP shall take measures to satisfy itself as to the identity of the Successor mentioned in the Succession documents.

7.5.6 The DP shall ensure that the copies of the documents submitted by the Claimant (Successor) are verified with the original documents.

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7.5.7 On receiving intimation of the death of any of the holder(s) and after receiving the original Death Certificate or Death certificate downloaded from the online portal of Government carrying digital/facsimile signature/e-signed of the issuing authority or a copy of the Death Certificate(duly notarized or attested by a Gazetted Officer) , the DP shall not allow the execution of any instruction other than transmission request in the deceased BO's account, i.e. the DP shall freeze the account for debits with appropriate reason code. In case death certificate is downloaded from the online portal of Government, the authorised official of the DP should verify the details from the Governments website or from the office of the concerned registrar (birth/death) and keep a record of the same with his signature and stamp of DP.

7.5.8 The securities which are encumbered (i.e. Pledged, earmarked, etc.) will not be transferred out of the account and will remain in the deceased BO account till such time as the encumbrance is removed or the obligation (in case of earmarking) is met. Similarly, securities of ISINs that are 'Frozen for debits and / or credits' due to regulatory restraints like pending listing of the company with the Exchanges pursuant to an Initial Public Offer (IPO) or Scheme of arrangement etc will not be transferred out of the account. In such cases, the account will reflect a "TO-BE-CLOSED" status. However at a later date, when the ISINs which are 'Frozen for debits and / or credits' are activated in the BO's account, the DP may process the transfer of the said securities to the account of the transmittee BO(s) based on a copy of the Transmission Request Form submitted earlier.

7.5.9 DP has to satisfy itself that there is no order from any competent court brought to its notice restraining the transmission of the deceased demat account holder.

7.5.10 Further , DP has to make it clear to the survivor (s) that he /she would be receiving the securities of the deceased holder as a trustee of the legal heirs of the deceased demat account holder.

7.5.11 After receipt of all required documentation, the DP shall ensure that the Transmission request is processed within seven days of receipt of the same.

7.5.12 On transmission of all the securities to the Transmittee BO's account, the account of the deceased BO will be automatically closed by the CDSL system.

7.6 Procedure

7.6.1 Death of Sole Holder (Transfer)

A) If the deceased BO has nominated a person(s), then the Nominee(s) shall be entitled to the transmission of securities standing to the credit of the deceased BO's account, if there are multiple nominees then the nominees shall submit one

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transmission request form to the DP. In such a case, the nominee(s) shall submit the following documents to the DP –

a) Transmission Request Form duly filled in – Annexure 7.1 [Part – I]

b) Original or copy of the death certificate of the deceased holder duly notarized / attested by a Gazetted Officer or Death certificate downloaded from the online portal of Government carrying digital/facsimile signature/e-signed of the issuing authority. In case death certificate is downloaded from the online portal of Government, the authorised official of the DP should verify the details from the Governments website or from the office of the concerned registrar (birth/death) and keep a record of the same with his signature and stamp of DP.

c) Client Master Report of the new account duly stamped and signed in case of physical copy or digitally signed/e-signed in case of electronic copy by the new DP (of the demat account of the nominee), in case the nominee has a demat account in individual capacity with another DP of CDSL. Nominee (each nominee in case of multiple nomination) shall be the sole holder of the account. The DP shall ensure that the said nominee does not have any joint holders in this new account.

B) If the deceased BO (sole holder) has not appointed a nominee, then the Successor(s) claiming title to the securities of the deceased BO (sole holder) must submit.

a) Transmission Request Form **Annexure – 7.1 [Part – II]**

b) Original death certificate of the demise BO or a copy of the same, (duly notarised / attested by a Gazetted Officer) or Death certificate downloaded from the online portal of Government carrying digital/facsimile signature of the issuing authority. In case death certificate is downloaded from the online portal of Government, the authorised official of the DP should verify the details from the Governments website or from the office of the concerned registrar (birth/death) and keep a record of the same with his signature and stamp of DP.

c) Self-attested copy of PAN Card of claimant / legal heirs, issued by the Income Tax Department.

d) Copy of Birth Certificate (in case the nominee/claimant/legal heir is a minor).

e) KYC* of the Claimant Guardian (in case of nominee /claimant being a minor / of unsound mind)..

***If not KYC compliant]**

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f) A copy of any one of the following

1. A Succession Certificate, or
2. A Letter of Administration, or
3. A Probate of the will **or**
4. **Will** of the deceased **along with a duly notarized indemnity bond from the legal heir(s)/claimant(s) to whom the securities are transmitted, as per the format specified provided in Annexure 7.3 ; or**
5. **Court Decree**

[for 1 to 5 as may be applicable in terms of Indian Succession Act, 1925] . Or

6. **Legal heirship certificate or its equivalent, along with**

   I. A notarized indemnity bond from the legal heir o(s)/claimant(s) to whom the securities are transmitted, as per the format specified provided in Annexure 7.3; and

   II. No Objection from all the non-claimants, duly attested by a notary public or by a gazetted officer as per the format provided in Annexure 7.6

g) A notarized affidavit, in the format provided in Annexure – 7. 5 from all legal heir(s) made on non-judicial stamp paper of appropriate value, to the effect of identification and claim of legal ownership to the securities. However, in case the legal heir(s) /claimant(s) is named in the succession certificate or probate of will or will or letter of administration or Legal Heirship Certificate or its equivalent certificate, an affidavit from such legal heir(s) / claimant(s), in the format as specified under Annexure 7.5 shall be sufficient.

- If there is more than one claimant, the claimants / successors shall submit one Transmission Request Form to the DP.
- However, if the Successors express their inability to produce either of the documents mentioned in 1, 2, **3 4, 5** and **6** of **clause** f above, and the market value of the securities held in each of the accounts of the **demised** BO as on

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the date of application for Transmission does not exceed Rs. **1**5,00,000/- or such other amount as may be specified by CDSL and or SEBI from time to time, the DP shall process the Transmission request on the basis of the following documents:

a) Transmission Request Form – Annexure – 7.1·

b) Original death certificate or copy of the death certificate of the deceased BO, duly notarized or attested by a Gazetted Officer or Death certificate downloaded from the online portal of Government carrying digital/facsimile signature/e-signed of the issuing authority. In case death certificate is downloaded from the online portal of Government, the authorised official of the DP should verify the details from the Governments website or from the office of the concerned registrar (birth/death) and keep a record of the same with his signature and stamp of DP.

c) **Self-attested copy of PAN Card of claimant / legal heirs, issued by the Income Tax Department**

Legal Heirship Certificate (or equivalent certificate) to be accompanied with:

d) No objection certificate [NOC] from all legal heir(s) [**Annexure - 7.6] stating that they have relinquished their rights to the claim for transmission of securities** are not applicants conveying no objection to the transmission of the relevant securities in favor of the applicant(s) **attested by a notary public or by a gazette officer in the prescribed format or a** copy of Family Settlement Deed duly notarized and executed by all the legal heirs of the deceased BO.

e) **An indemnity bond made on appropriate non -Judicial stamp paper, indemnifying the Depository Participant [DP] and depository (Annexure7.3) shall be notarized.**

Note: If the division of shares as per the Family Settlement Deed is amongst more than one person, then the Family Settlement Deed can be considered as an NOC for transmission of shares to each legal heir applying for transmission.

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- The DP shall verify the details in the Transmission Request Form with the BO account details of the deceased BO as available at CDSL. If the details are found to be incorrect in any manner, the DP shall inform the Successor(s) / Nominee(s) about the errors in the Form. The Transmittee BO(s) shall make the necessary corrections and return the Transmission Request Form to the DP.
- Once the details on the Transmission Request Form and the documents are found to be in order, and if the account of the Successor(s)/ Nominee(s) is with CDSL, then the DP shall set up a Transmission Request through the front-end system of CDSL.
- The transmission of balances of all the ISINs (as specified in the Succession Certificate / Nomination Form or in the relevant legal document), will be done into the account of the Transmittee BO(s) at CDSL.
- The Transmittee `DP shall give a Statement of Account to the new Beneficial Owner.
- In case the account of the Successor(s)/ Nominee(s) is with the other depository, the DP shall effect the transmission through the "Across - Depository" option in "Transfer-Transmission" Module in the CDSL system.
- After all the holdings have been transmitted from the deceased BO's Account, the deceased BO's account will be closed in the CDSL system at the End of Day (EOD).
- All transmission requests shall be processed in **demat mode only** within seven days from receipt of required documentation.

7.6.2 Death of one of the Joint Holders

- The surviving holders shall request the DP to transmit the securities standing to the credit of such an account.

- The surviving holders shall have an option to either continue with the same account by deletion of deceased's name [Annexure 7.2 B] or open a new account in the same order of names.

A. Procedure to be followed in case the surviving holders wish to continue with the existing account.

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- The surviving holders shall submit the following documents to the existing DP.
- Annexure_7.2B _for deletion of name of the deceased holder duly signed by the surviving holder (s)
- Original or copy of the death certificate of the deceased holder(s), duly notarized / attested by a Gazetted Officer or Death certificate downloaded from the online portal of Government carrying digital/facsimile signature of the issuing authority. In case death certificate is downloaded from the online portal of Government, the authorized official of the DP should verify the details from the Governments website or from the office of the concerned registrar (birth/death) and keep a record of the same with his signature and stamp of DP.
- If the deceased holder was the first holder in the demat account.

a. DP should ensure that existing KYC norms are adhered for obtaining the required proofs for recording of permanent/correspondence address.
b. Further, the DP shall ensure that the KYC documentation is as per SEBI and CDSL specifications in force at the time.
c. Fresh details like bank account, phone numbers, mobile no. email ids, etc. are obtained of the new first holder.
d. A fresh Nomination form, duly signed by the surviving holders will have to be obtained for the existing demat account after deletion of the deceased holder and the same has to be duly updated in the CDSL system and Nomination Register.

B. Procedure to be followed in case the surviving holders opts to transfer the securities to any other DP. –

- On the death of one of the joint holders, the surviving holders shall submit the following documents to the DP –
  a) Transmission Request Form duly filled in – Annexure 7.2. The surviving holders shall submit one Transmission Request Form to the DP.
  b) Original or copy of the death certificate of the deceased holder(s), duly notarized / attested by a Gazetted Officer or Death certificate downloaded from the online portal of Government carrying digital/facsimile signature/e-signed of the issuing authority. In case death certificate is downloaded from the online portal of Government, the authorised official of the DP should verify the details from the Governments website or from the office of the concerned registrar (birth/death)

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and keep a record of the same with his signature and stamp of DP.

c) Client Master Report of the new account duly stamped and signed in case of physical copy or digitally signed/e-signed in case of electronic copy by the new DP of the joint holders, in case the joint holder(s) has/have a demat account with some other DP of CDSL / other depository.

- The surviving holder(s) can transmit securities to an account opened in their names only.

  e.g. 1: If the account is in the name of A, B and C, on death of B, the surviving holders : A and C can transmit the securities only to an account opened in the order A and C.

  e.g. 2 : If the account is in the name of A and B, on the death of B, the surviving holder: A can transmit the securities only to an account in the name of A without joint holders.

For both A & B options mentioned above, further procedure to be followed

- On submission of the abovementioned certificates and documents, the DP shall suspend prospective debits to the deceased BO's account and await instructions from the Successor(s).
- The DP shall make a prima facie check on the death certificate submitted by the surviving holder(s).
- The DP shall open a new account, if an account does not exist in the same order of names of the surviving holders as appearing in the original BO account.
- The new account may be opened, with the same DP, based on the documents submitted at the time of opening of the original account. If the 1st holder of the new account is different from the 1st holder of the old account, the DP shall ensure that the existing KYC norms are adhered to in obtaining the required proofs for recording of permanent and correspondence address. Further, DPs shall ensure that the KYC documentation for opening of new accounts is as per SEBI and CDSL specifications in force at the time.
- The surviving holder(s) shall submit a request in the Transmission Request Form (Annexure 7.2)

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- The deceased BO's DP shall verify the details in the Transmission Request Form with the original BO account details available at CDSL. If the details are found to be incorrect in any manner, the DP shall inform the successor(s) about the errors in the Transmission Request Form. The Transmittee BO(s) shall make the necessary corrections and return the Transmission Request Form to the DP.
- Once the details on the Transmission Request Form and the documents are found to be in order, and if the account of the transmittee BO is with CDSL, then the DP shall set up a Transmission Request through the front end system of CDSL.
- The transmission of balances of all the ISINs will be done into the account of the Transmittee BO(s) at CDSL.
- The DP shall give a statement of account to the new BO.
- In case the account of the transmittee BO is with the other depository, the DP shall effect the transmission through the " "Across -Depository" option in "Transfer-Transmission" Module in the CDSL system.
- After all the holdings have been transmitted from the deceased BO's Account, the deceased BO's account the deceased BO's account will be closed in the CDSL system at the EOD
- All transmission requests shall be processed within seven days of receipt of required documentation.

7.7 Controls

7.7.1 The securities cannot be rematerialised directly from the deceased BO's account.

7.7.2 The DP shall take precautions to ensure that the correct BO ID(s) and ISIN(s) are entered in the CDSL system for effecting the Transmission Request.

7.7.3 The request for transmission shall be in accordance with the Succession Certificate, Letter of Administration or a Probate of the Will of the deceased BO – valid only in the case of a sole holder without nominee.

7.8 Reconciliation

7.8.1 The DPs shall reconcile, on a daily basis, the total number of transmission requests received to the total number of transmission requests executed and the total number of transmission requests pending.

7.9 Records to be maintained

7.9.1 Notarized / attested copy (ies) of death certificate(s) of the deceased BO(s) or Death certificate (s) downloaded from the online portal of the Government carrying

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digital/facsimile signature/e-signed of the issuing authority with signature of the authorized official of the DP who verified the details from the Government website or from the office of the concerned registrar (birth / death) under the stamp of the DP, letters of administration, Succession Certificate, probate of Will of the deceased shall be maintained.

7.9.2 Correspondence with the successor(s) / Nominee(s), if any.

7.9.3 Transmission Request Forms

7.9.4 Letter of Indemnity.

7.9.5 Affidavit made on appropriate non-judicial stamp paper.

7.9.6 No Objection Certificate from the legal heirs.

7.9.7 All the above documents are to be preserved for a period of 8 years or any such period as specified by SEBI/ CDSL/Prevention of Money Laundering Act, 2002, whichever is higher.

7.9.8 If any original documents are submitted to the CID, CBI or such investigating agency, then copies of all such documents are to be retained till the investigations are complete.

7.9.9 If photocopies of the documents have been submitted to the CBI, Police, Courts or any such competent authority or agency for investigation, then the original documents should be stored till the investigations are complete.

7.9.10 If soft copies of the documents [data in electronic form] have been submitted to the CBI, Police, Courts or any such competent authority or agency for investigation, then the DP shall ensure that the provisions of the Information Technology Act, 2000 in this regard are complied with, and that the said electronic data [soft-copies] are maintained on record and stored till the investigations are completed.

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8 PLEDGE / UNPLEDGE / INVOCATION

8.1 Objectives

The pledge function provided in CDSL system helps in meeting the following objectives:

- Allow a BO (pledgor) to use his dematerialised securities as collateral for a pledge transaction with another BO (pledgee).
- Allow release (unpledging) of the pledged securities when the pledge obligation, as agreed between the pledgor and the pledgee, is fulfilled.
- Allow pledgee to invoke the pledged securities, if the pledgor does not fulfill the pledge obligation, as agreed between the pledgor and the pledgee.

8.2 Features

- Maker – Checker feature provided for better risk management.
- Pledge is not treated as a disposal of securities by the pledgor or an acquisition by the pledgee.
- Beneficial interest of the pledged securities remains with the pledgor.
- Pledge of free as well as lock-in securities is possible but invocation of lock-in securities is possible only after lock-in period has expired.
- Part / full unpledging of the securities by pledgee without any action by pledgor.
- Part / full unpledging of the securities by pledgor with confirmation by pledgee.
- Part / full invocation of the securities by pledgee without any action by pledgor.
- Reversal of erroneous transactions initiated by pledgee-maker.
- Report before expiry date of pledge for better risk management.

8.3 Reference to Law

8.3.1 Depositories Act, 1996

- Section 12 : Pledge or hypothecation of securities held in a Depository.

8.3.2 **SEBI (Depositories and Participants) Regulation, 1996**

- Regulation 58 : Manner of creating pledge or hypothecation.

8.3.3 **CDSL Bye Laws**

- Bye-Law 14 : Pledge and Hypothecation

8.3.4 **Prevention of Money Laundering Act, 2002**

- Rule No. 6 : Retention of records

8.4 Annexures

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- Annexure 8.1 : Pledge Request Form (PRF)
- Annexure 8.2 : Unpledge Request Form (URF)
- Annexure 8.3 : Invocation Request Form (IRF)

8.5 Procedure

8.5.1 Pre-requisites

Following are the pre-requisites for carrying out pledge, unpledge and invocation activities through CDSL system.

- The pledgor and the pledgee must have accounts only in CDSL to create a pledge. However, the pledgor and the pledgee may hold accounts through different DPs of CDSL.
- The pledgor and the pledgee accounts should be active.
- The ISIN should be active.
- Pledgor DP and Pledgee DP each shall create at least two users to implement the maker – checker feature. Maker shall set up (initiate) the pledge/unpledge/invocation transaction. Checker shall verify the pledge / unpledge / invocation transaction initiated by the Maker. The same user cannot do initiation and verification of pledge/ unpledge /invocation transaction even though access rights are given to the user.
- The pledgor DP maker shall have the following options :
  1. Modify few details of the pledge till the pledgor checker verifies the same. Only the user who initiates the pledge (maker) can modify the details.
  2. Cancel the pledge request before the same is accepted or rejected by the pledgee DP.
- The pledgee DP maker / checker shall have the option to reverse a pledge accept / reject transaction initiated by pledgee maker if the initiation is erroneous.
- The Pledgor BO shall have the facility to set up pledge request with future date as execution date. If the execution date is not mentioned in the Pledge Request Form, then business date on which the Pledgor DP verifies the pledge will be taken as execution date.
- If the pledgee BO has given standing instruction for accepting pledge request, the pledgee BO need not submit the Pledge Request form for acceptance of the pledge request, as the same shall be done automatically.
- The Pledgor BO shall have the facility to setup the pledge request even in case of insufficient / nil balance in the Pledgor BO account.

