

II. AUDIT & COMPLIANCE

1. What are the documents which a DP should submit to CDSL periodically?

Following documents should be submitted by a DP to CDSL within the prescribed time limit:

Sr. No.	Particulars	Periodicity for submission of reports	Due dates for submitting reports
1.	BO Grievances Report to be submitted electronically	Monthly	10 th of the following month
2.	Internal Audit Reports and concurrent audit of risk prone areas	Half yearly	15 th May for half year ended 31 st March & 15 th November for half year ended 30 th September
3.	Audited Net Worth Certificate	Yearly	30 th September, after end of each financial year.
4.	Audited Financial Statements	Yearly	30 th September, after end of financial year.
5.	Compliance Certificate to be submitted by main DP	Half Yearly	31 st July for half year ended 30 th June and 31 st January for half year ended 31 st December.
6.	Information in Risk Assessment Template- (Online submission in R.A.I.D. module in webCDAS)	Half Yearly	31 st October for half year ended 30 th September & 30 th April for half year ended 31 st March.
7.	No. of STRs filed with FIUIND to be submitted by main DP (Nil report need not be submitted)	Monthly	by 7 th of following month.
5.	Submission / Dissemination of DP Tariff / Charges structure	Yearly	On or before 30 th April every year or as and when tariff structure is revised.

6.	Compliance Officer Details	If new officer appointed or any change in the office	Immediately
7.	Change of Registered office Address	In case of change of registered office address of the DP	Immediately
8.	Change of Operational office address	In case of change of operational office address of the DP	Immediately
9.	Change of Name of the DP	In case of change of name of the DP	Immediately
10.	Change in Directors	In case of change in names of directors	Immediately
11.	Change in shareholding pattern	In case of change in shareholding pattern	Immediately
12.	Compliance report for Internal audit/ Inspection	As and when received by the DP	The same is to be submitted within 30 days of the receipt.

2. Are there any other reporting requirements for a DP?

In addition to the above documents / reports which are to be submitted to CDSL on periodic basis, every DP, upon discovering any loss of securities to beneficial owner due to negligence or fraud on the part of its employees must forthwith inform the same to CDSL. DP also must immediately upon discovering any loss of securities, instruments or documents relating to beneficial owners that may have come into its hands in the course of its business, notify CDSL, the concerned Issuer or its RTA and BO in that behalf.

Further, clause 16 of the agreement between CDSL and DP lays down the events which a DP should notify CDSL immediately.

3. How can a stock broker DP monitor the limit prescribed by SEBI on the aggregate value of portfolio of securities (AVPS) held by its BOs?

SEBI has prescribed that a stock broker DP having net worth of less than Rs. 10 crores shall ensure that the AVPS of the beneficial owners held through him, shall not exceed 100 times of the net worth of the stock broker.

CDSL monitors the aforementioned limit for its stock broker DPs on daily basis and intimates the stock broker DP when the multiple of its AVPS to its net worth crosses 75 times. The stock broker DP should then take necessary precautions and /or increase its net worth. When the multiple of AVPS to net worth crosses 90 times, CDSL restrains such stock broker DP from opening new accounts till the time it brings the exposure below the required limit.

4. Who can conduct internal audit and/or concurrent audit of risk prone areas of the DPs?

The internal and /or concurrent audit of risk prone areas of the DP should be conducted by an independent qualified Chartered Accountant or Company Secretary in practice or Cost Accountant (ICWA). At least one person conducting the internal and /or concurrent audit of risk prone areas should be either NISM SERIES VI DOCE Certified/ attended CPE Programme. The report should contain a declaration to that effect.

A DP can appoint the same auditor firm for conducting internal audit and concurrent audit of risk prone areas.

5. Is there any specific format for the report on internal audit and concurrent audit of risk prone areas?

The scope and areas to be covered by the internal and concurrent audit of risk prone areas are specified by CDSL. Any amendments are informed to DPs through communiqué. The DPs may instruct their auditors to follow the current format prescribed by CDSL.

6. What are the salient features of the penalty structure of CDSL?

The schedule of penalties, forming part of the Operating Instructions for the DPs, lays down the non-compliances for which penalty is levied. The penalty is imposed for the non-compliance observed irrespective of confirmation of Compliance at a later date for the non-compliances specified under Chapter 11: Penalties Annexure 11.1 of DP operating Instructions.

7. Whether Power of Attorney (POA) copy needs to be notarized & stamped?

The POA must be duly stamped/ franked. Notarization thereof is left to the discretion of the DP. In case a copy of the POA document is submitted, the same should be certified as a "TRUE COPY" by the BO(s).

