Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/POLCY/2020/31   **January 15, 2020**

SEBI CIRCULAR -
ENHANCED DUE DILIGENCE FOR DEMATERIALIZATION OF PHYSICAL SECURITIES

DPs are advised to refer to SEBI Circular no. **SEBI/HO/MIRSD/RTAMB/CIR/P/2019/122** dated **November 05, 2019** regarding **Enhanced Due Diligence for Dematerialization of Physical Securities** [refer Annexure].

As advised in the above mentioned SEBI circular there is a change in process of Dematerialization of Physical Securities of **Listed companies**. At the time of Demat setup by DP, following new fields viz., Folio no., Certificate No. From and To, DN range From and To is required to be captured by the DP in Online as well as Upload option. Updated File format is attached as **Annexure A.**

Validations at the time of **Online Demat Setup** by DP for listed companies are as follows;-

- ✓ System will check if the entered ISIN is of a listed company.
- ✓ System will check if the ISIN is present in the Static Database of physical shares uploaded by RTA.
- ✓ If the ISIN is not present in Static database then the Demat setup will fail. An error report will be generated for the same.
- ✓ DP is required to provide this report to the investor so that investor can approach the RTA / Issuer to get the rejection reason rectified
- ✓ If the ISIN is present in Static database then system will validate the DN ranges entered by DP while setting up Demat request with Hold Type of DN ranges present in DN Database. In case of mismatch, the Demat request will not be set-up and proper error message will be displayed.
- ✓ System will also match the name of Demat Account Holder with the name present in Static database. In case of mismatch in the name, system will generate an alert at both DP as well as RTA end and the demat request will be setup successfully.
- ✓ If DP receives such an alert, DP may collect additional proof from investor to support the mismatch in name **(kindly refer to Table 1 as per below).**
- ✓ DP should take utmost care while entering DN ranges, since incorrect entry of DN ranges will be rejected by the RTA.
- ✓ DN ranges are required to be entered Certificate wise.
- ✓ Maximum 25 different DN Ranges under single DRN can be set-up.

Validations at the time of **Demat setup through upload** by the DP for listed companies are as follows:

- ✓ System will check if the entered ISIN is of a listed company.
- ✓ System will check if the ISIN is present in Static Database of physical shares uploaded by RTA.
- ✓ If the ISIN is not present in Static database then the Demat setup will fail generating DPM6 report with appropriate error.
- ✓ If the ISIN is present in Static database then system will validate the DN ranges entered by DP in Demat request with Hold type of DN ranges present in DN Database. In case of mismatch, the Demat request will fail generating DPM6 report with appropriate error.
- ✓ System will also match the name of Demat account holder with the name present in Static database.
- ✓ In case of mismatch in the name, Demat request will be setup successfully generating DPM6 report with "Mismatch in Name" in Error field no. 46 for that DRN. There is no change in the format of existing DPM6 report.
- ✓ If DP receives such an alert, DP may collect additional document from investor supporting mismatch in name **(kindly refer to Table 1 as per below).**
- ✓ DP should take utmost care while entering DN ranges, since incorrect entry of DN ranges will be rejected by the RTA.
- ✓ DN ranges are required to be entered Certificate wise.
- ✓ Maximum 1999 different DN Ranges under single DRN can be uploaded

Existing validation of Demat Setup and confirmation for unlisted companies will continue as per the current process.

Table 1 - Possible values for Document type field are

Document Type	Document Type Description
01	Copy of Passport
02	Copy of legally recognized marriage certificate
03	Copy of gazette notification regarding change in name
04	Copy of Aadhar Card
05	Covering letter issued by Issuer / RTA

DPs are advised to note that the release date for the above mentioned functionality will be informed separately.

DPs are advised to take note of the same and incorporate necessary changes in their back office software, if any.