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- 8.5.2 **Pledge**
  - The pledgor BO shall fill up the Pledge Request Form (PRF) – Annexure 8.1, in duplicate for pledging the securities from his account and submit the same to its DP.
  - On receipt of the PRF from the pledgor BO, the pledgor DP will check the PRF for completeness, correctness and validity and subsequently setup the request.
  - On committing the transaction, a unique Pledge Sequence Number (PSN) is generated. The Pledgor DP shall record the PSN generated by the system on the PRF.
  - On the execution date if, the transaction has been verified by the pledgor checker and the securities to be pledged are unencumbered i.e. which are not earmarked for settlement or not already pledged or frozen, then the pledgee DP can access the PSN :
    1. When free securities are set up for pledge, securities are blocked in the pledgor BO account. Balances are moved from "free balance" to "pledge set-up balance"
    2. When lock-in-securities are set up for pledge, securities are blocked in the pledgor BO account. Balances are moved from "lock-in balance" to "pledge set-up balance"
  - CDSL system generates a letter giving details of the pledge setup. The Pledgor DP shall print this letter. An authorized official of the pledgor DP shall sign and stamp this letter and send the same to the pledgor. After pledge request is verified by the Pledgor DP, acknowledgement copy is generated during EOD for pledgee BO, at the pledgee DP's end.
  - If the Pledgee DP has not obtained standing instruction from the UPledgee BO thenU the Pledgee BO shall submit duly signed PRF to its DP with PSN. If the pledgee is a bank that also functions as a DP, then signature of the pledgee need not necessarily be taken on the PRF for acceptance of pledge.
  - Based on instructions received from the pledgee, the pledgee DP shall either accept or reject the request.
  - After the transaction is verified, CDSL system generates a letter giving details of the pledge. Pledgee DP shall print this letter. An authorized official of the pledgee DP shall sign and stamp the letter and send it to the pledgee.

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- If the Pledgee BO has availed the standing instruction facility for pledge acceptance, then after verification of pledge setup by Pledgor DP and availability of balance on execution date, the transaction status will show as "verified accepted" and the Pledgee BO need not give instructions for accepting any particular pledge request to its DP.
- After pledge request is accepted/rejected by the Pledgee DP, acknowledgement copy is generated during EOD for Pledgor at the pledgor DP's end.
- On acceptance of the pledge transaction by the pledgee DP,
  1. Free / lock-in securities are moved from "pledge set up balance" to "pledge balance" and are blocked (till the same are either unpledged or invoked)in the Pledgor BO account
  2. Securities are shown under "pledgee balance" in Pledgee BO account
- In respect of securities where CDSL receives a request for debit corporate action on account of redemption on or after the redemption date, the securities which are pledged, shall stand extinguished from the records of CDSL.

8.5.3 Unpledge initiated by Pledgee without any action by Pledgor (Auto Unpledge)

- The pledgee BO through its DP can make a request for unpledging the pledged securities. The pledgee BO shall fill up the Unpledge Request Form (URF) – Annexure 8.2, and submit it to its DP.
- Unpledge can be for full/part quantity that is pledged.
- On approval of the unpledge request by the pledgee checker, the securities which were blocked in the pledgor BO account are released.
  1. Unpledged free securities are moved from "pledge balance" to free balance of Pledgor BO.
  2. Unpledged Lock-in securities are moved from "pledge balance" to lock-in balance of Pledgor BO.

- After the transaction is verified, CDSL system generates a letter giving details of the unpledge. Pledgee DP shall print this letter. An authorized official of pledgee DP shall sign and stamp this letter and then send the same to the pledgee BO. After unpledge request is verified by pledgee DP, acknowledgement copy is generated during EOD for pledgor at the pledgor DP's end.

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8.5.4 Unpledge Initiated by Pledgor

- The pledgor BO through its DP can make a request for unpledging the pledged securities. The pledgor BO shall fill up the Unpledge Request Form (URF) in duplicate and submit duly completed form to its DP.
- Unpledge can be for full /part quantity that is pledged.
- After unpledge request is set up by pledgor DP, acknowledgement copy is generated during EOD for pledgee at the pledgee DP's end.
- After the transaction is verified, CDSL system generates a letter giving details of the unpledge setup. Pledgor DP shall print this letter and send the same to pledgor after it is duly signed and stamped by the authorized official of the DP.
- The pledgee BO shall submit duly signed URF mentioning the details of the pledge with instructions to the pledgee DP to accept / reject the unpledge request.
- Based on the instructions received from the pledgee BO, the pledgee DP either accepts or rejects the unpledge request.
- On acceptance of the unpledge request by the pledgee DP; the securities which were blocked in the pledgor BO account are released.
  1. Unpledged free securities are moved from "pledge balance" to free balance of Pledgor BO.
  2. Unpledged Lock-in securities are moved from "pledge balance" to lock-in balance of Pledgor BO.
- After the transaction is verified, CDSL system generates a letter giving details of the unpledge. Pledgee DP shall print this letter. An authorized official of the DP shall sign and stamp the letter and send the same to the pledgee. An acknowledgement copy is generated during EOD for pledgor BO after the unpledged request is verified by pledgee DP at the pledgor DP's end.

8.5.5 Invocation

- The pledgee BO can invoke the pledged securities through its DP. The pledgee BO shall fill up the Invocation Request Form (IRF) – Annexure 8.3, for invoking / the securities and submit it to its DP.
- Invocation can be for full quantity or for part quantity that is pledged.
- On verifying the invoke request by the pledgee DP,

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i. if the pledge is for free balance, then the securities, which were blocked in pledgor BO's account for pledge, are transferred to the pledgee BO's account.

ii. If the pledge is for lock-in securities, then invocate request cannot be setup till the lock-in period is over.

After the transaction is verified, CDSL system generates a letter giving details of the invocation. Pledgee DP shall print this letter. An authorized official shall sign and stamp this letter and send the same to the pledgee. An acknowledgement copy is generated during EOD for pledgor BO after the invocation request is verified by the pledgee DP at the pledgor DP's end.

8.5.6. DPs should ensure that whenever a pledge request is set up, the same should be verified by pledgor DP checker / accepted / rejected / cancelled within 15 days from the set up date. If pledge requests remain unexercised for more than 15 days, from the set up date, CDSL will have the option to cancel such pledge requests after the stipulated time.

8.6 **Margin Pledge – Repledge process**

8.6.1 Trading Members (TM) / Clearing Members (CMs) can accept collateral from clients in the form of securities only by way of Margin Pledge (MP) created in the depository system. For the purpose of providing collateral in form of securities as margin, a client can margin pledge securities with TM, and TM can re-pledge the same with CM, and CM in turn can re-pledge the same to Clearing Corporation (CC).

8.6.2 **Account Opening by TM / CM**

- The TM / CM BO shall open a separate account to accept the margin pledge initiated by their clients under the specific type and sub-type specified by CDSL in this regard.
- If the DP is having the TM / CM's pool account, the TM/ CM shall submit a duly signed consent form (Annexure 8.7) along with a copy of the board resolution.
- If the DP does not have the TM / CM's pool account, the TM / CM shall submit a duly filled in account opening form (refer opening instruction 2.3) by specifically mentioning the type and sub-type in the AOF provided in Annexure 2.2 of the Operating Instructions.

8.6.3 Creation of Margin Pledge

- The BO shall submit a duly filled and signed Margin Pledge Request Form (MPRF - Annexure .8.4 / 8.8) to the DP
- On receipt of the MPRF, the DP shall check the MPRF for completeness, correctness and validity and then set up the request under the specific pledge type i.e. 'Margin Pledge'
- On entry of the transaction, a unique Margin Pledge Sequence Number (MPSN) shall be generated for each ISIN. The DP shall record the MPSN generated by the system.

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- An SMS shall be sent to the BO by CDSL with a link to 'Authenticate the Margin Pledge Transactions'.
- The BO shall click on the link and authenticate the Margin Pledge Transaction by entering the authentication parameter provided by the depository.
- The transaction will remain pending for execution till authentication by the BO.
- The further process will be similar to the process prescribed for creation of normal pledge instructions.

8.6.4 **Creation of Repledge**

- The TM / CM (re-pledgor) shall submit a duly filled and signed Margin Pledge Request Form (MPRF - Annexure .8.4 / 8.8) to the DP after selecting the option for 'Set up of Margin re-pledge'.
- On receipt of the MPRF, the DP shall check the MPRF for completeness, correctness and validity and then set up the request for creation of margin repledge (MRP).
- TM / CM can initiate a MRP for partial quantity
- If while creating the underlying margin pledge, the BO had selected the segment option as 'ALL', the TM / CM can choose to repledge the same for any segment of their choice. But, if the BO had selected a specific segment option, the repledge shall also be done only for that segment.
- The further process will be similar to the process prescribed for creation of normal pledge instructions.

8.6.5 **Release of Margin Pledge / Margin Re-pledge**

- The margin pledgor / re-pledgor (BO / TM / CM) shall submit a duly filled and signed Margin Unpledge Request Form (MURF- Annexure 8.5 / 8.8) to the DP.
- On receipt of the MURF, the DP shall check the MURF for completeness, correctness and validity and then set up the request for release of margin pledge/ repledge.
- The remaining process will be similar to the process followed for ' unpledge initiated by pledgor' in the case of normal pledge.
- Alternatively, the margin pledgee / re- pledgee may initiate a release of pledge by submitting the MURF. In such a case the process will be similar to the process followed for 'unpledged initiated by pledgee without any action by pledgor (Auto unpledge) in the case of normal pledge.
- For release of securities which are margin-pledged in favour of a TM / CM and which are subsequently re-pledged in favour of a CC, the CC will release the re-pledged client securities to the CM. The CM / TM in turn shall release the securities to TM / client, as the case may be.

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- The facility for partial quantity release of margin- pledged / margin-repledged securities is available.

8.6.6 **Invocation of Margin Pledge / Margin Re-pledge:**

- The margin pledgee / re-pledgee shall submit a duly filled and signed Margin Pledge Invocation Form (MPIF Annexure – 8.6 / 8.8] to its DP.
- The margin pledgee / re-pledgee shall ensure that if there exists any repledge on securities which are sought to be invoked the same will be released prior to invocation.
- If TM of a CM defaults CC shall release the re-pledged securities of defaulting TM in CM-CMPA and and CM shall invoke the pledge in Demat account of the TM.
- If client of a TM defaults, CC shall release the re-pledged securities of the defaulting client in CM-CMPA, the CM shall release the re-pledged securities of the defaulting client in TM-CMPA and the TM shall invoke the pledge in Demat account of the client BO/TM.
- The facility for partial quantity invocation of securities is available.
- The remaining process will be similar to the process followed for 'invocation' in case of normal pledge transaction.

8.7 Reconciliation

8.7.1 The DP should reconcile, on a daily basis, the total number of pledge / unpledge / invocation requests received to the total number of pledge / unpledge / invocation requests executed and total number of pledge / unpledge / invocation requests pending.

8.7.2 The DP should reconcile on a daily basis the total number of pledge / unpledge / invocation requests entered by the maker to the total number of pledge / unpledge / invocation requests verified by the checker.

8.8 Records

8.8.1 The DP shall maintain copies of all Pledge Request Forms (PRF), Unpledge Request Forms (URF) , Margin Pledge Request Form [MPRF] , Margin Unpledge Request Form [MURF] , Invocation Request Forms (IRF) and Margin Pledge Invocation Form (MPIF) and Combined Form for a minimum period of 8 years or any such period as specified by SEBI / CDSL/Prevention of Money Laundering Act, 2002 whichever is higher.

8.8.2 If any original documents are submitted to the CID, CBI or such investigating agency, then copies of all such documents are to be retained till the investigations are complete. Alternatively, if the photocopies are handed over for investigation to one of these agencies, the original copies are to be retained till the investigations are complete.

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9 REMATERIALIZATION / REPURCHASE

9.1 Objectives

9.1.1 Rematerialization allows to convert the electronic balances held by the BO in its demat account into physical form.

9.1.2 In the case of Repurchase, the remat module is used to expunge (remove) the securities and obtain the proceeds against the same.

9.2 Features

9.2.1 Rematerialization is a process by which the Securities held in electronic form are converted into paper mode securities by the Beneficial Owners.

9.2.2 While, in the case of Repurchase, the payment is issued to the BO by the Issuer/RTA in lieu of securities held in electronic form.

9.3 Reference to Law

9.3.1 **Depositories Act – 1996**

- Section 14 : Option to opt out in respect of any security.

9.3.2 **SEBI (Depositories and Participants) Regulations,1996**

- Regulation 33 : Withdrawal by participant
- Regulation 44 : Transfer or withdrawal by Beneficial Owner

9.3.3 **CDSL Bye Laws**

- Bye Law 13.5 : Rematerialization

9.3.4 **Prevention of Money Laundering Act, 2002**

- Rule No 6 : Retention of records.

9.4 Annexures

- Annexure 9.1 : Rematerialization Request Form (RRF).
- Annexure 9.2 : Repurchase Request Form

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9.5 Procedure

9.5.1 **Rematerialization**

9.5.1.1 A BO who wishes to have his dematerialised holdings of securities in CDSL rematerialized, will fill in the Rematerialization Request Form (RRF – Annexure 9.1), in duplicate, and submit the same to his DP. All joint holders, if applicable, should sign the RRF. RRF can be signed by the POA holder also if any POA has been given. The POA must be registered with the Issuer/RTA.

9.5.1.2 Sufficient Free / Lock-in Balance should be present in the demat account.

9.5.1.3 Separate remat request should be setup for free shares and lock-in shares.

9.5.1.4 The ISIN should not be Inactive / Frozen for debits.

9.5.1.5 The BO account should not be closed.

9.5.1.6 In case of a remat request along with request for change of address, it should be ensured that it is from the BO only and not from any other person

9.5.1.7 DP should verify the following details, as mentioned in the RRF, with the BO master maintained with CDSL. The details to be verified are as follows: -

- Name(s) of the Beneficial Owner(s)
- BO ID
- Address
- ISIN
- Name of the Issuer
- Quantity of securities requested for Rematerialization.
- Whether the quantity to be rematerialised is a free balance and there is no pledge or any other encumbrances attached to it.
- Signature(s) of the Beneficial Owner(s) or POA holder, as recorded with the DP.

9.5.2 The DP shall capture the details from the RRF in the CDSL system and shall generate the Remat Request Number [RRN].

9.5.3 RRF, which has been set up, can be modified any time before the same is accessed by the Issuer/RTA (either on-line access or downloads by Issuer/RTA). Modification of RRN or deletion of RRN which has already been set up by the DP, but not yet accessed by the Issuer/RTA, should be authorised by the BO, if the change of RRN is as per the RRF submitted by the BO or the deletion of RRN is to rectify the mistake committed by the DP.

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9.5.4 DPs should exercise caution when selecting the "Lot option" i.e. MARKET LOT or JUMBO LOT, in the CDSL system, as the charges applicable would vary depending on lot opted for.

9.5.5 The DP shall note the RRN on the RRF and shall authorize the RRF with his seal and signature. The DP must dispatch the RRF to the Issuer/RTA within 7 days from the date of receiving the remat request from the BO. The DP will retain a copy of the RRF for his records.

9.5.6 The DP should follow up with the Issuer/RTA if the remat request is not honoured within the prescribed time limit i.e. within 30 days and keep on record the follow-up done.

9.5.7 The Issuer/RTA will electronically intimate the rejection of RRF and send the rejected RRF along with all the documents for necessary correction / rectification.

9.5.8 Where the Issuer/RTA has rejected the RRF, the DP will carry out the necessary rectification in consultation with the BO, and set up a fresh remat request.

9.5.9 Repurchase

In case the BO intends to tender the securities that are available in demat form in his account for repurchase, then a Repurchase Request Form – Annexure 9.2, has to be submitted along with the Rematerialization Request Form. The DP should ensure that the bank details are entered in the CDSL system. If bank details are not entered, then the repurchase request may get rejected.

The procedure to be followed for setting up a repurchase request shall be as indicated for rematerialization.

9.6 Reconciliation

9.6.1 The following reconciliation will have to be done on a daily basis by the DP –

- Remat Requests received = Requests electronically logged in and RRF sent + Requests electronically logged in but RRF not sent + Requests received but electronically not logged in

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- Remat Pending = Remat Quantity electronically logged in Remat Quantity confirmed - Remat quantity rejected + Remat quantity not logged in electronically

9.7 **Records**

9.7.1 The DP shall maintain copies of all RRF / Repurchase Request Forms, where applicable, for a minimum period of 8 years or any such period as specified by SEBI / CDSL/ Prevention of Money Laundering Act, 2002 whichever is higher.

9.7.2 If any original documents are submitted to the CID, CBI or such investigating agency, then copies of all such documents are to be retained till the investigations are complete.

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10 ACCOUNT CLOSURE

10.1 Objectives

10.1.1 To facilitate closure of BO Account.

10.2 Features

10.2.1 The BO himself or his DP or CDSL may initiate the request for Account Closure. A DP may request the closure of its BO accounts by specifying appropriate reason. A BO account can also be closed by CDSL on reasonable grounds. A CM may request closure of his CM Unified Settlement (CM Pool) Account / CM Principal Account / CM Clearing Member Account.

10.2.2 A DP can set-up or cancel an account closing request only for the BO accounts serviced by the DP or its branches, if the Main DP has taken the rights from its branch with itself for this function.

10.3 Reference to Law

10.3.1 The Depositories Act, 1996

- Section 26(2) (h): Conditions for admission into and withdrawal from a participant by a beneficial owner.
- Section 17 : Rights and obligations of depositories, etc.

