

## ***XVI. DP ADMISSION***

### **1. Who can apply for grant of certificate of registration as a depository participant (DP)?**

In terms of Regulation 32 of SEBI (Depositories and Participants) Regulations, 2018, the following entities can apply for grant of certificate of registration as a depository participant

- A public financial institution as defined in section 4A of the Companies Act, 1956 (1 of 1956);
- A bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);
- A foreign bank operating in India with the approval of the Reserve Bank of India;
- A state financial corporation established under the provisions of section 3 of the State Financial Corporations Act, 1951 (63 of 1951);
- An institution engaged in providing financial services, promoted by any of the institutions mentioned in sub clause (i), (ii), (iii), (iv) jointly or severally;
- A custodian of securities who has been granted a certificate of registration by the Board under sub- section (1A) of section 12 of the Act;
- A clearing corporation or a clearing house of a stock exchange;
- A stock broker who has been granted a certificate of registration by the Board under sub-section (1) of section 12 of the Act;
- A non-banking finance company
- A registrar to an issue or share transfer agent who has been granted a certificate of registration by the Board under sub – section (1) of Section 12 of the Act.

### **2. Which documents are required to be submitted by an applicant for grant of certificate of registration as a depository participant?**

An applicant for DP registration should submit the following documents to CDSL:

- Application for grant of certificate of registration as a depository participant in Form F as specified in SEBI (Depositories and Participants) Regulations, 2018.
- Details of registration of applicant company, its holding company, affiliates and subsidiaries;
- List of Directors of the applicant for the last three years and brief Bio data of existing directors and copies of PAN cards of applicant company and its existing directors;
- Shareholding pattern of the applicant for last three years;
- Organization structure of the applicant;
- Board resolution authorizing application for registration as a DP;
- Net worth Certificate and computation of net worth based on latest audited financial statements;
- Audited Financial statements for last three years;
- Updated Memorandum & Articles of Association;
- Latest status Report from the concerned stock exchanges in case the applicant is a stock broker;
- Details of Compliance officer and its brief bio data.

- Details of hardware and software procured for DP operations
- Location of office premises and means of connectivity
- Brief profile of the applicant company including background of the promoters, existing client base, branch office, if any etc;
- Internal Control, Risk Control and Operation Manual;
- Undertakings as per the prescribed format;
- Additional Information required by SEBI in the prescribed format.
- Declaration from the applicant for adequate insurance coverage for safe keeping of the documents.

### **3. What is the minimum net worth requirement for becoming a stock Broker DP?**

(a) The minimum net worth requirement for intending stock broker DP is Rs. 3.00 crores which is to be increased to Rs. 5.00 crore by February 23, 2024. calculated in accordance with the formula as prescribed by CDSL.

### **4. Is net worth certificate required to be provided by the applicant company?**

Yes. The net worth certificate is required to be provided by the applicant company in original based on the latest Audited Financial Statements computed as per CDSL prescribed formula and to be submitted on the letterhead of the Chartered Accountant.

### **5. What are the requirements for submission of the list of directors?**

- The list of directors should be submitted on the letter head of the applicant.
- The list should cover the details of directors for the last three financial years and also the list of directors as on the date on which the application is made.
- The age, educational qualification, number of years' experience along with date of appointment should be mentioned separately for each of the directors for each of the financial year and as on the application date.
- The list of directors should be signed by authorized signatory as per board resolution.

### **6. What are the requirements for submission of the shareholding pattern?**

- The shareholding pattern should be submitted on the letter head of the applicant company in original for the last three financial years. Additionally, the shareholding pattern as on the date on which the application is made should also be provided.
- The shareholding pattern should be signed by authorized signatory as per board resolution.

### **7. Is a track record mandatory while making an application to CDSL by the applicant in the Form F for registration as a participant?**

Yes. The applicant company shall be required to furnish information and details of its business history,

which shall be for a minimum period of three years or from the date of its inception, if less than three years.

#### **8. What are the disclosures required to be made by the applicant?**

The applicant has to provide complete disclosure about the following:

- involvement in any litigation pertaining to the capital market which has an adverse bearing on the business of the applicant;
- conviction for moral turpitude;
- found guilty of any economic offence
- Instance of violation or non-adherence to the securities laws, code of ethics / conduct, code of business rules to which the applicant or its parent or holding company or affiliate may have been subject to, economic or criminal liability or suspension from carrying out its operations or temporary revocation of the registration.
- Dispute related to SEBI a turnover fee which has been levied by SEBI on the applicant in the past.

#### **9. What are the various reasons leading to rejection / return of the application of the applicant?**

- Non disclosure or wrong disclosure of material facts having bearing on the consideration of the application or disclosure of incorrect material fact or providing of misleading information.
- Not fulfilling the admission criteria as per CDSL Bye law 5.2.
- Net worth below the eligibility criteria for admission as a Depository Participant.
- Suspension of the SEBI certificate of registration as a member of the concerned exchange
- The applicant company or its affiliates or subsidiaries found guilty of any violation / irregularities.
- Lack of capital market related experience.
- SEBI order prohibiting the applicant / affiliates / subsidiaries / directors / shareholders from accessing the securities market from buying, selling or dealing in securities market directly or indirectly.

#### **10. Is it mandatory for the applicant to submit a copy of the PAN card and NISM certification?**

Yes. The applicant has to mandatorily submit Digi locker downloaded and verified pan card of the applicant company as well as its existing directors and also DigiLocker downloaded and verified NISM Certification (NISM- Series-VI: Depository Operations Certification Examination) of the concerned officials