Queries regarding this communiqué may be addressed to **CDSL – Helpdesk:** on telephone numbers (022) 2305-8624, 2305-8639, 2305-8642, 2305-8663, 2305-8640, 2300-2041 or 2300-2033. Emails may be sent to: helpdesk@cdslindia.com.

sd/-

Ashish Bhatt
Vice President – Operations

CIRCULAR

SEBI/HO/MIRSD/RTAMB/CIR/P/2019/122   November 05, 2019

To

All Depositories
All Registrars to an Issue & Share Transfer Agents (RTA)
All Recognised Stock Exchanges
All Listed Companies (through Stock Exchanges)

Dear Sir/ Madam,

Sub: Enhanced Due Diligence for Dematerialization of Physical Securities

1. In terms of Regulation 40 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (IV Amendment) Regulations, 2018 (**LODR**), transfer of securities held in physical mode is not permitted w.e.f. April 01, 2019. Standardised norms with respect to documentation / procedure for transfer of physical securities were issued vide SEBI circular No. SEBI/HO/MIRSD/DOS3/CIR/P/2018/139 dated November 06, 2018.

2. To augment the integrity of the system in processing of dematerialization request in respect of the remaining physical shares, the Depositories and the listed companies / RTAs are directed to implement the following due diligence process:

   I.   All Listed companies or their RTAs shall provide data of their members holding shares in physical mode, viz the name of shareholders, folio numbers, certificate numbers, distinctive numbers and PAN etc. (hereinafter, **static database**) as on March 31, 2019, to the Depositories, latest by December 31, 2019. The common

format for this data shall be specified jointly by the Depositories and be communicated to Issuer companies / their RTAs.

II.   Depositories shall capture the relevant details from the static database as per clause I above and put in place systems to validate any dematerialization request received after December 31, 2019. Accordingly, the depository system shall retrieve the shareholder name(s) recorded against the folio number and certificate number in Static Data for each DRN request received after this date and validate the same against the demat account holder(s) name as available in the records of the Depositories.

III.   In case of mismatch of name on the share certificate(s) vis-à-vis name of the beneficial owner of demat account, the depository system shall generate flag / alert. In instances, where such flags / alerts have been generated, the following additional documents explaining the difference in name, as prescribed in paragraph 2 (b) of the cited SEBI circular of November 06, 2018, shall be sought, namely

    i.   Copy of Passport
    ii.   Copy of legally recognized marriage certificate
    iii.   Copy of gazette notification regarding change in name
    iv.   Copy of Aadhar Card

IV.   In the case of complete mismatch of name on the share certificate(s) vis-à-vis name of the beneficial owner of demat account, the applicant may approach the Issuer company / RTA for establishing his title / ownership.

3. Depositories shall;

   a) make necessary amendments to the relevant byelaws, rules and regulations for the implementation of the above directions, as may be applicable
   b) bring the provisions of this circular to the notice of their participants and also disseminate the same on their websites; and
   c) communicate to SEBI, the status of implementation of the provisions of this circular in their Monthly Report.

4. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

5. The Stock Exchanges are advised to bring the provisions of this circular to the notice of Listed Entities and also to disseminate the same on their websites.

Yours faithfully

Manjesh Roy S.
General Manager
Tel. no: 022-26449710
Email id: manjeshsr@sebi.gov.in

Features

➢ Multiple Upload Types can be entered in the same file.

➢ The fields can be in any order.

➢ The first tag should be <Tp> indicating the upload type.

➢ Quantity can be Maximum 12 digits before decimals and 3 digits after decimals. Decimal Point is required in the file for decimal quantities.

➢ Quantity field should indicate the exact quantity. For e.g. If Quantity is 100 then it should be written as <Qty>100</Qty>.

➢ In case of decimals, the decimal point should also be included. For e.g. If Quantity is 100.123 then it should be written as <Qty>100.123</Qty>.

➢ Format of Date field is DDMMYYYY.

➢ If a field is blank i.e. optional it can be entered as blank as <Ref></Ref> or the tag may not be present. Such a field will be ignored as an empty tag.

➢ If Ranges Tag contains any valid value other than zero then the next line should have valid Folio, Certificate and DN details and as many line should get repeated till mention value in the Ranges tag.