10.3.2 **SEBI (Depositories and Participants) Regulations, 1996**

Regulation 26 : Rights and obligations of depositories, etc.
Regulation 33 : Withdrawal by participant
Regulation 49 : Record of services
Regulation 50 : Manner of keeping records

10.3.3 **CDSL Bye Laws**

- Bye Law 5.5.3 : Withdrawal by Participant
- Bye Law 5.5.4 : Consequences of termination and/or withdrawal of the agreement with a participant.

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- Bye Law 6 : Rights and Obligations of Beneficial Owner
- Bye Law 13.5 : Rematerialisation
- Bye Law 13.7 : Account Closure
- Bye Law 13.8 : Transfer of Balances
- Bye Law 17.2 : Powers of the Member Committee
- Bye Law 17.4 : Suspension of a Participant
- Bye Law 17.5 : Expulsion of Participant
- Bye Law 17.7 : Procedure for Expulsion / Suspension or other disciplinary action
- Bye Law 17.10 : Consequences of Expulsion
- Bye Law 17.11 : Notice of Expulsion / Termination / Suspension of Business
- Bye Law 17.12 : Procedure for cancellation of agreement between Participant and CDSL

10.3.4 **Prevention of Money Laundering Act, 2002**

- Rule No. 6 : Retention of Records

10.4 Annexures

- Annexure 10.1 : Account Closure Request Form (ACRF)
- Annexure 10.2 : Request Letter for Rejection of Pending Demat & Account Closure

10.5 Procedure

10.5.1 A BO account can be closed in the following cases:

- Closure initiated by BO
- Closure initiated by DP
- Closure initiated by CDSL

10.5.2 The Account shall be closed by the CDSL system only when all the balances in the account are Zero.

10.5.3 **Account Closure initiated by BO**

10.5.3.1 In case of a closure initiated by the BO, the BO shall give a written request to the DP on the ACRF as specified by CDSL in Annexure 10.1 or a letter signed by all the holder(s)

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containing all the details as per the ACRF.

10.5.3.2 On receiving the ACRF from the BO, the DP shall verify the following:

- whether the form is filled completely in all respects
- whether the signature(s) of the holder(s) tally with the signature(s) recorded in the CDSL system.
- whether the details filled in the ACRF tally with the details recorded in the CDSL system.

10.5.3.3 If the details provided by the BO in the ACRF/letter differ from the BO details existing in the CDSL system, then the DP shall return the ACRF/letter to the BO pointing out the discrepancies in the details provided by him.

10.5.3.4 The BO shall rectify the specified details in the form and submit a new ACRF/letter to the DP.

10.5.3.5 The ACRF/letter shall have provisions for the BO to indicate whether the balances (if any), in the BO account should be rematerialised and/or transferred to another BO account.

10.5.3.6 The Account Closure Request should be entered on the CDSL system within 7 days of receipt of the Closure Request.

10.5.3.7 Once the request is entered in the system, the status of the account changes to "TO BE CLOSED" and no further credits to the account are allowed. However, debits would be permitted.

10.5.3.8 The DP should obtain the duly-filled Rematerialisation Request Form and/or Delivery Instruction Slip along with the ACRF, if necessary. In the case of "SHIFTING OF ACCOUNT", obtaining a Delivery Instruction Slip [DIS] is not required.

10.5.3.9 However, if securities of ISINs which are 'Frozen for debits and / or credits' due to regulatory restraints like pending listing of the company with the Exchanges pursuant to an Initial Public Offer (IPO) or Scheme of arrangement etc are present in the account, the same will not be transferred out of the account. In such cases, the account will reflect a "TO-BE-CLOSED" status. $**A**t a later date, when the ISINs which are 'Frozen for debits and / or credits' are $**unfrozen** activated $, the DP may process the transfer of securities out of the $**BO** account $**with status "to be closed"** based on $**earlier** copy of the Account Closure Request or DIS submitted $**during one year from the date of account closure request processed in CDSL system**.

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$If the status of the account is in "To be Closed status remains for more than one year in CDSL system, DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system.

After all the free balances have been transferred, the DP should provide the BO with a Transaction Statement for the quarter in which the request has been received.

10.5.3.10 This statement should contain all transactions from starting date of the said quarter till the date on which the account has been closed / marked for closure.

10.5.3.11 The words "Account Closed / To be Closed" should be prominently written, by the DP, on the Transaction Report.

10.5.3.12 The proof of despatch of such Transaction Statement to the BO should be kept on record by the DP.

10.5.3.13 At the End of Day (EOD), on the day when all the balances in the BO account become "zero", the status of the account will change to "CLOSED".

10.5.3.14 The accounts closed during EOD would be reflected in the routine reports generated by CDSL.

10.5.3.15 The DP will issue a final statement of account to the BO showing the final transactions and a balance of "Zero". In case of "To be Closed" accounts, a final statement of account should be sent to the BO showing the final transactions and a balance of zero after closure of account, with status as "ACCOUNT CLOSED".

10.5.3.16 The proof of despatch of final Transaction Statement to the BO should be kept on record by the DP.

10.5.3.17 The above procedure should also be followed for closure of CM accounts.

10.5.3.18 A Power of Attorney holder cannot sign the ACRF. The BO's signature is required.

10.5.3.19 **Closure of accounts with pending demat requests:**

(a) In cases where there are long-pending dematerialisation of shares of non-responding companies, DPs should advise the BO(s) to submit the following documents to the Issuer with a copy marked to the electronic connectivity RTA and DP. In cases where the BOs wish to withdraw the demat requests pending disposal by Issuers / RTAs for a long time, in order to enable them to close their demat account(s) –

- A letter, as per the format given in Annexure 10.2 to the Issuer/Company, requesting for rejection of the pending demat request.
- A letter giving the DRN details which is duly signed and stamped by the DP. (For this purpose DPs should generate a letter from the CDSL system using

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the "Print" button in the option "Inquiry" through the module "Dematerialisation" and provide the same to the BO. This letter would be addressed to the RTA.)

- On receipt of the above request from the BO, the DP should follow up with the concerned Issuer/RTA for rejection of the DRN that is set up, based on the long-pending demat request.
- On rejection of the demat request by the Issuer/RTA, the DP should set up an account closure request for closing the BO account, based on the Account Closure Form submitted by the BO. The remainder of the procedure to be followed is as given above for account closure.

(b) In cases where there are long-pending (more than 60 days) dematerialization of shares of non-responding companies, DPs should advise the BO(s) to submit a letter, addressed to the DP (as per the format given in Annexure 10.3) requesting the rejection of the long-pending demat request(s) so that the account closure process may be completed.

- On receipt of the above request from the BO, the DP shall send a letter to CDSL (as per the format given in Annexure 10.4), along with the letter received from the BO, requesting CDSL to reject/cancel the DRN(s) in the system, as the same is pending for more than 60 days.
- On rejection of the demat request by CDSL, the DP should set up a account closure request for closing the BO account, based on the account closure form submitted by the BO. The remainder of the procedure to be followed is as given above for account closure.

10.5.4 BO account closure initiated by the DP

- A DP can initiate the closure of a BO account for reasons such as:
  1. Non-payment of dues
  2. Violation of Rights and Obligations document
  3. Transfer to another DP/Main DP due to closure of Branch/Main DP.
- The DP shall give a notice of minimum 30 days to the BO intimating the BO of DP's intention to close the account, citing the reason for initiating closure of the account.
- The hard copy or soft copy of this letter and proof of despatch should be preserved by the DP.

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- If the DP intends to maintain/store the copies of the notice letters sent to BOs, in electronic form, then the DP shall ensure that the provisions of the Information Technology Act, 2000 in this regard are complied with.
- If no response is received from the BO within 30 days from despatch of the letter, the DP shall initiate closure of the account.
- After the closure has been initiated, an authorised DP official shall approve the same.
- If, after initiation of the BO account closure, a reply from the BO that he/she wishes to continue the account is received, the DP could cancel the closure request.
- After the DP approves the closure, the account status will change to "TO BE CLOSED" **$till the time the securities balances becomes Zero**.
- **$If the pending balance/s in the demat account is / are due to inactive ISINs, pending demat / remat balance, freeze or pledge balances, DP can transfer the securities to the target account as and when ISIN /balances status becomes active/free status. DP can transfer the active /free ISINs /balances in the target account within a period of one year from the date of account closure request earlier submitted by BO and processed in the CDSL system.**
- **$If the status of the account is in "To be Closed status remains for more than one year in CDSL system, the DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system**.

- The account will be closed only after all the balances for that account are reduced to "zero". The closure is done at EOD on the day when all the balances for that account become zero.
- Once the DP approves the account for closure, it cannot be cancelled. Further, no account modifications are allowed on such accounts.
- The DP will generate a final statement of account showing the balance as zero.
- This statement should be sent to the BO.
- The DP should preserve proof of despatch of this statement.

10.6 Closure of an account due to SHIFTING OF ACCOUNT:

10.6.1 from one CDSL-DP to another CDSL-DP

10.6.2 from a CDSL-DP to a DP of the other depository

10.6.3 subsequent to change in the name of the BO

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10.6.1 Shifting of account from one CDSL-DP to another CDSL-DP

10.6.1.1 The BO intending to shift an existing account to another DP should open a new account with another DP in the same order of names as in the existing account and obtain Client Master Report duly stamped and signed in case of physical copy or digitally signed/e-signed in case of electronic copy by official of the new DP.

10.6.1.2 The Client Master report along with the following documents should be submitted to the DP with whom the existing account is held:

- Duly filled and signed Account Closure Request Form with a remark in the "Reason for closure" column as 'Shifting of account'.
- A declaration stating that all transactions in the account are authentic.

10.6.1.3 On receiving the above documents, the DP should verify whether the names in the new account and existing account are same and are in the same order. If the names in the new account are different or are not in the same order, the documents should be returned to the BO immediately, indicating the discrepancy. The DP should maintain a record of such returned documents.

10.6.1.4 If all the documents submitted by the BO are in order, the DP should enter the transfer request in CDSL system by using 'Account Transfer' option in the 'Transfer / Transmission' module. While entering the data, the DP should once again verify that account holder names in transferee and transferor BO accounts are same.

10.6.1.5 CDSL will not levy any charge for such account closure transfers.

10.6.1.6 DPs should note that balances which are under Pledge and ISINs which are frozen for debits and or credits would not be transferred.

10.6.1.7 **$If the pending balance/s in the demat account is / are due to inactive ISINs, pending demat / remat balance, freeze or pledge balances, DP can transfer the securities to the target account as and when the ISIN / balances status becomes active / free status. DP can transfer the active / free ISINs / balances in the target account within a period of one year from the date of account closure request earlier submitted by BO and processed in the CDSL system.**

10.6.1.8 **$If the status of the account is in "To be Closed status remains for more than one year in CDSL system, the DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system.**

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10.6.1.9 When all balances in the account become NIL, the system will automatically close the account.

10.6.2 Shifting of account from a CDSL-DP to a DP of the other depository

10.6.2.1 The BO intending to shift an existing account from a CDSL DP to a DP of the other depository should open a new account with a DP of the other depository in the same order of names as in the existing account and obtain Client Master Report from the new DP stamped and signed in case of physical copy or digitally signed/e-signed in case of electronic copy by an official of the DP.

10.6.2.2 The Client Master report along with following documents should be submitted to the CDSL DP with whom existing account is held:

- Duly filled and signed Account Closure Request form with a remark in the 'Reason for closure' column as 'Shifting of account'.
- A declaration stating that all transactions in the account are authentic.

10.6.2.3 On receiving the above documents, DP should verify whether the names in the new account and existing account are same and are in the same order. If the names in the new account are different or are not in the same order, the documents should be returned to the BO immediately, indicating the discrepancy. The DP should maintain record of such returned documents.

10.6.2.4 If the documents are in order DP should enter the transfer request in the CDSL system by using "Across Depository" option in "Transfer-Transmission" module.

10.6.2.5 DPs should note that only free balances are transferred. Any balance, which is under lock-in, Pledge, Pending for Remat, Pending Demat verification, Pending Demat confirmation, and ISINs which are frozen for debits and or credits will not be transferred.

10.6.2.6 $If the pending balance/s in the demat account is / are due to inactive ISINs, pending demat / remat balance, freeze or pledge balances, DP can transfer the securities to the target account as and when the ISIN / balances status becomes active / free status. DP can transfer the active / free ISINs / balances in the target account *within a period of one year* from the date of account closure request earlier submitted by BO and processed in the CDSL system.

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10.6.2.7 $If the status of the account is in "To be Closed" status remains for more than one year in CDSL system, the DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system.

10.6.2.8 SHIFTING OF ACCOUNT from one CDSL-DP to another CDSL-DP / within the same DP / Inter-depository, where there is a difference in the name of the source & target accounts of the same individual:

10.6.3.1 Change in name of a BO consequent upon marriage:

A. For shifting from one CDSL-DP to another CDSL-DP:

- The BO should obtain Client Master Report of the account in the married name, duly stamped and signed in case of physical copy or digitally signed/e-signed in case of electronic copy by an official of the new CDSL-DP.
- The Client Master Report along with the following documents should be submitted to the DP with whom the existing account is held:
  - ✓ Duly filled and signed Account Closure Request Form with a remark in the "Reason for Closure" column as "SHIFTING OF ACCOUNT".
  - ✓ A declaration stating that all transactions in the account are authentic.
  - ✓ PAN Card in the married name
  - ✓ Marriage Certificate of the BO.
- DPs are advised to ensure that the veracity of the claim is thoroughly substantiated before the transfer of securities is effected. If all the documents submitted by the BO are in order, the DP should enter the transfer request in the CDSL system by using "Account Transfer" option in the "Transfer / Transmission" module.
- The DP should note that only balances which are under pledge and, ISINs which are frozen for debits and or credits would not be transferred.
- **$If the pending balance/s in the demat account is / are due to inactive ISINs, pending demat / remat balance, freeze or pledge balances, DP can transfer the securities to the target account as and when the ISIN / balances status becomes active / free status. DP can transfer the active / free ISINs / balances in the target account within a period of one year from the date of account closure request earlier submitted by BO and processed in the CDSL system**.

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- **$If the status of the account is in "To be Closed status remains for more than one year in CDSL system, the DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system.**
- When all balances in the account become NIL, the CDSL system will automatically close the account.

B. For shifting of account within the same DP:

- If the BO's source account (in maiden name) and target account (in married name) are within the same DP, the following documents **should be** submitted by the BO for effecting the transfer of securities:
  - ✓ Duly filled and signed Account Closure Request Form with a remark in the "Reason for Closure" column as "SHIFTING OF ACCOUNT".
  - ✓ A declaration stating that all transactions in the account are authentic.
  - ✓ PAN Card in the married name
  - ✓ Marriage Certificate of the BO.
- DPs are advised to ensure that the veracity of the claim is thoroughly substantiated before the transfer of securities is effected. If all the documents submitted by the BO are in order, the DP may transfer the securities from the source account to the target account through an "Account Transfer" option in "Transfer/Transmission" Module in the CDSL system.
- The DP should note that balances which are under pledge and ISINs under frozen for debits and credits would not be transferred.
- **$If the pending balance/s in the demat account is / are due to inactive ISINs, pending demat / remat balance, freeze or pledge balances, DP can transfer the securities to the target account as and when the ISIN / balances status becomes active / free status. DP can transfer the active / free ISINs / balances in the target account *within a period of one year* from the date of account closure request earlier submitted by BO and processed in the CDSL system.**
- **$If the status of the account is in "To be Closed status remains for more than one year in CDSL system, the DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system.**

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- When all balances in the old account become NIL, the CDSL system will automatically close the account.

C. For shifting of account from CDSL to the other depository:

- If the BO wishes to transfer securities from the source account in the maiden name (in CDSL) to the target account in the married name (in the other depository), the following documents should be submitted by the BO:
  - ✓ Duly filled and signed Account Closure Request Form with a remark in the "Reason for Closure" column as "SHIFTING OF ACCOUNT".
  - ✓ Client Master Report of the account held in the married name, duly stamped and signed in case of physical copy or digitally signed/e-signed in case of electronic copy by an official of the DP of the other depository.
  - ✓ A declaration stating that all transactions in the account are authentic.
  - ✓ PAN Card in the married name
  - ✓ Marriage Certificate of the BO.
- DPs are advised to ensure that the veracity of the claim is thoroughly substantiated before the transfer of securities is effected. If all the documents submitted by the BO are in order, the DP may transfer the securities from the source account to the target account using the "Across - Depository" option in "Transfer-Transmission" Module in the CDSL system.
- The DP should note that only free balances would be transferred. Any balance which is under lock-in, pledge, pending-for-remat, pending for demat verification or pending demat confirmation would not be transferred.
- **$If the pending balance/s in the demat account is / are due to inactive ISINs, pending demat / remat balance, freeze or pledge balances, DP can transfer the securities to the target account as and when the ISIN / balances status becomes active / free status. DP can transfer the active / free ISINs / balances in the target account *within a period of one year* from the date of account closure request earlier submitted by BO and processed in the CDSL system.**

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- **$If the status of the account is in "To be Closed status remains for more than one year in CDSL system, the DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system.**
- As soon as the transaction is executed and when all balances in the old account become NIL, the CDSL system will close the account at the EOD.

10.6.3.2 **Reverting to maiden name (consequent upon divorce):**

A. For shifting from one CDSL-DP to another CDSL-DP:

- The BO should obtain Client Master Report of the account held in the maiden name, duly stamped and signed in case of physical copy or digitally signed/e-signed in case of electronic copy by an official of the new CDSL-DP.
- The Client Master Report along with the following documents should be submitted to the DP with whom the existing account is held:
  - ✓ Duly filled and signed Account Closure Request Form with a remark in the "Reason for Closure" column as "SHIFTING OF ACCOUNT".
  - ✓ A declaration stating that all transactions in the account are authentic.
  - ✓ PAN Card in maiden name
  - ✓ Divorce Certificate or Order of the Court confirming the dissolution of the marriage.
- DPs are advised to ensure that the veracity of the claim is thoroughly substantiated before the transfer of securities is effected. If all the documents submitted by the BO are in order, the DP should enter the transfer request in the CDSL system by using "Account Transfer" option in the "Transfer / Transmission" module.
- The DP should note that balances which are under pledge and ISINs which are frozen for debits and or credits would not be transferred.
- **$If the pending balance/s in the demat account is / are due to inactive ISINs, pending demat / remat balance, freeze or pledge balances, DP can transfer the securities to the target account as and when the ISIN / balances status becomes active / free status. DP can transfer the active / free ISINs / balances in the target account *within a period of one year* from the date of account closure request earlier submitted by BO and processed in the CDSL system.**

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- **$If the status of the account is in "To be Closed status remains for more than one year in CDSL system, the DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system.**
- When all balances in the account become NIL, the CDSL system will automatically close the account.