8. Is PAN mandatory for opening a demat account?

Yes. To open a demat account PAN is mandatory. Obtaining Pan Card details of all the holders is compulsory for all categories of demat account holder(s). PAN would be the sole identification number for all participants transacting in the securities market irrespective of the amount of transaction. Certain categories of BOs viz Custodian, Governor, President of India, Sikkim Resident, UN entities/Multilateral Agencies, Deceased Holder have been exempted from obtaining PAN.

9. Can DP freeze an account of the BO?

A DP can freeze an account of the BO in the following cases:

- The BO has given an instruction for the same or
- Order from statutory / regulatory authority is received for freezing of an account.

10. Who can send the statement of account/transaction statement? Whether DP can send the statement of account by email/electronic mode?

It is mandatory for the Main DP to print and dispatch transaction statements directly to the BOs. Live connected Branch DPs including service centers should not send transaction statements directly to the BOs. Main DP must maintain record of dispatch of statements to BOs. DPs can provide Statement of accounts in electronic mode provided consent of the BO is obtained for the same. Such statements should be sent under digital signature (as governed under the Information Technology Act, 2000) of the DP Official. The DP can outsource to CDSL dispatch of statements to its BOs.

11. Whether it is mandatory to send quarterly statement of account to BOs in respect of demat accounts with no transactions and no security balances?

- For 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.
- However, as per CDSL communiqué no.4546 dated 1.07.2014, under the circumstances mentioned therein, DP may discontinue sending physical statement .

12. What is the procedure to be followed in case of DIS booklet issued containing requisition slip does not have the pre printed serial range number of the booklet of which it forms a part?

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 accountholders should personally come with such letter and with a valid proof of identity. DP should check the proof of 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 correspondence address of the BO. The DP should maintain record of dispatch.

13. Whether AADHAR Card can be accepted as proof of address?

Unique Identification Number (UID)/ Aadhar Card can be accepted as proof of address.

14. Whether minor can nominate in his demat account?

Yes. Since the account of a minor is operated by his guardian, guardian can nominate on behalf of the minor.

15. In case of Association of persons (AOP), can the demat account be opened in the name of Association?

No, the account cannot be opened in the name of Association. As per SEBI circular no. MRD/DoP/Dep/ Cir-09/06 dated July 20, 2006 the account should be opened in the name of natural persons.

16. Whether account can be opened where First holder is NRI and second holder is Resident Indian or vice versa?

DP can open the account where First holder is NRI and second holder is Resident Indian or vice versa. However, status of the account will be as per status of the first holder.

17. What should be the Bank account details in case of NRI – Repatriable account and NRI- Non repatriable account?

In case of NRI – Repatriable account DP may accept NRE bank account details and for NRI- Non repatriable account NRO Bank account details. However, if the BO desires to give bank account details of resident account the same also can be accepted in case NRI- Non repatriable account.

18. Whether proof of address in the name of husband can be accepted as address proof for the wife and vice versa as the Second holder in the demat account?

Yes. Proof of address in the name of Spouse can be accepted as address proof for the husband or wife as the case may be.

19. NRI BO wants to open NRI –Repatriable a/c and he/she wants his/her foreign address as correspondence & permanent address. Whether same can be accepted or he/she needs to give Indian address as correspondence address?

NRI can give foreign address as correspondence & permanent address. SEBI vide its circular no. MIRSD/SE/Cir-21/2011 dated October 05, 2011 made it mandatory to obtain foreign address and its proof.

20. Whether Bank Certificate for address of the client can be accepted as address proof in case of NRI?

Yes.

In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in

India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

21. Whether the photocopy of the bank statement not attested by the bank but not accompanied by a copy of the cheque be accepted as a Proof of Address?

Yes. DP can accept attested copy of Bank Statement not more than three months old as proof of address.

22. Whether the bank account details where the first holder in demat account is a second holder in the bank account can be accepted?

Yes. DP may accept the same.

23. Demat account is in joint names and supporting documents like pass book copy are signed by only sole holder. Can we accept these documents for bank modification based on sole holder signature on supporting documents?

Yes. In case of modification in bank account details supporting document may be self-attested by the first holder. However, modification request should be signed by all the holders of demat account.

24. Can DP charge to BO(s) for sending monthly as well as quarterly Statement of account/transaction statement?

DP may charge the BOs for sending physical statement of account for monthly basis or as specified in O.I. 16.3. However, before revising /charging the BOs for sending statement of account, DP should give 30 days' prior notice to BOs and keep the copy of notice and proof of dispatch on record.

25. In calculation of multiple of AVPS to Net worth, the valuation of which securities are to excluded?

Valuation of securities held in accounts with following sub types is excluded from calculation of multiple of AVPS to Net worth of the DP.