Upload ID   :   18

File Name   :   <Upload ID><Six Digit DP ID>.<Business Date>.<3, 4, and 5 digit running serial number>

Sample File Name:

For DP   : 18021200.18042015.123

Header Record

Input Type   :   Mandatory **[M]** / **O**ptional **[O]**

Header record will contain:

Field Description	Field Type	Field Length	Input Type
DP ID	Number	6	M
Operator ID	Char	6	M
Total No. of Records	Number	6	M
File Extension	Number	3 / 4 / 5	M
Business Date	Date	8	M

Sample Record Format: 021200DPADM 00000112318042015

Detail Record   :   Demat Upload

Field Description	Field Type	Field Length	Input Type	Start XML Tag	End XML Tag
Transaction Type Code	Number	2	M [Value = 1]	<Tp>	</Tp>
BO ID	Char	16	M	<Bnfcry>	</Bnfcry>
ISIN	Char	12	M	<ISIN>	</ISIN>
Quantity	Number	16,3	M	<Qty>	</Qty>
DRF Number	Char	16	M	<Drf>	</Drf>
Number of Certificates	Number	5	M	<Pg>	</Pg>
Dispatch Document ID	Char	20	O	<Dspchid>	</Dspchid>
Dispatch Name	Char	30	O	<Dspchnm>	</Dspchnm>
Dispatch Date	Date	8	O	<Dspchdt>	</Dspchdt>
Lock-in Status	Char	1	M • N – Free • Y – Lock-in	<Lcksts>	</Lcksts>
Lock-in Code	Number	2	O [Mandatory, if Lock-in Status = 'Y']	<Lckcd>	</Lckcd>
Lock-in Remark	Char	50	O [Mandatory, if Lock-in Status = 'Y']	<Lckrem>	</Lckrem>
Lock-in Expiry Date	Date	8	O [Mandatory, if Lock-in Status = 'Y']	<Lckexpdt>	</Lckexpdt>
Request Received Date From BO	Date	14	M DDMMYYYY Or DDMMYYYYHH24MISS	<Rcvdt>	</Rcvdt>
No of Ranges	*Number*	*4*	*M*	*<Ranges>*	*</Ranges>*
Document Type	*Number*	*2*	*O*	*<DocTyp>*	*</DocTyp>*

Possible values for Document Type are:

Document Type	Document Type Description
01	*Copy of Passport*
02	*Copy of legally recognized marriage certificate*
03	*Copy of gazette notification regarding change in name*
04	*Copy of Aadhar Card*
05	*Covering letter issued by Issuer / RTA*

Following Field are optional, If ISIN is listed on nation-wide stock exchange then following fields are mandatory.

Field Description	Field Type	Field Length	Input Type	Start XML Tag	End XML Tag
Record Number	*Number*	*2*	*M*	*<Rngs>*	*</Rngs>*
Folio No	*Char*	*16*	*O [Mandatory for Listed Companies]*	*<Folio>*	*</Folio>*
Certificate Number From	*Char*	*10*	*O [Mandatory for Listed Companies]*	*<CertFrm>*	*</CertFrm>*
Certificate Number To	*Char*	*10*	*O [Mandatory for Listed Companies]*	*<CertTo>*	*</CertTo>*
Distinctive Number From	*Number*	*18*	*O [Mandatory for Listed Companies]*	*<DNFrm>*	*</DNFrm>*
Distinctive Number To	*Number*	*18*	*O [Mandatory for Listed Companies]*	*<DNTo>*	*</DNTo>*

Sample Record Format:

<Tp>1</Tp><Bnfcry>1302120000067890</Bnfcry><ISIN>INE003A01014</ISIN><Qty>100</Qty><Drf>D1234</Drf><Pg>2</Pg><Lcksts>N</Lcksts><Rcvdt>15072015173000</Rcvdt>***<Ranges>1</Ranges><DocTyp>01</DocTyp>***
<Rngs>1</Rngs><Folio>1234</Folio><CertFrm>1</CertFrm><CertTo>2</CertTo><DNFrm>1001</DNFrm><DNTo>1200</DNTo>

<Tp>1</Tp><Bnfcry>1302120000067890</Bnfcry><ISIN>INE003A01014</ISIN><Qty>100</Qty><Drf>ABCD</Drf><Pg>10</Pg><Lcksts>Y</Lcksts><Lckcd>1</Lckcd><Lckrem>ESOP</Lckrem><Lcke

xpdt>10092015</Lckexpdt><Rcvdt>15072015173000</Rcvdt>***<Ranges>1</Ranges><DocTyp>01<***
/DocTyp>

<Rngs>1</Rngs><Folio>1234</Folio><CertFrm>1</CertFrm><CertTo>2</CertTo>*<DNFrm>100*
1</DNFrm><DNTo>1200</DNTo>