B. For shifting of account within the same DP:

- If the BO's source account (in married name) and target account (in maiden name) are within the same DP, the following documents should be submitted by the BO for effecting the transfer of securities:
  - ✓ Duly filled and signed Account Closure Request Form with a remark in the "Reason for Closure" column as "SHIFTING OF ACCOUNT".
  - ✓ A declaration stating that all transactions in the account are authentic.
  - ✓ PAN Card in maiden name
  - ✓ Divorce Certificate or Order of the Court confirming the dissolution of the marriage.

  DPs are advised to ensure that the veracity of the claim is thoroughly substantiated before the transfer of securities is effected. If all the documents submitted by the BO are in order, the DP may transfer the securities from the source account to the target account through an "Account Transfer" option in the "Transfer/Transmission" Module in the CDSL system.
- The DP should note that balances which under pledge and ISINs which are frozen for debits and or credits would not be transferred.
- When all balances in the old account become NIL, the CDSL system will automatically close the account.

C. For shifting of account from CDSL to the other depository:

- If the BO wishes to transfer securities from the source account in the married name (in CDSL) to the target account in the maiden name (in the other depository), the following documents should be submitted by the BO:
  - ✓ Duly filled and signed Account Closure Request Form with a remark in the "Reason for Closure" column as "SHIFTING OF ACCOUNT".

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- ✓ Client Master Report of the account held in the maiden name, duly stamped and signed in case of physical copy or digitally signed/e-signed in case of electronic copy by an official of the DP of the other depository.
- ✓ A declaration stating that all transactions in the account are authentic.
- ✓ PAN Card in the maiden name
- ✓ Divorce Certificate or Order of the Court confirming the dissolution of the marriage.

- DPs are advised to ensure that the veracity of the claim is thoroughly substantiated before the transfer of securities is effected. If all the documents submitted by the BO are in order, the DP may transfer the securities from the source account to the target account using the "Across-Depository" option in "Transfer-Transmission" Module in the CDSL system.
- The DP should note that only free balances would be transferred. Any balance which is under lock-in, pledge, pending-for-remat, pending for demat verification or pending demat confirmation would not be transferred.
- **$If the pending balance/s in the demat account is / are due to inactive ISINs, pending demat / remat balance, freeze or pledge balances, DP can transfer the securities to the target account as and when the ISIN / balances status becomes active / free status. DP can transfer the active / free ISINs / balances in the target account *within a period of one year* from the date of account closure request earlier submitted by BO and processed in the CDSL system.**
- **$If the status of the account is in "To be Closed status remains for more than one year in CDSL system, the DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system.**
- As soon as the transaction is executed and when all balances in the old account become NIL, the CDSL system will close the account at the EOD.

10.6.3.3 **Change in the name of a BO by notification in Official Gazette:**

A. For shifting from one CDSL-DP to another CDSL-DP:

- The BO should obtain Client Master Report of the account held in the new name, duly stamped and signed in case of physical copy or digitally signed/e-signed in case of electronic copy by an official of the new CDSL-DP.

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- The Client Master Report along with the following documents should be submitted to the DP with whom the existing account (in old name) is held:
  - ✓ Duly filled and signed Account Closure Request Form with a remark in the "Reason for Closure" column as "SHIFTING OF ACCOUNT".
  - ✓ A declaration stating that all transactions in the account are authentic.
  - ✓ PAN Card in the new name of the BO.
  - ✓ Original Gazette Notification or copy of Gazette Notification duly notarized or attested by a Gazetted Officer.
- DPs are advised to ensure that the veracity of the claim is thoroughly substantiated before the transfer of securities is effected. If all the documents submitted by the BO are in order, the DP should enter the transfer request in the CDSL system by using "Account Transfer" option in the "Transfer / Transmission" module.
- The DP should note that balances which are under pledge and ISINs which are frozen for debits and or credits would not be transferred.
- **$If the pending balance/s in the demat account is / are due to inactive ISINs, pending demat / remat balance, freeze or pledge balances, DP can transfer the securities to the target account as and when the ISIN / balances status becomes active / free status. DP can transfer the active / free ISINs / balances in the target account *within a period of one year* from the date of account closure request earlier submitted by BO and processed in the CDSL system**.
- **$If the status of the account is in "To be Closed status remains for more than one year in CDSL system, the DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system.**
- When all balances in the account become NIL, the CDSL system will automatically close the account.

B. For shifting of account within the same DP:

- If the BO's source account (in old name) and target account (in new name) are within the same DP, the following documents should be submitted by the BO for effecting the transfer of securities:

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- ✓ Duly filled and signed Account Closure Request Form with a remark in the "Reason for Closure" column as "SHIFTING OF ACCOUNT".
- ✓ A declaration stating that all transactions in the account are authentic.
- ✓ PAN Card in the new name of the BO.
- ✓ Original Gazette Notification or copy of Gazette Notification duly notarized or attested by a Gazetted Officer.

- DPs are advised to ensure that the veracity of the claim is thoroughly substantiated before the transfer of securities is effected. If all the documents submitted by the BO are in order, the DP may transfer the securities from the source account to the target account through an " Account Transfer" option in the Transfer/Transmission" Module in the CDSL system.
- The DP should note that balances which are under pledge and ISINs which are frozen for debits and or credits would not be transferred.
- **$If the pending balance/s in the demat account is / are due to inactive ISINs, pending demat / remat balance, freeze or pledge balances, DP can transfer the securities to the target account as and when the ISIN / balances status becomes active / free status. DP can transfer the active / free ISINs / balances in the target account *within a period of one year* from the date of account closure request earlier submitted by BO and processed in the CDSL system.**
- **$If the status of the account is in "To be Closed status remains for more than one year in CDSL system, the DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system.**
- When all balances in the old account become NIL, the CDSL system will automatically close the account.

C. For shifting of account from CDSL to the other depository:

- If the BO wishes to transfer securities from the source account in the old name (in CDSL) to the target account in the new name (in the other depository), the following documents should be submitted by the BO:
  - ✓ Duly filled and signed Account Closure Request Form with a remark in the "Reason for Closure" column as "SHIFTING OF ACCOUNT".

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- ✓ Client Master Report of the account held in the new name, duly stamped and signed in case of physical copy or digitally signed/e-signed in case of electronic copy by an official of the DP of the other depository.
- ✓ A declaration stating that all transactions in the account are authentic.
- ✓ PAN Card in the new name of the BO.
- ✓ Original Gazette Notification or copy of Gazette Notification duly notarized or attested by a Gazetted Officer.

- DPs are advised to ensure that the veracity of the claim is thoroughly substantiated before the transfer of securities is effected. If all the documents submitted by the BO are in order, the DP may transfer the securities from the source account to the target account using the "Across-Depository" option in "Transfer-Transmission" Module in the CDSL system.
- The DP should note that only free balances would be transferred. Any balance which is under lock-in, pledge, pending-for-remat, pending for demat verification or pending demat confirmation would not be transferred.
- **$If the pending balance/s in the demat account is /are due to inactive ISINs, pending demat / remat balance, freeze or pledge balances, Dp can transfer the securities to the target account as and when the ISIN/balances status becomes active/ free status. DP can transfer the active/ free ISINs/ balances in the target account within a period of one year from the date of account closure request earlier request submitted by BO and processed in the CDSL system.**
- **$If the status of the account is in "To be Closed" status remains for more than one year in CDSL system, the DP will be required to obtain the account closure request form again from the BO/s to process the closure request in CDSL system.**
- When all balances in the old account become NIL, the CDSL system will automatically close the account at the EOD.

10.7 Controls to be maintained

10.7.1 The DP has to ensure that the BO, who wishes to initiate the Account Closure, submits a request for Rematerialisation or for Transfer of balances to other accounts, in order to reduce the balance to zero.

10.7.2 The DP should ensure that the account closure request should not be entered for any account which has encumbrances such as freeze/pledge.

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10.7.3 The DP shall initiate the procedure for transfer of balances / rematerialisation of securities in the BO Account within a period of 2 days from the date of receipt of the Closure Request from the BO.

10.8 Reconciliation

10.8.1 The DP should reconcile, on a daily basis, the total number of closure requests received to the total number of requests executed and the total number of requests pending.

10.9 Records to be maintained

10.9.1 The DP will have to keep a record of the request letters / ACRFs / documents received from the BOs initiating the account closure process.

10.9.2 In case the DP initiates the closure, then the DP should maintain sufficient documentary evidence of the reasons for him having informed the BO to close the account with him e.g. letter written to the BO by the DP citing the exact reasons for asking him to close the account and proof of despatch of the notice sent to the BO. The hard copy or soft copy of such letters sent to BOs, are to be maintained by the DP. The DP shall ensure that the provisions of the Information Technology Act, 2000 are complied with, if the letters are stored in electronic form (soft copy).

10.9.3 In case of the closure initiated by CDSL, the DP shall maintain a copy of the Court Order or of any other Statutory Authority forwarded by CDSL to the DP justifying the reasons for having closed the Account of the BO.

10.9.4 All the above documents are to be preserved for a period of 8 years or any such period as specified by SEBI/CDSL/Prevention of Money Laundering Act 2002, whichever is higher.

10.9.5 If any original documents are submitted to the CID, CBI or such investigating agency, then copies of all such documents are to be retained till the investigations are complete.

10.9.6 If photocopies of the documents have been submitted to the CBI, Police, Courts or any such competent authority or agency for investigation, then the original documents should be stored till the investigations are complete.

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10.9.7 If soft copies of the documents [data in electronic form] have been submitted to the CBI, Police, Courts or any such competent authority or agency for investigation, then the DP shall ensure that the provisions of the Information Technology Act, 2000 in this regard are complied with, and that the said electronic data [soft-copies] are maintained on record and stored till the investigations are completed.

$Refer Communique no. CDSL/OPS/DP/POLCY/2024/640 dated October 24, 2024

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11 PENALTIES FOR VIOLATIONS, IRREGULARITIES, NON-COMPLIANCES OR DELAY IN COMPLIANCES

11.1 Objective

The objective of imposing penalty on the Depository Participants (DP) is to impress upon every DP the importance of observing compliance of various regulatory requirements and to discourage them from non-compliance or violation of these requirements.

11.2 Features

The Depository may impose penalty on the DP as mentioned in the Schedule of penalties provided as Annexure 11.1.

11.3 Reference to Law

11.3.1 Depositories Act, 1996
11.3.2 SEBI (Depository and Participant) Regulations, 1996
11.3.3 CDSL Bye Laws
11.3.4 Operating Instructions for Depository Participants
11.3.5 Circulars/Guidelines issued by SEBI from time to time
11.3.6 Communiqués issued by CDSL from time to time

11.4 Annexures

Annexure 11.1 : Schedule of Penalties to DPs

11.5 Classification of violations

11.5.1 Violations are classified into four categories :

1) Fraud committed at the offices of DPs, including fraudulent / benami / fictitious demat accounts opened with DP.
2) Failure to resolve the grievances of investors.
3) Disruption of services due to system-related / connectivity failures.
4) Other procedural lapses.

11.6 Scale of penalty

11.6.1 The scale of penalty to be levied for non-compliance, irregularity, violation or delay in compliance is furnished in Annexure 11.1 for DPs. The member committee will have the power and authority to impose penalties higher than mentioned in the said annexure depending upon the nature of irregularities observed.

11.6.2 It shall be open to the authority empowered to impose the penalty to refer any violation to the member committee, if he deems it necessary to do so, irrespective of the monetary limits.

11.6.3 The list of non-compliances is subject to such modification as may be deemed fit by CDSL from time to time and the same shall be effective on its notification to the DPs through communiqué.

11.7 Procedure for imposition of penalty on DPs

11.7.1 In case any violation, irregularity, non-compliance or delay in compliance is noticed, the concerned functional department will inform the A I & C Department about its findings.

11.7.2 All instances of complaints / cases involving or allegation of frauds will be reported to member committee.

11.8 Non-compliances where monetary penalty is levied

11.8.1 The penalty amount will be included in the monthly bill of the DP.

11.8.2 If the DP does not pay the monetary penalty within a month of the due date of the relevant bill, the matter will be reported to member committee.

11.8.3 If penalties are imposed but the DP does not confirm rectification of non-compliance within 60 days of imposition of penalty, the matter will be referred to member committee.

11.9 Verification of Compliance

The compliance reported by the DP will be verified during the subsequent inspection. In case the compliance reported by the DP is found to be false, materially incorrect or misleading, the matter will be referred to the member committee for necessary action.

11.10 Penalties for non-compliances not covered in Annexure 11.1

The MD or ED or COO will have the authority to introduce monetary penalty for such types of non-compliances which are not covered in Annexure 11.1, subject to reporting to the member committee for information and review.

11.11 General guidelines for imposition of penalty on DPs

11.11.1 If the total monetary penalty levied on a particular DP in last 3 years exceed ₹1,00,000/-, the matter will be referred to Member Committee.

11.11.2 The penalty will be accumulated for a period of 3 years. At the beginning of the 4th year, the penalty accumulated in the 1st year will be dropped and the penalty levied in the 2nd and 3rd year will be considered as the opening balance and so on for the subsequent years.

11.11.3 If any non-compliance attracts penalty under more than one head, the higher of the penalty will be applicable.

11.11.4 The actual cost of travel & stay, etc. of depository officials and / or other person/s on behalf of depository, if any, with respect to the ascertainment or waiver of penalty or for rectification of the non-compliances will be recovered from the DP.

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12 FEES, CHARGES AND DEPOSITS

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 are specified herein under, along with taxes on such payments, as applicable. 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 in bills raised by CDSL, 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 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.

12.2 Tariff for Depository Participants

Sr.	Particulars	Charges payable to CDSL
1.	Minimum monthly bill for Main DP	Rs. 8,000/-
2.	Minimum monthly bill for Branch DP directly connected to CDSL	Rs. 8,000/-
3.	Account Maintenance Charges for Non-corporates	Nil
4.	Account Maintenance charges for Corporates and Client Unpaid Securities Pledgee Account (CUSPA).	Rs. 500/- per annum (@)
5.	Settlement Charges	Rs.500/- per month per CMID.
6.	Dematerialisation	Nil
7.	Rematerialisation	**Remat** A fee of Rs.10/- for every 100 securities or part thereof; subject to maximum fee of Rs.5,00,000/-or a Flat fee of Rs.10/- per certificate, whichever is higher payable on confirmation of the request. However no fee shall be collected in case of Government Securities.

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Sr.	Particulars	Charges payable to CDSL
7. 8.	Rematerialisation Pledge including Pledge of funded stocks in favour of 'Client securities under Margin Funding' a/c	**Restat-SOA/Redemption** For conversion of MF units in to SOA (Statement of Account) and Redemption of Mutual Fund units, a flat fee of Rs. 5.50 per transaction.
		Rs.12/- per request payable by the pledgor for pledge requests setup by the pledgor.
9.	Unpledge including Unpledge of funded stocks in favour of 'Client securities under Margin Funding' a/c	Rs.12/- per request payable by the pledgor for unpledge requests accepted by the pledgee or entered by the pledgee.
10.	Margin Pledge Release of Margin Pledge to BO / set-up by BO Invocation of Margin Pledge Invocation of Margin Repledge	Rs.5/- per request payable by the initiator of the transaction which is in set-up mode. [##]
10. 11.	Margin Re-pledge Release of Margin Re-pledge	Rs.1/- per request payable by the initiator of the transaction which is in set-up mode [##]
	Erroneous Transfer reversal	Rs.100/- per transaction
12.	Charges for non-transfer of securities to BO accounts	0.06% per week for securities that are received in payout but not transferred to the clients account within stipulated time (**%**).
13.	Charges for non-transfer of securities to BO accounts from 'Client Unpaid Securities Account' (CUSA).	0.06% per week for client securities that are kept in the CUSA account but not transferred to the client account within stipulated time (%)
14.	Charges for non-transfer of securities to BO accounts from PMS Pool Account	0.06% per week for client securities that are kept in the PMS pool account but not transferred to their client account after payout day + 1 day (%).
15.	NDU Charges	Rs.24/- per request or 0.01% on transaction value whichever is higher payable by the borrower for NDU requests accepted by the lender
16.	Transfer of securities from CM Pool account to 'Client Unpaid Securities Pledgee Account (CUSPA)	NIL
17	Creation of Auto Pledge in favor of CUSPA	Rs. 5/- per request payable by the Pledgor BO for the transaction which is in set-up mode

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Sr.	Particulars	Charges payable to CDSL
18	Release of Pledge in favor of CUSPA	Rs. 5/- per request payable by Pledgee BO for the transaction which is in set-up mode
19	Confiscation/Invocation of Pledge by Pledgee	Rs. 5/- per request payable by Pledgee BO for the transaction which is in set-up mode
20	Stamp Duty	Applicable in case of Confiscation/Invocation payable by Pledgee BO
21	Storage Charges for Electronic Gold Receipts (EGR)	A fee of Rs.15/- per kg per day per BO holding EGR in -respective BO/s demat accounts. "Since EGRs have been recognized as "securities", it is proposed that the charges / fees levied by CDSL on the other types of securities be levied on EGRs too. "

The clearing corporations will not be charged for initiation of any type of margin pledge/repledge transaction.