Sub type	Description
1	Individual-Director
2	Individual-Directors Relatives
5	FI-Government Sponsored FI
6	FI-SFC
7	FI-Others
28	Bank-Foreign
29	Bank-Co-operative
30	Bank-Nationalized
31	Bank-Others
40	Individual-Promoters

41	Corporate Body-Promoter
48	NRI Repatriable – Promoter
49	NRI Non Repatriable – Promoter
50	HUF – Promoter
57	Corporate Body - OCB - Promoter
83	Corporate Body-Foreign body-Promoter
84	Individual Promoters Negative Nomination
89	Trust - Promoter
90	Foreign National Promoter

26. Whether demat account of Deaf and Dumb can be opened? What are the precautions to be taken for opening of demat account?

YES. DP should follow procedure as per Operating instructions 2.5. for 'DISABLED PERSON'.

27. (a) Can QFI avail Nomination facility?

A QFI who is an individual can avail nomination facility.

28. Whether PASSPORT / PAN can be accepted as proof of date of birth to open minor account?

As per the uniform KYC guidelines issued by SEBI on 5th October 2011, for opening an account with Depository participant for a minor, photocopy of the School Leaving Certificate/Mark sheet issued by Higher Secondary Board/Passport of Minor/Birth Certificate may be accepted as proof of date of birth.

29. Whether Gas Refill voucher/ Cash Memo / Bill not more than three months old can be accepted as address proof?

Yes. DP can accept Gas Refill voucher/ Cash Memo / Bill not more than three months old as address proof.

30. While opening the Sole Proprietor demat account, can Proprietorship Firm's bank details be accepted for bank proof?

Yes. DP can accept the same.

31. A client is giving Rent/Lease Agreement as proof of address, but it is not notarized by Notary Public. Whether the document is a valid proof of address?

As per SEBI circular MIRSD/SE/cir-21/2011 dated 5.10.2011 (Refer comm.2675 dated 7.10.2011), registered Lease/Rent agreement can be accepted as proof of address. Hence, there is no requirement of notarizing the same.

32. The demat account was opened in the year 2002. BO wants to close the account having securities balance which is under FREEZE Status on account of non receipt of PAN CARD. If

BO gives a request for transferring the shares to some other Demat Account, can the request for transfer or closure of account be accepted?

In case of all accounts DPs are required to obtain copy of PAN CARD after verifying it with the original. In case of accounts frozen for want of PAN CARD, the same can be unfrozen only after obtaining copy of PAN CARD and verifying it with original and with Income Tax website. The transaction in the account or closure request can be processed thereafter, on receipt of appropriate instructions.

33. Can transmission request be processed on same documentation submitted by the BO when the value of securities was less than Rs. 5 lakh was subsequently become more than Rs.5 lac before completing process of transmission

Yes. But the DP should keep on record that at the time of receipt of transmission request the value of securities was less than Rs.5 lakh.

34. In case of transmission request can death certificate issued by Hospital be accepted?

No. Original/ Notarised copy of death certificate issued by Local authority such as Municipal Corporation/ Gram Panchayat etc. should be obtained or Death certificate downloaded from the online portal of Government carrying digital / facsimile signature of the issuing authority. However, 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. The details can also verified by reading/scanning the QR code.

35. In case of minor mismatch in POI and the information provided in AOF, can declaration submitted by the BO be taken on record?

No. BO should submit another POI which matches the information provided on AOF.

36. Whether Bank passbook without stamp & Signature of bank official can be taken as proof of address?

Yes. However, DP should verify the document with original document.

37. Can partnership firm account be opened where one of the partners is a Corporate?

Yes. The status and sub-status of the account as per the pattern of holding. KYC documents of both Individual and the Corporate should be taken on record.

38: Can partnership account be opened where one of the partner is a HUF?

No.

39. Can NRI account be opened where one of the joint holder is resident Indian?

Yes.

40. Can mobile no., e-mail address and/ or bank details be modified on the basis of email received from BO form his registered email id?

Only mobile no. and email address can be modified on the basis of the request received through registered e-mail id. In case of Bank details self-attested proof should be obtained.

41. Can modification be done on the basis of New PAN submitted by the BO and both old and new PANs are active on IT website.

No. Following additional documents should be obtained from the BO and forwarded to CDSL:

- i) Acknowledged copy of the letter submitted by the BO to the Assessing officer under whose jurisdiction the assessee has been filing his returns informing about cancellation /surrender of the PAN.
- ii) System generated acknowledgement copy of having submitted the request for surrender of duplicate PAN online.
- iii) Copy of the returns filed by the BO with the new PAN.
- iv) Letter from the Income Tax office informing about cancellation of the PAN recorded in the demat account.