@ The charges will be pro-rated monthly from the month in which the account is opened till the end of the financial year. For subsequent financial years, the same is payable at the beginning of the financial year. . Rs.500/- is levied for CM Settlement Account.% A charge at the rate of 0.008571% is levied for non-transfer of securities to BOs account on a daily basis based on the closing rate of the said securities. This figure is arrived at by using the below mentioned algorithm Penalty per day =

$$\frac{\text{[penalty per week]} \times \text{[No. of weeks in a year]}}{\text{[No. of days in a year]}} = \frac{0.06\% \times 52}{365}$$

12.3 Tariff for "Status Changes in DP".

A charge Rs. 2000/- plus service tax as applicable will be levied on DPs for processing the requests for change in DP particulars including but not limited to the changes as mentioned below:

1. Change in Name of DP
2. Change in Registered office Address of DP
3. Change in shareholding pattern without change in control of DP.

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4. Change in shareholding pattern with change in control of DP.
5. Change in Directors of the DP
6. Approval for outsourcing of DP activities.

12.4 Tariff for debit transactions

With effect from October 01, 2024, the discounted tariff per debit transaction based on the Monthly Transaction bill amount will be discontinued and instead a flat charge of Rs. 3.50 per debit transaction would be levied

Additional discount of Rs.0.25 per debit transactions done by female demat account holder (as a first holder).
Additional discount of Rs. 0.25 per debit transactions for Mutual Funds ISINs
Additional discount of Rs. 0.25 per debit transaction for Bond ISINs.

The above transaction charges shall be applicable to all securities except for Commercial Paper, Certificate of Deposits and Government Securities.

No charges shall be levied for transferring all securities from one account maintained with a DP to another account maintained with another DP if both accounts are held in identical order of names.

No transaction charges for debits from CM Principal Account, Unified Settlement Account, and CM Settlement Account will be levied if the credit is to a non-settlement account.

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12.5 Recurring Charges per annum -

Particulars	Charges payable to CDSL
SEBI Annual fee	Rs.1,000/-
Software Annual Maintenance Charges (##)	Rs.40,000 w.e.f. 1st April 2006 for main location. Rs.10,000 w.e.f. 1st April, 2006 per additional DP location electronically connected to CDSL system directly.
Insurance premium	Insurance will be charged to each DP based on:- 1. Premium charged to CDSL by the Insurance Company 2. Insurance Claims History 3. Compliance Level 4. A DP wishing to terminate its agreement with CDSL, to pay the annual premium then prevailing, to cover claim for next one year, immediately succeeding the year of withdrawal of the DP.

Charges for leased line connectivity

A. Recurring Service provider charges for leased line of following types (Applicable for leased lines commissioned through CDSL)	
i) Annual rental of 2 Mbps MPLS leased line	i) 81,000/- p.a. plus One time installation cost of Rs. 10,000/-
ii) Annual rental of 2 Mbps local leased line	ii) 63,000/- p.a. plus One time installation cost of Rs. 10,000/-
iii) Annual rental of 2 Mbps local leased line within 5 Km from BSE, Mumbai	iii) 55,000/- p.a. plus One time installation cost of Rs. 10,000/-
iv) CDSL annual leased line maintenance charge	iv) 15,000/- p.a.
B. Recurring charges for leased line (Applicable for BSE leased line used for CDSL operation)	

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i) Annual leased line maintenance charge payable to BSE Limited per leased line	i) 15,000/- p.a,
C. Leased line exit charges (Applicable for leased lines commissioned through CDSL)	
i) Local leased line exit charges	i) 5,000/-
ii) MPLS leased line exit charges	ii) 15,000/-

Note:

1. Charges will be pro-rated monthly from the month in which the DP is admitted till the end of the financial year. For the subsequent financial year, the same is payable at the beginning of the financial year.
2. Connectivity charges payable to service providers **/** BSE Limited will be charged on actual basis.
3. Connectivity charges, which are payable to the service provider **/** BSE Limited will be intimated by CDSL from time to time.

12.6 Administrative charges for deactivation of Depository Participant's Terminal

Rs.25,000/-

12.7 Charges for retrieval of old data

For retrieval of past data / reports as per the user requirement DPs will be charged Rs.5,000/- per request. If the data is required in a particular format, the DP will be charged Rs.5,000/- plus cost incurred by CDSL for software development required for compilation of such data.

12.8 Exit charges for withdrawal within five years of initial registration

If any DP submits a request for withdrawal within five years of its date of initial registration as a DP, an exit fee of Rs.12,500/- for each unexpired quarter till expiry of its registration will be charged.

Public

13 FREEZE AND UNFREEZE

13.1 Objectives

13.1.1 Freezing is an action performed on a BO account as a whole or individual ISIN balances held within an BO account to safeguard the balances present in the BO account. Freezing represents the temporary blocking of entire balance or part of the balance in a BO account or the full BO account as such.

Freeze module enables:

- BOs having accounts with CDSL to freeze their accounts or balance for a specific ISIN.
- DP to freeze an account based on instructions received from a statutory authority / regulatory authority.
- CDSL to freeze an account based on instructions received from a statutory authority / regulatory authority.
- Release (Unfreeze) Account / ISIN balances that have been frozen.

13.2 Features

13.2.1 Freeze can be initiated by BO / DP / CDSL:

- BO can freeze his account for debits, for credits or for both.
- DP can freeze a BO account maintained with it for debits, for credits or for both, as under:
  - on written instructions received from the BO
  - in the manner specified in the orders or directions of any Court, Tribunal, any Government agency, SEBI or any other authority made or given under any Law for the time being in force.
  - on instructions received from CDSL to freeze an account opened by the DP with itself in respect of securities in its own name.
- CDSL can freeze a BO account for debits, for credits or for both, as under:
  - on written instructions received from the BO
  - in the manner specified in the orders or directions of any Court, Tribunal, any Government agency, SEBI or any other authority made or given under any Law for the time being in force.
  - opened by the DP with itself in respect of securities in its own name or direct the DP to freeze such an account.

13.2.2 Freeze can be initiated for:

- Full account i.e. all the ISINs in the account i.e. BO Freeze.
- One or more ISINs either for full balance or for partial quantity i.e. BO-ISIN Freeze.

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- An ISIN for all accounts initiated by CDSL based on instructions received from SEBI or other statutory authority.

13.2.3 The Freeze can be for:

- Only Debits i.e. securities cannot move out of the account.
- Only Credits i.e. securities cannot come into the account.
- Both Debits as well as Credits.

13.2.4 Freeze type / duration can be

- Activated immediately or at a future date, by specifying the Activation Date.
- Temporary i.e. for a specified period by specifying Expiry date.
- Permanent i.e. Freeze expiry date is not specified.

Account or ISIN balances once frozen can subsequently be released (unfrozen) by giving appropriate unfreeze instruction, by the BO or statutory authority, as the case may be.

13.3 Reference to Law

13.3.1 CDSL Bye Laws

- Bye Law 5.3.17 : DP lien on securities in the BO account
- Bye Law 13.4 : Account Freezing

13.3.2 Prevention of money Laundering Act, 2002

- Rule 6 : Retention of records

13.4 Annexure

Annexure 13.1 : Freeze / Unfreeze Request Form

13.5 Procedure

As mentioned earlier, freeze can be initiated by DP/BO/CDSL. Procedure for freeze initiated by CDSL(where deficiency in KYC documents is found)/DP/BO is given below.

13.5.1 Freeze initiated by BO

13.5.1.1 Setup

- The BO shall fill up the Freeze Request Form (Annexure 13.1) and submit the same to his DP.

- An authorized official of the DP shall verify that the form is duly filled and signature(s) of the holder(s) are matching.
- The freeze request should be entered on the system. A unique Freeze ID is generated by the system. It should be recorded on the form.
- For freeze with activation type as current, the acknowledgement letter is generated immediately.
- For freeze to be activated at a future date, the acknowledgement letter is generated at SOD of the activation date.
- DP should send the acknowledgement letter, duly signed and stamped by an authorized official of the DP, to the BO.

13.5.1.2 **Modify / Cancel**

- Freeze request setup with a future activation date can be modified / cancelled after receiving a written instruction from the account holder(s). Any request received by DP for Freeze modification / cancellation should be verified by an authorized official from the DP's office before the same is entered in the system.
- CSDL system generates an acknowledgement letter for freeze cancellation. The letter should be signed and stamped by an authorized official of the DP and should be sent to the BO.
- Modification / Cancellation of a freeze request on account of a statutory order will be allowed only on receipt of an order from the same or superior authority.

13.5.2 **Freeze Initiated by DP**

A DP can initiate freeze on a BO account with it, due to the following reasons:

- Orders or directions of any Court, Tribunal, any Government Agency, SEBI or any other authority made or given under any Law for the time being in force.
- To create lien on the balances in the BO account after getting approval from CDSL. Every DP shall have a lien on and shall be entitled with the prior approval of CDSL, to exercise lien on any securities belonging to the BO held in dematerialized form in any account with the DP, by freezing all operations by the BO in respect of securities held in the BO's account with the DP, as security for recovery of dues owed by the BO to the DP in his capacity as such including any compensation for any loss caused to the DP and/or CDSL by reason of fraud, negligence or mistake on the part of the BO. The DP shall, upon receipt of such approval from CDSL, give notice in writing to the concerned BO of the exercise of such lien by the DP in respect of the securities held in the BO's account as CDSL may specify.

- An authorized official of the DP shall execute the instruction for freezing the account. The system-generated Freeze ID should be recorded on the Order from statutory authority / CDSL approval letter.
- The system generates an acknowledgement letter for the freeze setup. The DP should print the same. The letter should be signed and stamped by an authorized official of the DP and should be sent to the BO. Record of such dispatch should be maintained.

Proper documentation, such as copy of the letter received from CDSL or statutory / regulatory authority, acknowledgement copy sent to the BO, should be maintained by the DP.

13.5.3 **Freeze initiated by CDSL where deficiency in KYC is found.**

- If CDSL observes deficiency in KYC documents of any BO, CDSL will instruct the DP to freeze the BO a/c for debits after following the procedure mentioned below:
- On receipt of such instruction from CDSL, the DP shall send letter to the BO informing about deficiencies in KYC documents and advise the BO to submit rectified documents within 30 days. The BO shall be informed that the demat account will be frozen for debit if such rectified documents are not received by the DP within 30 days.
- In addition to the letter, the DP shall also send an email to the BO at the registered email ID (if the same is available). The DP shall also take efforts to contact the BO through phone to inform him regarding KYC deficiencies.
- If the DP does not receive the rectified documents within a period of 30 days, it shall initiate freeze in CDSL system under the reason code "20" (KYC deficiency reported by CDSL) and inform the action taken to CDSL. DP shall send the acknowledgement copy of freeze to the BO. A SMS will be sent by CDSL to the BO on the registered mobile no. as recorded in the demat account intimating regarding the freeze.
- Records of all documents including proof of dispatch as well as log file (in case of email) is to be maintained by the DP.

13.5.4 **Balance movement of freezing**

For full freeze on a BO account or ISIN balance in the BO account, no balance movement shall take place. The freeze status of the BO account / ISIN is displayed in the BO-ISIN inquiry screens in the BO Account Maintenance Module as well as in the Transaction / Holding Statement.

For Partial Freeze, quantity specified in the Freeze Request Form will be moved from 'Free Balance' to 'Safe-Keep Balance' and the same will be displayed in the BO-ISIN inquiry screens in BO Account Maintenance Module as well as in the Transaction / Holding Statement.

13.5.5 **Unfreezing**

13.5.5.1 **Unfreeze initiated by BO**

- Freeze request initiated by BO can be subsequently unfrozen by the BO. For this purpose, the BO has to fill up the Freeze / Unfreeze Request Form (Annexure 13.1). Any request received by the DP for unfreeze should be verified by a senior official from the DP's office before the same is entered in the system.
- An authorized official of the DP shall verify that the form is filled completely and signature(s) of the holder(s) are matching.
- The unfreeze request should be entered on the system.
- The system generates an acknowledgement letter for the unfreeze setup. DP should print the same.
- The letter should be signed and stamped by an authorized official of the DP and should be sent to the BO.
- Record of despatch of such a letter should be maintained by the DP.

13.5.5.2 **Unfreeze Initiated by DP**

DP can initiate unfreeze on a BO account frozen by him due to following reasons mentioned earlier under 'Freeze Initiated by DP'.

- For unfreeze, an authorized official of the DP shall execute the instruction. The system generates an acknowledgement letter for the unfreeze setup. The DP should print the same. The letter should be signed and stamped by authorized official of the DP and should be sent to the BO.
- Proper documentation such as copy of the letter received from statutory authority / regulatory authority, acknowledgement copy sent to the BO should be maintained by the DP.

13.5.6 **Balance movement of unfreezing**

- For full freeze on a BO account or ISIN balance in the BO account, no balance movement takes place on freezing hence no balance movement shall take place on unfreezing.
- For Partial Freeze set up earlier, quantity specified in the Unfreeze Request Form will be moved from 'Safe keep balance', to 'Free balance'.

13.6 Reconciliation

13.6.1 The DP should reconcile on a daily basis total number of freeze / unfreeze requests received to the total number of freeze / unfreeze requests executed and total number of freeze / unfreeze requests pending.

13.7 Records

13.7.1 The DP shall maintain copies of all FRF, URF, Orders for freezing/unfreezing from Court, Tribunal, Statutory, Revenue or Regulatory Authorities and other supporting documents for a minimum period of 8 years or any such period as specified by SEBI / CDSL/ Prevention of Money Laundering Act 2002, whichever is higher.

13.7.2 If any original documents are submitted to the CID, CBI or such investigating agency, then copies of all such documents are to be retained till the investigations are complete.

14 ARBITRATION

14.1 Objectives

14.1.1 Bye Law 22 provides that all claims, differences and disputes between participants inter se, participant and Beneficial Owner, participant and Issuer, and Issuer and Beneficial Owner arising out of or in relation to dealings on CDSL including any agreements, contracts and transactions made subject to the Bye Laws of CDSL and these Operating Instructions or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions, agreements and contracts have been entered into or not, shall be referred to arbitration in accordance with and subject to the provisions of the Arbitration and Conciliation Act, 1996, and the Limitation Act, 1963 and this Chapter.

14.2 Features

14.2.1 Any claim, difference and disputes arising out of or in relation to dealings on CDSL including any agreements, contracts and transactions between the following will be resolved through Arbitration mechanism as set out in the Bye Laws and under this Chapter:

14.2.1.1 Participants inter se,

14.2.1.2 Participant and Beneficial Owner

14.2.1.3 Participant and Issuer, and

14.2.1.4 Issuer and Beneficial Owner.

14.3 Reference to Law

14.3.1 Arbitration and Conciliation Act, 1996.

14.3.2 Bye Law 22: Arbitration

14.3.3. The Limitation Act,1963

14.4 Annexures

Annexure 14.1 to 14.9	:	Forms for Arbitration
Annexure 14.10	:	Panel of Arbitrators with names & contact details (Mumbai)
Annexure 14.11	:	Panel of Arbitrators with names & contact details (Chennai)
Annexure 14.12	:	Panel of Arbitrators with names & contact details (Kolkata)
Annexure 14.13	:	Panel of Arbitrators with names & contact details (New Delhi)

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14.5 Arbitration Forms and Procedure

Any party desirous of making a reference to Arbitration shall make an application to the Arbitration Committee in accordance with the procedure laid down under the Bye Laws by submitting Forms prescribed at Annexures 14.1 to 14.9.

14.6 Arbitration Costs when prayed

Bye Law 22.16 pertaining to Costs of Arbitration provides that unless otherwise agreed by the parties, the costs of Arbitration shall be fixed by the Arbitrator. When any party to the dispute prays for the cost, 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. 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.

14.7 Arbitration Filing Fees

The Arbitration filing fees (exclusive of statutory dues - stamp duty, Good and Service Tax, etc.) payable by all parties to arbitration (claimant as well as respondent) with regard to the amount in dispute in each case, is as under:

Amount of Claim / Counter Claim, whichever is higher (Rs.)	**If claim is filed within six months from the date of dispute**	**If claim is filed after six months from the date of dispute**	**If the claim is filed beyond the timeline prescribed in column 3, only for Depository Participant)**
≤ 10,00,000	1.3% subject to a minimum of Rs.10,000	3.9% subject to a minimum of Rs.30,000	Additional fee of Rs. 3,000/- per month over and above fee prescribed in column 3
> 10,00,000 - 25,00,000 ≤	Rs. 13,000 plus 0.3% amount above Rs. 10 lakh	Rs. 39,000 plus 0.9% amount above Rs. 10 lakh	Additional fee of Rs. 6,000/- per month over and above fee prescribed in column 3

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> 25,00,000	Rs. 17,500 plus 0.2 % amount above Rs. 25 lakh subject to maximum of Rs. 30,000	Rs. 52,500 plus 0.6 % amount above Rs. 25 lakh subject to maximum of Rs.90,000	Additional fee of Rs. 12,000/- per month over and above fee prescribed in column 3

14.7.2 The filing fees shall be paid in the Name of CDSL Investor Protection Fund.

14.7.3 The filing fee will be utilized to meet the fee payable to the arbitrator.

14.7.4 A client (Beneficial Owner), who has a claim / counter claim up to Rs. 20 lakhs (Rs. Twenty lakh) and files arbitration reference, will be exempted from payment of the fees specified in 14.7.

14.7.5 Excess of filing fee over fee payable to the arbitrator, if any, to be deposited in the Investor Protection Fund of CDSL.

14.7.6 In all cases except the additional fees charged from the Depository Participants, if the claim is filed beyond the timeline prescribed in column 3 of Operating Instruction 14.7 , (only for Depository Participant), on issue of the arbitral award the Depository shall refund the deposit to the party in whose favour the award has been passed.

14.7.7 The additional fees charged from the Depository Participants, if the claim is filed beyond the timeline prescribed in column 3 of Operating Instruction 14.7, (only for Depository Participant), if any, to be deposited in the IPF of the Depositor

14.7.8 The Arbitration Filing Fees payable by all parties to arbitration shall be payable in advance and when there is a failure, neglect or refusal on the part of any party or parties to pay the same, the other party shall be responsible for making such payment in advance without prejudice, however to its right if any, to recover the same from such party or parties failing, neglecting or refusing to pay. It shall be a condition precedent to the hearing of any reference that the prescribed fees and charges shall have been paid in advance by the party or parties to the reference.

Provided that if the Depository Participant (DP) / Issuer / RTA fail to pay the fees, the depository may take such action as it may deem fit.

14.8 Arbitration Award:

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A sum of Rs. 500/- per certified copy of the Arbitral Award to be collected by CDSL from each party seeking a copy thereof.

14.9 Arbitrator's Fee:

Each arbitrator will be entitled to receive a fee of Rs 18,000 per case for study of the pleadings, case material, writing of the award, etc. The additional expenses attributable to a client over and above the fee structure specified above, shall be borne by the client (wherever applicable) and Depository equally.

14.10 General:

i. When any party to the dispute prays for the cost, the Arbitral Tribunal shall be entitled to allow fees and expenses of witnesses, connected with the examination of documents, charges, conveyance, hire, cost of legal or technical advice or proceedings in respect of any matter arising out of the arbitration incurred by the arbitration tribunal, and any other incidental expenses and charges in connection with or arising out of the reference or award as the arbitration tribunal may, in its absolute discretion think fit.

ii. When any party to the dispute prays for the costs of the reference and the award including charges, fees and other expenses shall be the discretion of the Arbitral Tribunal, which may, direct to and by whom, and in what proportion, such charges, fees and other expenses and any, part thereof shall be borne and paid, and may fix and settle the amount of costs to be paid or any part thereof and may award costs to be paid as between the parties.

iii. The Panel of Arbitrators is subject to review by the Board of Directors from time to time.

14.11 Place of Arbitration

14.11.1 In accordance with Bye Law 22.28.1 of CDSL, all claims, disputes and differences which are required by the provisions of the 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. Accordingly, the Arbitration proceedings will be convened at Mumbai, Delhi, Kolkata or Chennai, as the case may be and Arbitral Tribunal may decide to conduct hearings and meetings at any other place, as it considers appropriate unless otherwise agreed by the parties to the arbitration. The parties desirous of referring their claims, differences and disputes to Arbitration shall prefer the nearest location specified by CDSL and submit the documents both in physical and in soft copies.

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14.11.2 **The arbitration/ appellate arbitration hearings shall be conducted in hybrid mode (i.e., online and offline) to save time and cost of the parties involved in the arbitration/ appellate arbitration proceedings.**

14.12 Records

The DP shall maintain all records pertaining to Arbitration proceedings including the Arbitration Award for a minimum period of 8 years after the Award is passed or any such period as specified by SEBI/CDSL whichever is higher.

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15 CHANGE IN DP NAME AND REGISTERED OFFICE ADDRESS

15.1 Objective:

15.1.1 The objective of this functionality is to allow the DP to effect a change in its name after the DP has followed the procedure prescribed under the Companies Act, 1956 and other applicable laws, if any.

15.2 Features

15.2.1 To change the name of the DP in the CDSL system

15.3 Reference To Law

15.3.1 **SEBI Regulations**

15.3.2 **Companies Act, 1956**

- Section 21 : Change of name by Company
- Section 22 : Rectification of name

15.3.3 **Prevention of Money Laundering Act, 2002**

- Rule 6 : Retention of Records.

15.4 Procedure for effecting change in name of DP:

15.4.1 After the DP has followed the guidelines and procedures for change in name as per the Companies Act (not applicable to Bank-DPs), the next step would be to get the change in name effected in CDSL records and in the Certificate of Registration as a CDSL-DP issued by SEBI.

15.4.2 The following documents are required to be submitted to CDSL:

For Bank-DP:

1) Request Letter for the change in name of the applicant Bank-DP
2) Certified true copy of the Board Resolution / Special Resolution
3) Certified true copy of fresh certificate of incorporation issued by the Registrar of Companies (ROC) for the change in the name of the Bank-DP (if applicable);

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4) Original SEBI Registration Certificate as a DP of CDSL;
5) Certified true copy of Second Schedule of Reserve Bank of India Act, 1934 stating inclusion of Bank in the Schedule of the said Act, with the change in name of the Bank-DP;
6) Certified true copy of the License issued by RBI to the applicant Bank-DP for carrying on business in India and guidelines on entry of new private sector banks with the change in name of the Bank-DP;
7) Any other document(s), as and when required by SEBI.

For a Corporate/CM-DP:

1) Request letter for the change in the name of the Company;
2) Certified true copy of the Board Resolution;
3) Certified true copy of Fresh Certificate of Incorporation issued by the Registrar of Companies (ROC) for the change in name of the DP.
4) Original SEBI Registration Certificate as a DP of CDSL.
5) Any other document(s), as and when required by SEBI.

For Stock Exchange-DP:

1) Certified true copy of the Gazette of India, publishing the (Corporation and Demutualization) Scheme in the new name.
2) Certified true copy of Fresh Certificate of Incorporation issued by the Registrar of Companies (ROC) in the new name.
3) Original SEBI Registration Certificate as a DP of CDSL.
4) Any other document(s) as and when required by SEBI.

For Non-Banking Finance Companies (NBFC):

All formalities as those required for the Corporate DP and requisite permission from RBI. In case the Company has rectified its name under section 22 of the Companies Act, 1956, CDSL should seek an ordinary resolution along with the approval of the Central Government.

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15.5 Procedure for effecting change in Registered Office Address of the DP :

15.5.1 After the DP has followed the guidelines and procedures for change in registered office address as per the Companies Act (not applicable for Bank-DPs), the next step would be to get the change in registered office address effected in CDSL records and in the Certificate of Registration as a CDSL-DP issued by SEBI.

15.5.2 The following documents are required to be submitted to CDSL :

A. In case the registered office is proposed to be changed within the local limits:

1) Application letter informing the change in registered office address of the DP mentioning both the old and new address;.
2) Certified true copy of the board resolution;
3) Certified true copy of Form No.18 filed with the Registrar of Companies (ROC) along with the ROC receipt showing the payment of fees

B. In case the registered office is proposed to be changed outside the local limits but within the State:

1) Application letter informing the change in registered office address of the DP mentioning both the old and new address;.
2) Certified true copy of the board resolution;
3) Certified true copy of the special resolution passed at the Annual General Meeting of the Company;
4) Certified true copy of Form No.18 filed with the Registrar of Companies (ROC) of the new state along with the requisite ROC receipts evidencing the payment of fees.

C. In case the registered office is proposed to be changed outside the State:

1) Application letter informing the change in registered office address of the DP mentioning both the old and new address;
2) Certified true copy of the board resolution
3) Certified true copy of the special resolution passed at the Annual General Meeting of the Company;

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4) Certified true copy of Form No.18 filed with the Registrar of Companies (ROC) of the new state along with the requisite ROC receipts evidencing the payment of fees;

5) Any other document(s) as and when required by SEBI.

15.6 Procedure for Change in DP Address (Operations Site)

- The letter, addressed to CDSL, should clearly state the OLD ADDRESS as well as the NEW ADDRESS of the DP and the effective date on which the change of address is to be effected.
- The DP should clearly mention the OLD IP ADDRESS as well as the NEW IP ADDRESS. This would be applicable for DPs who have already established connectivity through VSAT, Leased Line of BSE.
- The name, address and official contact details of the Compliance Officer and other authorised signatories should be submitted to CDSL.
- Certified true copy of Form 18 / Form 23, in case the new address is also the registered office address of the DP, evidencing that the DP is operating from the new address.
- The Lease agreement of the new premises or ownership document such as Sale Deed, latest Maintenance Receipt, Tax Receipt, etc.
- DPs are to ensure that all their BOs are duly informed, in writing, of any change incorporated by the DP in its name, status and address of its DP operations.
- DPs should send such intimation letters to their BOs and maintain proof of despatch of such letters.

15.7 Controls

15.7.1 After receipt of approval from CDSL for any proposed change in name or address, the DP is required to intimate the same to all its BOs.

15.7.2 Proof of dispatch of the intimation letter to BOs should be preserved.

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15.8 Records to be maintained

15.8.1 All the above documents are to be preserved for a period of 8 years or any such period as specified by SEBI /CDSL whichever is higher.

15.8.2 If any original documents are submitted to the CID, CBI or such investigating agency, then copies of all such documents are to be retained till the investigations are complete.

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16 STATEMENT OF ACCOUNTS

16.1 Objectives

16.1.1 To provide Statement of accounts (i.e. Transactions as well as holdings) to the BO

- As per regulatory requirements
- At a frequency as agreed by the BO and DP
- As and when required by the BO

16.2 Reference to Law

16.2.1 SEBI (Depositories and Participants) Regulations, 1996

- Regulation 43 : Statement of Accounts
- Regulation 49 (1) (C) : Maintaining records of Statement of accounts provided to the BOs

16.2.2 CDSL Bye Laws

- Annexure B Agreement between CDSL and a DP, Clause 8.1.7 Providing Statement to BO
- Clause 6 (6.4) Rights and Obligations of Beneficial Owners
- Clause 5.4.1.1 Exemption from providing statement to the BO

16.2.3 Prevention of money Laundering Act 2002

- Rule 6: Retention of Records

16.2.4 Annexures

- Annexure 16.1: Format of Consent letter by BO
- Annexure 16.2: File Format of the Statement of Account to be provided to the Beneficial Owner, as generated by the CDSL system.

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16.3 Statement Generation

A BO, while opening a demat account can specify frequency at which statement of accounts is required from the DP with whom the BO maintains the demat account. (Refer Annexure 2.1 Account opening form for individual entities and Annexure 2.2 Account opening form for non-individual entities) Frequencies specified in the account opening forms are Daily, Weekly, Fortnightly, Monthly. A BO can select a frequency from the specified ones.

Notwithstanding the frequency of statement specified by the BO while opening the demat account, the DP should send statement of account to BOs, at least once at the end of every month, or any such frequency as specified by SEBI/CDSL, in respect of every account, if there has been even a single transaction during the month and in any other case at any such frequency as specified by SEBI/CDSL from time to time, The DPs should ensure that all the contents and fields, as provided in Annexure 16.2 should be included in the statement of accounts sent to the BO(s).

DP may provide statement of accounts to the BO at such shorter period as may be agreed upon between the DP and the BO on payment of charges, if any, as specified by the DP.

The CDSL system generates the statement of accounts [format and details as given in Annexure 16.2], in form of reports automatically as per frequency selected by the BO at the time of opening the demat account. DPs are required to, print the statement and send the same to the BOs.

The mandatory requirement of sending statement of account to the BOs, as mentioned above, is not applicable for BOs who have registered for e*asi* services, subject to fulfillment of the following:

- DPs should obtain a written consent from the BOs, in the format specified by CDSL (Annexure 16.1) stating that they (the BOs) agree not to receive statements in physical form.
- DPs should mandatorily send statement of account on a quarterly basis to the BOs who have registered for "e*asi*" services.
- If at any time, a BO wishes to receive account statement in the physical form, DPs should provide the same to the BO at such intervals as may be required by the BO.

16.4 Dispatch of statements to the BOs

- It is mandatory for the main DPs should print and dispatch transaction statements of BOs directly to the BOs. Branches, including back office connected branches, should not send transaction statements directly to the BOs.
- The main DP must maintain record of dispatch of statements to BOs.

16.5 Transaction statements to be given to Banks having BO accounts

RBI has made retail trading in government securities through the stock exchanges operational with effect from 16-01-2003. Further, the Department of Banking Operations and Development of RBI, vide their circular dated 16-01-2003 has enabled banks to trade in government securities through the stock exchanges. The circular also clarifies that government securities maintained by the banks with the depositories will be included for Statutory Liquidity Ratio (SLR) purposes and that SLR is to be maintained on a daily basis.

In view of the above, DPs are required to furnish a statement of holdings to their banking clients, as on every Friday, detailing the securities held by them on each day of the week, so as to enable the bank clients to meet with the RBI requirements.

16.6 Providing statement of accounts in electronic form

SEBI has permitted the DPs to replace the hard copy statements by electronic statements, vide its circular no. MRD/DoP/Dep/Cir-27/2004 dated August 16, 2004. As per the circular it has been decided to permit the DPs to provide transaction statements and other documents to the BOs under Digital signature/e-signed, as governed under the Information Technology Act, 2000, subject to the DP entering into a legally enforceable arrangement with the BO for the said purpose. The providing of transaction statements and other documents in the aforesaid manner would be deemed to be in compliance of the provisions of the Regulation 43 of SEBI (Depositories & Participants) Regulations, 1996. However if the BOs are still desirous of receiving statements in hard copy form, the DPs shall be duty bound to provide the same.

DP and BO need not enter into a separate stamped agreement for the purpose of sending/receiving statements by an electronic mode, provided that:

1. Any BO who wishes to avail such a service from the participant will be required to inform the concerned participant specifically in writing separately or as part of

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account opening form regarding his decision and will also inform the email id on which e-statement will be sent. If no email id is mentioned separately then e-statement shall be sent at Sole / First Holders email id stated in the account opening form.

2. Further, if such a BO decides to withdraw his consent to receive such statements electronically, he may inform the DP accordingly in writing. After receipt of such communication from the BO, the DP shall be bound to forward the statement of accounts in physical mode to such a BO.

16.7. Exemption from sending statement of accounts to BOs.

16.7.1 In respect of demat accounts with nil transactions and zero balance:

1. Accounts with zero balance and nil transactions during the year:

The DPs shall send one physical statement of holding annually to such BOs and shall resume sending the transaction statement as and when there is a transaction in the account.

2. Accounts which become zero balance during the year:

For such accounts, no transaction statement may be sent for the duration when the balance remains nil. However, an annual statement of holding shall be sent to the BO.

16.7.2 In respect of demat accounts with nil transactions and credit balance:

For accounts with credit balance but no transactions during the year, one statement of holding for the year shall be sent to the BO.

In terms of CDSL's DP Operating Instructions, Chapter 3: Account Administration & Maintenance, point 3.4.12 – Updation of change in address of Corporate / Clearing Member / Bank, one of the documents to be submitted to the DP is the "latest transaction statement received from the DP". For the abovementioned requirement, the last transaction statement received by such BOs from the DP will be considered as a valid document under the said DP Operating Instructions, point 3.4.12.

16.8 Records

Record of proof of dispatch of statements to the BO and any other supporting documents shall be maintained with the main DP for 8 years or any such period specified by SEBI / CDSL from time to time.

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17 MISCELLANEA

Objectives

This chapter has been compiled to achieve the following:

- To highlight key areas that the DP is required to fulfill, which could not be accommodated in the other chapters and topics listed in the DP Operating Instructions;
- To update and inform Compliance Officers of DPs of the latest notifications from SEBI, FIU-IND, Stock Exchanges or CDSL, etc.
- To provide a convenient resource for frequently-required documents, information or formats which have been conveyed to DPs via CDSL's communiqués and which are outside of the purview of the Operating Instructions;

17.1 COMPUTATION OF NET WORTH OF DPs AND MANNER OF SUBMISSION OF NET WORTH CERTIFICATE AND AUDITED FINANCIAL STATEMENTS (AFS) BY DPs

Net worth Certificate

- DPs are required to submit Net worth Certificate, duly certified by Statutory Auditors to CDSL within six months from the last date of their financial year.
- Computation of Net worth and the format of Net worth Certificate should be as prescribed in Annexure 17.1 and it shall be applicable only for those DPs which are registered under the category of a Stock Broker, a Non- Banking Finance Company [NBFC] and a Registrar & Transfer Agent [RTA].
- For other categories of DPs, the net worth certificate should be submitted in the same format in which it is submitted by them to their respective Regulatory Authority.

17.1.1 Reference to Law

17.1.1.1 SEBI (Depositories and Participants) Regulations, 1996

- **Regulation 19 (Sub-regulation ix and x)** : Minimum net worth to be maintained by DPs

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17.1.1.2 **CDSL Bye-Laws**

- **Bye Law 5.2.1.4** : Net worth requirement
- **Annexure – B (to the Bye-Laws)** : Clause 7.1.1 of the agreement between CDSL and the DP

17.1.2 **Annexures**

- **Annexure 17.1** : The methodology to ensure that the net worth of a DP is computed in the prescribed manner, and the format of the certificate to be provided by the Statutory Auditors is outlined herein.
- **Annexure 17.2** : Format for updation of Compliance Officer's details.
- **Annexure 17.3** : Format of reporting of details of back office connected branches
- **Annexure 17.4** : Format of BO Grievance Report

17.2 UPDATION OF COMPLIANCE OFFICER'S DETAILS

Communiqué no. CDSL/OPS/DP/1128 dated May 20, 2008. DPs may use the format [see Annexure 17.2] for modifying/replacing existing details of their Compliance Officers. CDSL's aim is to ensure that Compliance Officers of its DPs are intimated and kept well informed of the latest announcements from CDSL, guidelines/directives from SEBI or any other such matters from time to time. The same format may be used to submit the details and specimen signature(s) of the authorized signatory(ies) of the DP.

17.3 SUBMISSION / DISSEMINATION OF DP TARIFF / CHARGES STRUCTURE TO CDSL EVERY YEAR (through DP login in CDSL's website)

Reference SEBI Circular no. MRD/Dep/Cir-20/06 dated December 11, 2006 regarding the submission / dissemination of DP tariff / charges structure to CDSL latest by April 30 every year. DPs may refer to CDSL's communiqué nos. CDSL/OPS/DP/805 and CDSL/OP/DP/851 regarding the procedure for initial set up and modification of details submitted to CDSL. All information should be sent to CDSL, in writing on the DP's letterhead, for approval. Any revision in the tariff structure should be updated as per instructions in the abovementioned communiqués.

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17.4 SUBMISSION OF DETAILS OF BACK-OFFICE CONNECTED BRANCHES

Reference: Communiqué no. CDSL/AUDIT/DP/1333 dated October 31, 2008. Details of the DP's back office connected branches to be submitted along with the half-yearly Internal Audit Report [IAR]. Format of report given [see Annexure 17.3].

17.5 BO GRIEVANCE REPORT

In terms of the provisions of Regulation 20 (2)(e) of SEBI (D&P) Regulations, Bye-Law 5.3.5.4 and Clause 7.1.3 of the agreement with CDSL, every DP is required to submit a BO Grievance Report to CDSL on a monthly basis by the 10th of the following month. A consolidated report is to be submitted by the Main DP for all its branches, if any. In case the DP does not have any grievance to report, a "NIL" report has to be submitted. DPs should take care that grievances received by them through all modes i.e. letters, emails, personal visits, etc. should be reported to CDSL. The format of the BO grievance report is given as Annexure 17.4.

17.6 REQUIREMENT OF TRAINED PERSONNEL AT MAIN DP / LIVE CONNECTED BRANCHES / SERVICE CENTRES

To enable the DP staff to have full knowledge of the depository system with a view to serve their clients better, the DP should have adequately trained staff at the Main DP / Live connected branches / service centres

a. All the Associated Persons should hold valid certificate of having passed the NISM-Series-VI: Depository Operations Certification examination or if eligible should have successfully completed Continuing Professional Education (CPE) program provided that for associated persons doing basic elementary level work (as specified by CDSL) and whose work is supervised by National Institute of Securities Markets (NISM) Depository Operations Certification Examination (DOCE) certified personel, passing of DOCE exam is optional.

b. The Compliance Officer should hold valid certificate of having passed NISM-Series-III A: Securities Intermediaries Compliance (Non-Fund) Certification Examination by 11th March 2015.

c. At Main DP and their live connected branches at least one person should have undergone the five-day training programme conducted by CDSL.

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17.7 Supervision of Branches of Depository Participants

Reference SEBI Circular no. MIRSD/DPS-III/Cir-9/07 dated July 03, 2007 wherein SEBI has provided the following guideline in point (2):

In terms of Regulation 46 of the SEBI (Depositories and Participants) Regulations, 1996, every DP shall have adequate mechanism for the purpose of reviewing, monitoring and evaluating its internal accounting controls and systems. Further, clause 19 of the Code of Conduct for Participants contained in the Third Schedule to the Regulations inter alia states that the DP shall ensure that it has satisfactory internal control procedure in place. It is clarified that these provisions apply to DPs in respect of all their branches also. DPs are therefore required in terms of these provisions to put in place appropriate mechanisms to ensure that their branches are carrying on the operations in compliance with the applicable regulations, bye-laws, etc. Further, DPs are also required to put in place suitable internal control systems to ensure that all branches are exercising due diligence in opening accounts, complying with KYC requirements, in ensuring systems safety in complying with client instructions, manner of uploading client instructions, in verifying signatures and in maintaining client records, etc. DPs shall also ensure that the branches are suitably integrated. The DPs whose systems do not measure up to the above are hereby advised to ensure such compliance immediately.

17.7.1 DPs are advised to note that details of all service centres should be updated with CDSL through DP's 'easiest' login. The DPs should ensure that details of any new service centre or modification of details of existing service centre or cessation / termination of the service centre should be updated using the 'easiest' facility. DPs shall update the details about the terminated service centre within 10 days of termination. DPs should also be in compliance with SEBI notification MIRSD/DPS-III/Cir-9/07 dated July 03, 2007, requirements of service centres as mentioned in CDSL Communique no. CDSL/ADM/DP/GENRL/6272 dated December 02, 2016 and other directions issued by SEBI and/or CDSL from time to time**.**

17.7.2 Further to the guidelines as mentioned above, DPs are advised to keep on record, identification documents (including photo-identification) of all the persons engaged in DP operations –

(i) at their Main Office

(ii) at all live-connected branches, and

(iii) at service centres.

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17.7.3 To maintain documentation at the Main office regarding the scope of activity of each live branch / service centres. This documentation should include the following aspects:

(a) Services being provided by each live-connected branch and service centre;

(b) Authorization levels of each type of transaction, that is:

- Maker / Checker
- Limits based on value of transactions

(c) Record-keeping policy, including Exception Reporting Mechanism, Maintenance of Registers, Agreements / acknowledgement of copy of Rights and Obligations document, Inventory of Instruction Slip Booklets, Reconciliation procedures (if any documents are forwarded to the Main DP).

17.7.4 To ensure that all live connected branches as well as service centres display the types of services provided by each of them. The display board/chart should be prominently visible to the investors/clients. The "SIMPLE DO's and DON'Ts" list [as given in Annexure-17.7] should also be displayed similarly.

17.7.5 To ensure that service centres fulfill the following criteria:

(i) Adequate infrastructure

(ii) Adequately trained staff

(iii) Name of the Main DP should be displayed prominently at the premises of the branch/service centre.

(iv) The service centre should be managed by the DP's own staff. However, if such a service centre is managed by a franchisee, DPs are advised to follow the additional guidelines given below, in addition to the guidelines given in (i), (ii) & (iii) above. DPs may also specify additional criteria as per their own requirements:-

a) Franchisees should be duly registered (with a valid registration certificate on the date of appointment), with a regulatory authority such as a recognized stock exchange, SEBI, RBI or IRDA.

b) DPs should sign an agreement with the franchisee, covering services that can be offered by the franchisee.

(v) While ceasing the DP services from a service centre, the DP should make alternative arrangements to provide service to the BOs, who are availing of depository services through the said service centre.

(vi) The DP shall inform CDSL about the termination of services of such service centre within 10 days of termination, in the prescribed fromat as given in Annexure-17.5. The DP shall also confirm compliance with the aforementioned requirements.

(vii) The Main DP shall ensure comprehensive takeover and maintain the records of terminated service centres.

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(viii) The Main DP shall be responsible for all acts of omission and commission of all its branches including service centres.

17.7.6 In cases where services are offered to client, where there is no personal contact or interaction [no acknowledgement given to documents submitted], such as drop boxes kept in a place in which clients can drop their documents, requirement of trained personnel will not be applicable. DPs should intimate the list of such drop box centres to CDSL in the prescribed formats [see Annexure 17.8]. However, approval from CDSL would not be provided for drop box centres. Similarly, when drop box centres are discontinued, information should be furnished to CDSL in the prescribed format. Further, when a drop box is upgraded to service centre or service centre is downgraded to drop box, information in appropriate format is to be filed with CDSL. Further, the requirement given in 17.8.2 to 17.8.5 is not mandatory for the drop box centres.

17.8 Procedure for execution of transactions based on receipt of digitally-signed electronic instructions

17.8.1 The DP should have adequate systems and security features in place to authenticate the Client and the person giving the instructions in cases where the said instructions are received from the authorized representative.

17.8.2 The Client should generate the soft copy of the transactions containing the details of the BOID from which the shares are transferred, details of the BOID to which the shares are being transferred (where applicable), and wherever required, the pool account details.

17.8.3 The DP shall receive a soft copy of transactions containing the required details digitally signed by the authorized person.

17.8.4 The DP should be able to prove the origin, destination, date and time of receipt or dispatch of the electronic instructions received by it and this information should be available for verification.

17.8.5 As per the provisions of the Information Technology Act 2000 (IT Act), all transactions carried out electronically which have been authenticated by means of a digital signature only are legally recognized. Hence, all the instructions submitted electronically should be authenticated by means of a Digital Signature issued by a Certifying Authority (CA) licensed by the Controller of CA. This would ensure that the Clients themselves / their representatives have submitted the instruction which cannot be repudiated later. Accordingly, as mentioned above, the DP should establish systems/processes to confirm that instructions received in electronic form are digitally signed by the Client / his

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representative and are not modified subsequent to digitally signing of instructions. Further, the systems/process that DP establishes should permit the Client / authorized representative to ensure that the digitally signed instructions are received only by an authorized individual official ID of the DP.

17.8.6 DP should establish a procedure that ensures the validity of the digital signature certificate of the Users and that the person digitally signing the instructions is authorized to do so.

17.8.7 The DP should retain all electronic instructions in the format in which it was originally received or sent or in a format which can be demonstrated to represent accurately the information which was originally received or sent.

17.8.8 Electronic instructions received by the DP should be authenticated by means of a Signature Verification Utility [SVU]. This is mandatory to ensure that the instructions are received from the Client./ authorized representative only. The SVU should be issued by the CA licensed by the Controller of CA to validate the digitally signed files received from the Client. The SVU should strip the digital signature on successful authentication.

17.8.9 The new file generated after authentication should be stored separately before uploading/executing in the CDSL System and the original file with the digital signature should be stored as was received. The DP should ensure that the authenticated file is not altered and accurately represents the information originally received or sent by the Client, before uploading / executing the file in the CDSL system. The DP is liable for any claims that may be raised by the Client on account of any loss arising from execution of instructions which are altered subsequent to the stripping of the digital signature.

17.8.10 DPs should ensure that instructions submitted electronically using a digital signature are retained, along with the digital signature, for the period specified by the regulatory authority.

17.8.11 DPs should be able to produce these electronic records in a readable form to CDSL, SEBI or to any other Statutory Authority, whenever required. CDSL inspects the records of its Participants at regular intervals. Therefore, the file formats of the digitally signed instructions should adhere to the file formats prescribed by CDSL.

17.8.12 A link / tag between the file uploaded in the CDSL system, transaction in the file and trade / transaction ID generated by the CDSL system for each transaction should be available at all times. The link / tag should be able to establish the file number and the transaction contained in that file, on the basis of a particular trade ID / transaction ID

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retrieved from the CDSL system.

17.8.13 The DP back office shall, compulsorily, have a system to differentiate transactions (digitally signed) from those received physically / through easiest.

17.8.14 A daily record of the files received and processed along with the total number of transactions contained in each file and the date should be available for verification.

17.8.15 Only authorized officials should be allowed to digitally sign the file. DPs should be able to establish the identity of the person doing the same. The relevant record should also establish the identity of the person doing the same. The relevant record should also establish the identity of the Certifying Authority (i.e. Tata Consultancy Services or any other provider).

17.8.16 Compliance to be carried out in accordance with the requirements as per CDSL's Bye-Laws, DP Operating Instructions, SEBI directives/guidelines, communiqués issued by CDSL from time to time and other regulatory requirements.

17.8.17 The DP should carry out proper KYC of the applicant as specified by the agency issuing the digital signature. The KYC documents submitted by the applicant should be verified with the information present in the CDSL system. In case of discrepancy, the CDSL system should be updated, ensuring that the modification is carried out in accordance with the requirements as outlined in CDSL's DP Operating Instructions.

17.8.18 The records of electronic instructions received and executed should be maintained in accordance with the provision of the PMLA Act, 2002 Regulation 50 of the SEBI (D&P) Regulations.

17.9 Manner of service of notice/ communication

17.9.1 Any notice or communication required to be given by CDSL and Depository Participant interse under Bye Laws / Operating Instructions of CDSL and Agreement between them.

Notice / Communication shall be given by Hand Delivery against receipt, registered post or courier that provides a record of the communication thereof for following matters:-

a. Application by the participant seeking permission for assignment / transfer of business.

b. Notice by the participant to CDSL regarding any change in the particulars with regard to any of the matters contained in the application form submitted to CDSL at the time of

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admission.

c. Submission of audited financial statement and networth certificate by the participant.

d. Show cause notice by CDSL to DP for violation of Depositories Act, SEBI (Depositories & Participants) Regulations and CDSL Bye Laws.

e. Notice of termination of agreement by CDSL/withdrawal by the participant.

f. Appeal before CDSL Board against the order passed by Member Committee

g. Notice by Participant to CDSL upon happening of certain events mentioned under Clause 16 of the Agreement between Participant and CDSL

Notice /Communication relating to matters other than those mentioned above may be given by Hand Delivery against receipt, or any other means of communication including but not limited to post, courier, facsimile transmission, telex, telegram, electronic mail etc, that provides a record of communication thereof.

17.9.2 Any notice or communication required to be given by a Depository Participant & Beneficial Owner interse under Bye Laws/ Operating Instructions of CDSL

Notice/Communication shall be given by Hand Delivery against receipt, registered post, digitally signed e-mail sent on the registered email Id of the BO or courier that provides a record of the communication thereof for following matters:-

a. Notice to the Beneficial Owners for transfer of Business by the Participant to another Participant.
b. Notice by Participant for upward revision of charges for depository services.
c. Notice for closure of account by either party requiring Beneficial Owner to specify whether he wants to transfer balances to another account or rematerialize the same.
d. Notice for discontinuation of services for default in making payment by the Beneficial Owner.
e. Notice of closure of branch/service centre.

Notice /Communication relating to matters other than those mentioned above may be given by Hand Delivery against receipt, or any other means of communication including but not limited to post, courier, facsimile transmission, telex, telegram, electronic mail etc, that provides a record of communication thereof.

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17.9.3. Any notice or communication required to be given by a Depository Participant & a Clearing Member interse under Bye Laws/ Operating Instructions of CDSL and Agreement between them.

Notice/Communication shall be given by Hand Delivery against receipt, registered post or courier that provides a record of the communication thereof for following matters:-

a. Notice of closure of pool account.
b. Notice of assignment of business.
c. Notice of termination of agreement.

Notice /Communication relating to matters other than those mentioned above may be given by Hand Delivery against receipt, or any other means of communication including but not limited to post, courier, facsimile transmission, telex, telegram, electronic mail etc, that provides a record of communication thereof.

17.9.4. Accreditation of Investor for the purpose of Innovators Growth Platform.

i. The investor who wishes to be an 'Accredited Investor' (AI) and fulfills eligibility criteria as laid down by SEBI from time to time, shall make an application to the DP along with prescribed documents.
ii. On receipt of below mentioned documents and declaration as mentioned in SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/67 dated May 22, 2019 and as and when advised by SEBI and CDSL from time to time for Accredited Beneficiary owner. DP shall verify the details and the signature of the demat account holder and the documents submitted by the BO.
iii. If the DP is satisfied about veracity of the documents after verification, DP should upload scanned copies of following documents in the CDSL system as a Maker.

For BOs under Individual / HUF category

- Declaration from investor
- Copy of PAN Card.
- Copy of Aadhaar Card or Copy of Valid Passport.

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- Copies of income tax return of last 3 financial years
- Certificate from practicing chartered accountant stating total gross income (annually) and liquid net worth as on date of application along with working of liquid net worth as annexure to the certificate.

For BOs under Corporate / LLP category.

- Declaration from Managing Director/Designated Partner/authorized person
- Certificate of Incorporation.
- Certificate of valid registration from regulatory body such as RBI, IRDA etc. (if registered)
- Copy of PAN card.
- Copies of Financial Statements of last 3 financial years.
- Copies of Income tax return of last 3 financial years.
- Certified copy of Board Resolution to make application for Accredited Investor as per IGP norms.
- Certificate from statutory auditor of stating net worth as on date of application along with working of liquid net worth as annexure to the certificate.

i. The DP shall send the original documents along with the declaration to CDSL for further processing along with the details of the application number generated by the CDSL system.

ii. After verification of documents CDSL will either enable the AI flag or will reject the application with rejection reason. Email intimation about the rejection will be sent on the registered email id of the DP and CDSL will send the declaration along with the documents back to the DP under rejection.

iii. The activation of AI flag will be valid for a period of three years from the date of such activation.

iv. Intimation will be sent to the BO about de-activation as AI one moth prior to expiry date.

If the BO becomes ineligible due to change in his /her /its financial status, such BO shall inform the DP of such ineligibility and submit duly signed letter for deletion of AI flag. DP

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shall verify the signature of the demat account holder submitted by the BO.

v. If the DP is satisfied about veracity of the documents after verification, DP shall carry out the maker entry to de-activate the AI flag and upload the letter submitted in the CDSL system as a Maker.

vi. The DP shall send the letter to CDSL for de-activation of the AI flag

vii. After verification of the letter CDSL will carry out the processing of the de-activation of AI flag or will reject with the reason. Email intimation about the rejection will be sent on the registered email id of the DP with the rejection reason.

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18 MUTUAL FUND UNITS

18.1 Objectives

18.1.1 To enable investors having Demat accounts with CDSL for:

i. Subscription (purchase) and/ or Redemption (repurchase) of Mutual Funds Units through Stock Exchanges
ii. Transfer of Mutual Fund Units to any other Demat account within CDSL or with the other depository
iii. Destatementization of Mutual Fund Units
iv. Restatementization of Mutual Fund Units
v. Redemption / Repurchase of Mutual Fund Units

18.2 Reference to law

- Depositories Act, 1996
- SEBI (Depositories and Participants) Regulations, 1996
- CDSL Bye laws
- Prevention of Money Laundering Act, 2002.

18.3 Procedure for Subscription / Redemption

Annexures

- Annexure 6.2a : Combined DIS
- Annexure 6.3a : DIS – Off Market
- Annexure 6.4a : DIS – On Market

18.3.1 Issue of DIS

18.3.1.1 The DIS for Mutual Fund Units shall be in the formats, as specified by CDSL, for settlement of securities viz. Annexure 6.2a, 6.3a and 6.4a. The same DIS book can be used by the BOs for securities as well as Mutual Fund Units. The following guidelines given in chapter 6 "Settlements" on DIS shall be applicable for Mutual Fund Units also:

i. Issue of DIS
ii. Precautions in case of Inventory Control and DIS booklets
iii. Issue of Loose DIS

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iv. Annexure to DIS
v. Precautions while accepting DIS and executing transactions
vi. Safeguards to address the concerns of BOs on transfer of securities
vii. Precautions while executing Fax instructions
viii. Procedure for execution of transactions based on receipt of digitally-signed/e-signed electronic instructions
ix. Instruction processing for temporarily disabled/ illiterate/ Blind BO
x. Transactions (i.e. transfer of securities between two BO accounts within CDSL and outside CDSL).

18.3.2 **Subscription (Purchase) of Mutual Fund units:**

18.3.2.1 Mutual Fund units purchased by an investor through CM will be routed through the settlement cycle of the stock exchange

18.3.2.2 Each AMC shall open following accounts for settlement of Mutual Fund Units with any CDSL DP based on the CM ID allocated by the respective stock exchanges i.e. BSE, NSE etc.

i. Principal Account & Pool Account (for BSE).
ii. Clearing Member Account (for NSE and other Stock Exchanges)
iii. AMC Beneficiary Account

18.3.2.3 Purchase orders [i.e. subscription orders] for MF units shall be entered on the stock exchange order entry platform by the eligible CMs on behalf of their investors.

18.3.2.4 After the order entry deadline, order file shall be sent to AMC/RTA for validation.

18.3.2.5 For valid orders, AMC/RTA shall submit Corporate Action [CA] file to CDSL for the allotment of MF units in AMC beneficiary accounts.

18.3.2.6 AMC shall submit DIS in the form of "Normal Pay-in" from AMC beneficiary account by mentioning the CM ID and Settlement ID along with the other relevant details for pay-in processing

18.3.2.7 On Payout, MF units shall be credited to the respective Buyer's Clearing Member's (CM's) Pool account by way of a settlement cycle mechanism.

18.3.2.8 Subsequently, CM shall transfer the said MF units to the respective BO's demat account.

18.3.3 **Redemption (Repurchase) of Mutual Fund units**

18.3.3.1 In case of Redemption [i.e. Repurchase] of MF units, the Investor shall place an order

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through eligible Clearing Member (CM) on Stock Exchange Order Entry platform

18.3.3.2 On successful order entry, Investor / BO shall transfer the units for pay-in by submitting the DIS to his DP by mentioning the Settlement ID and Settlement type along with the other relevant details

18.3.3.3 Mutual Fund units shall be debited from BO account and credited to the CC/CH house account

18.3.3.4 Early Pay-in facility shall not be applicable for settlement of Mutual Fund units.

18.3.3.5 Part balance / insufficient balance of Mutual Fund units shall not be considered for redemption / repurchase

18.3.3.6 Mutual Fund units shall be debited from CC/CH house account and credited to the AMC beneficiary accounts from where the units shall be redeemed subsequently.

18.4 Destatementization

Destatementization is the process, which enables BOs to convert their mutual fund units represented by Statement of Account (SoA) in physical form to electronic form and hold the same in their demat account with CDSL.

18.4.1 Annexures

- Annexure 18.1 : Destatementization Request Form.
- Annexure 18.2 : Destatementization Rejection Reason Codes.

18.4.2 Procedure

18.4.2.1 BOs desirous of converting their Mutual Fund units represented by Statement of Account (SoA) into electronic form shall approach their DP for the same

18.4.2.2 The DP shall hand over a Mutual Fund Destatementization Request Form (MF-DRF) to the BO (Annexure 18.1)

18.4.2.3 The BO shall submit a duly signed MF-DRF giving inter alia the following details:

i. Demat Account Number (BOID)
ii. Name(s) of the account holder(s)
iii. ISIN
iv. Name of the Mutual Fund
v. Units description

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vi. Type of Security

vii. Total Number of Pages constituting the SoA

viii. Total quantity to be destatementized

ix. Folio No

x. Lock-in reason & Lock-in release dates, if any.

18.4.2.4 The BO shall submit separate MF-DRF for each account and for each RTA. Similarly separate entry should be filled up for each lock-in reason/expiry date combination, ISIN- wise.

18.4.2.5 The BO shall have the option to submit request either for entire holding by mentioning the quantity as 'ALL' without the requirement of entering any quantity in the quantity field or for partial or entire holding by mentioning the quantity in the quantity field.

18.4.2.6 The BO shall submit the SoA or a photocopy of the SoA or copy of the SoA downloaded from the internet along with the duly filled MF-DRF to the DP.

18.4.2.7 The DP shall ensure the following:

i. MF units contained in the SoA are admitted with CDSL and are eligible for conversion into electronic form.

ii. The name and the pattern of holding of the BO's demat account matches with the name and the pattern of holdings as mentioned in the SoA.

iii. Separate MF-DRFs are filled up for each RTA.

iv. MF-DRF should be completely filled and signed by all the account holders.
The number of pages of SoA mentioned in the MF-DRF is verified with the SoA before accepting the MF-DRF.

18.4.2.8 If the MF-DRF is complete in all respects DP shall:

i. give an acknowledgement receipt to the BO;

ii. ensure that the date and time of receiving the MF-DRF is present on the DP's copy and on the acknowledgement given to the BO;

iii. The MF-DRF and the acknowledgement receipt shall be signed by an authorised DP official.

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18.4.3 The DP shall capture the details in the CDSL system, using the MF-DRF & SoA and shall generate the Destatementization Request Number (DRN) for each ISIN. The DP shall write down the DRN against the respective ISIN on the MF-DRF or submit to the RTA a letter containing the details of the MF-DRF-DRN and ISIN along with the Mutual Fund Destatementization Request Form –MF-DRF. The MF-DRF and the letter if submitted should be duly authorised by the DP by putting its seal and signature.

18.4.4 The system-generated acknowledgement of the conversion request duly stamped and signed by the DP official shall be given to the BO.

18.4.5 The MF-DRF shall be authorised by the DP official by affixing seal & signature.

18.4.6 The original MF-DRF and the SoA shall be sent to the AMC/RTA along with a system-generated covering letter signed and stamped by DP official.

18.4.7 A copy of the MF-DRF is to be maintained by the DP for its own reference and records.

18.4.8 Defacing and mutilation of SoA is not required to be done.

18.4.9 The DP may capture the despatch details on the CDSL system, such as the despatch reference number, despatch date, name of courier, etc. The DP shall despatch the physical documents to the AMC / RTA within 5 days from the date of receiving the same from the BO.

18.4.10 After receiving the physical documents, AMC/RTA shall compare the physical documents with the electronic data.

18.4.11 If the details match/ tally between the physical records submitted by the BO with the electronic records kept by the AMC/ RTA, the BO account shall be credited with MF units.

18.4.12 In cases where the destat request is for the entire quantity (option 'ALL') AMC/RTA shall confirm / reject the entire balance (which is available at the time of confirmation) / partial balance in the respective folio with them.

18.4.13 In case of mismatch of the quantity of units represented by the statement of account and the electronic records of AMC/RTA, the AMC/RTA shall credit the BO account with such number of units as are requested by the BO and available in the records of AMC/ RTA. Balance units, if any, are to be rejected by the AMC/RTA.

18.4.14 For other types of mismatches, AMC/ RTA may reject the DRN. The MF-DRF and SoA shall be returned to the DP under a Rejection Memo, specifying the reason for rejection.

18.4.15 The AMC/RTA should complete processing of the conversion request including the signature verification of the BO from CDSL system within 2 days of receiving the physical documents.

18.4.16 If the conversion request is not processed by the AMC/RTA within 21 days after it has been set up on the system, then the DP should follow up with the AMC/RTA. If the DP

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does not get the documents within 30 days from the date of rejection by AMC/RTA, then DP should follow up with the AMC/RTA.

18.4.17 In case of rejection, the DP shall forward the rejection letter sent by the AMC/RTA to the concerned BO within 7 days from receipt of the same.

The rules regarding reconciliation of Destat requests and maintenance records shall be same as applicable for dematerialisation of securities given in chapter 4.

18.4.18 Destatementization request in electronic mode:-

The DP may accept destat request from the BO electronically without submission of physical document; provided that following requirements are fulfilled.

- **i.** If the instruction is received through internet portal of the DP, approval from CDSL for the acceptance of instructions through such DP's portal should be on record.
- **ii.** If digitally signed/e-signed electronic instruction is received, the procedure specified under Operating Instructions 17.8 is followed.
- **iii.** The BO is an individual sole holder.
- **iv.** The DP shall follow Operating Instructions for destat to the extent applicable for electronically received instruction.
- **v.** DP shall inform RTA about setup of such destat requests giving details about destat request no. and ISIN by a letter or email or in any other mode prescribed by depository.

18.5 Restatementization

Restatementization is a process by which the MF units held in electronic form are converted into physical form i.e., Statement of Account (SoA) /certificates at the request of the Beneficial Owners. In the case of Repurchase / Redemption, the payment is made to the BOs by the AMC/RTA in lieu of MF units held expunged.

18.5.1 **Annexures**

- Annexure 18.3 : Restatementization Request Form (MF-RRF).
- Annexure 18.4 : Repurchase / Redemption Request Form

18.5.2 **Procedure**

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18.5.2.1 BO desirous to have his electronic holdings of MF units in CDSL restatementized (SoA/ certificate form) shall fill the Restatementization Request Form (MF-RRF – Annexure 18.3), in duplicate, and submit the same to his DP. All joint holders, if applicable, should sign the MF-RRF.

18.5.2.2 MF-RRF can be signed by the POA holder also provided the POA is registered with the AMC/RTA.

18.5.2.3 Separate entry should be setup for MF units that are free and for each type of lock-in reason code and lock-in expiry date. The BO shall have the option to submit restat request either for entire holding by mentioning the quantity as 'ALL' without the requirement of entering any quantity in the quantity field or for partial or entire holding by mentioning the quantity in the quantity field.

18.5.2.4 The ISIN should not be Inactive / Frozen for debits.

18.5.2.5 The DP shall capture the details from the MF-RRF in the CDSL system and shall generate the Restat Request Number [RRN] within 7 days of the request received from the BO , details shall be available to the RTA.

18.5.2.6 The original MF-RRF is not to be sent to AMC/ RTA but is to be retained with the DP. The RRN shall be accessed by AMC/RTA electronically.

18.5.2.7 If investor submits the MF-RRF form for restat of the entire holding in his demat account, the DP shall set up restat request with the quantity option as "ALL" in the system without requirement of entering any quantity. In such case, AMC / RTA may confirm / reject the entire balance [which is available at the time of confirmation] / partial balance in the corresponding folio with them.

18.5.2.8 If investor submits the MF-RRF form by mentioning the Quantity [Full or Partial] then the DP shall set up Restat request with the quantity as mentioned in MF-RRF form. In such case, AMC / RTA may:

i. confirm the maximum balance upto the setup quantity + allowable maximum quantity / partial balance with respect to setup quantity in the corresponding folio with them,

ii. reject the balance upto the setup quantity / partial balance with respect to setup quantity in the respective folio with them.

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18.5.3 Modification is not allowed in case of Restatementization.

18.5.4 Deletion of RRN is allowed in case of Restatementization, if the same is not downloaded by the AMC/RTA. If Restat is setup due to an erroneous request from the BO then the deletion shall be authorised by the BO.

18.5.5 The DP shall note the RRN on the MF-RRF or submit to the RTA a letter containing the details of the MF-RRF-RRN and ISIN along with the mutual fund Restatementization Request Form-MF-RRF. The MF-RRF and the letter if submitted should be duly authorised by the DP by putting its seal and signature.

18.5.6 The original MF-RRF is not to be sent to the RTA but is to be retained with the DP.

18.5.7 AMC / RTA shall check the electronic requests with the data maintained with them. If the details match / tally, the BO account shall be debited with MF units.

18.5.8 The DP shall follow up with the AMC/RTA if the restat request is not honoured within the prescribed time limit i.e. within 30 days and keep on record the follow-up done.

18.5.9 The AMC/RTA shall electronically intimate the rejection of MF-RRF and send the rejection letter to DP for necessary correction / rectification.

18.5.10 The DP shall carry out the necessary rectification in consultation with the BO/ RTA, and set up a fresh restat request.

18.6 Repurchase / Redemption

18.6.1 BO can also redeem or offer for repurchase the MF units that are available in electronic form in his demat account directly through the DP without going through the stock exchange mechanism as mentioned elsewhere in this chapter.

18.6.2 SEBI stipulated AMFI /NISM certification and code of conduct prescribed by SEBI for intermediaries of Mutual Fund shall be applicable for the DPs who accept such requests directly from the BOs. The DPs processing the Repurchase/ Redemption request shall send a copy of the AMFI/ NISM certificate to CDSL for updation.

18.6.3 BO shall submit a Repurchase / Redemption Request Form – Annexure 18.4, directly to the DP. The DP shall ensure that the bank details are entered in the CDSL system. If bank details are not entered, then the repurchase / redemption request may get rejected.

18.6.4 If BO submits the Repurchase / Redemption Request Form for the entire holding in his demat account, the DP shall set up the Repurchase / Redemption request with the quantity option as 'ALL' in the system without requirement of entering any quantity in the Quantity field. In such case, AMC / RTA shall confirm / reject the entire balance [which

are available at the time of confirmation] / partial balance in the respective folio with them.

18.6.5 If BO submits Repurchase / Redemption Request Form by mentioning the Quantity [Full or Partial] then the DP shall set up the Repurchase / Redemption Request with the quantity as mentioned in form. In such case, Issuer / RTA may

- confirm the maximum balance up to the setup quantity / partial balance with respect to setup quantity in the respective folio with them
- reject the balance up to the setup quantity / partial balance with respect to setup quantity in the respective folio with them.

18.6.6 If BO submits Repurchase / redemption Request form by mentioning the 'Amount'. RTA may confirm the units upto or equivalent to the amount.

18.6.7 In the case of Repurchase / Redemption confirmation, the payment is made to the BO by the AMC/RTA in lieu of MF units held in electronic form.

18.6.8 Modification is not allowed for Repurchase / Redemption.

18.6.9 Deletion is allowed for Repurchase / Redemption till the deadline as stipulated by the AMC / RTA.

The Reconciliation process of the Restat requests received / pending and Maintenance of records shall be the same as applicable to remat of securities given in chapter 9.

19 ENCUMBRANCES

19.1 Objective

Encumbrances are mainly of 3 types, e.g. Non Disposal Undertaking (NDU), Lien and Other encumbrances

Non Disposal Undertaking (NDU) is undertaking given by a shareholder, primarily promoters (Borrower), not to transfer or otherwise alienate the securities and are in the nature of negative lien given in favour of another party, usually a lender / Investor .

Lien is the right of a creditor in possession of goods, securities or any other assets belonging to the debtor to retain them until the debt is repaid, provided that there is no contract express or implied, to the contrary. It is a right to retain possession of specific goods or securities or other movables of which the ownership vests in some other person and the possession can be retained till the owner discharges the debt or obligation to the possessor. It is a legal claim by one person on the property of another as security for payment of a debt.

All other encumbrances will be treated as Other Encumbrances in CDSL system and these encumbrances excludes Pledge and Hypothecation as there is a separate chapter for Pledge and Hypothecation.

The Encumbrances function provided in CDSL system provides the framework to capture details of encumbrances in depository.

19.2 Reference to laws

- **SEBI Circular CIR/MRD/DP/56/2017 dated June 14, 2017**
- **SEBI Circular SEBI/HO/MRD2/DDAP/CIR/P/2020/137 dated July 24, 2020**

19.3 Features

- Maker – Checker facility provided for better risk management.
- Beneficial interest of the securities under type of NDU, Lien or OE remains with the Beneficial Owner [BO].
- Beneficial Owner [BO].
- Partial / full freeze of the securities under encumbrance is allowed.

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- Partial / full termination of the encumbrance placed on the securities under encumbrance is allowed, so that such securities are free from encumbrance.

19.4 Annexure

- Annexure 19.1 : Encumbrance Form

19.5 Procedure

19.5.1 Pre-requisites

- The BO and the other party must have demat account in CDSL to create particular type of encumbrance setup. However, the BO and the other party may hold demat account with different DPs of CDSL.
- The BO and the other party should have active demat account.
- The securities which BO intends to freeze under the particular type of encumbrance should be in active status.
- BO's DP (DP of BO) will create at least two users to implement the maker – checker feature. Maker will set up (initiate) the encumbrance setup transaction/termination. Checker will verify the encumbrance setup/termination transaction initiated by the Maker. The same user cannot do initiation and verification of the setup/ termination transactions even though access rights are given to the user.

19.5.2 Creation of Encumbrance

- The BO shall submit the Encumbrance form – Annexure 19.1 duly signed by the BO & other party to the DP of the BO.
- On receipt of the Encumbrance form from the BO, the maker of the DP of the BO will check the form for completeness and signature of the BO. After verification, maker will setup the encumbrance request.
- After Setup by maker, the transaction will be verified by the checker. The checker will be given facility to view the signatures of other party available in CDSL system. The checker will verify the signature of other party on form with signature available in CDSL system.
- After checker approval and necessary validation, the specified quantity of securities held in the specified ISIN in BO's demat account will be marked as "Frozen for debit" under freeze reason code specified for the encumbrance and moved to "Safe Keep balance".

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- Emails will be sent to the email-ids of BO and other party entered while creating the encumbrance as well as to the email IDs of DPs of BO and other party.
- The DP of the BO will be able to modify all fields if transaction is in "Setup by Maker" status. Further, if the transaction is verified by the checker then 4 fields viz., Other party, Email ID, BO Email ID, remarks and internal reference number are modifiable.
- On committing the transaction, a unique encumbrance ID is generated. The DP of the BO shall record the said ID generated by the system on the Encumbrance Form.

19.5.3 Termination of Encumbrance

- Encumbrance created in the system can be terminated by the BO by submitting the form jointly signed by the BO and other party.
- After checker verifies the Encumbrance termination transaction, securities will move from "Safe keep balance" to "Free balance" after 2 business days i.e. at the SOD of the 3rd business day.
- Emails will be sent to the email-ids of BO and other party entered as well as to the email IDs of DPs of borrower BO and other party.
- Encumbrance termination can be done for full quantity or for partial quantity.

19.6 Reconciliation

The DPs shall reconcile, on daily basis, the total number of encumbrance transactions (setup and termination) received with the total no. of encumbrance requests executed and the total no. of encumbrance requests pending.

19.7. Records

19.7.1. The DP shall maintain copies of all encumbrance forms for a minimum period of 8 years or any such period as specified by SEBI / CDSL/Prevention of Money Laundering Act, 2002 whichever is higher.

19.7.2. If any original documents (physical/ electronic) are submitted to the CID, CBI or such investigating agency or any regulatory authority, then copies of all such documents are to be retained till the investigations are complete.

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Alternatively, if the photocopies are handed over for investigation to one of these agencies/authorities, the original documents (physical/ electronic) are to be retained till the investigations are complete.

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