



Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/L&CS/DP/POLCY/2022/6

January 5, 2022

AMENDMENT TO CDSL BYE LAWS

DPs are hereby informed that the amendment has been carried out in CDSL Bye Laws and in Annexure B to the Bye Laws (Agreement between CDSL and DP) in respect of changes made in the various nomenclatures used in CDSL Bye Laws to Member Committee. The said amendments have been enclosed as Annexure A to this communique.

DPs are advised to note that, the attached amendments will come into effect immediately.

Queries regarding this communique may be addressed to CDSL – (Legal) (022) 2305-8564. Emails may be sent to: legalteam@cdslindia.com

Sd/-

Nilay Shah

Group Company Secretary & Head Legal

ANNEXURE A

| Clause | Existing provision | Amended provision |
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| CDSL Bye Laws | | |
| 5.5.1. | <p>TERMINATION BY CDSL</p> <p>5.5.1.1.18. Provided however that CDSL shall not take any action as aforesaid unless and until CDSL shall have issued a show-cause notice to the participant setting out the grounds on which the agreement with the participant is sought to be terminated and the participant shall have been given a reasonable opportunity of being heard by any officer authorised by CDSL in that behalf and CDSL being satisfied on the strength of the report of such officer that it is necessary to terminate the agreement with such participant.</p> | <p>TERMINATION BY CDSL</p> <p>5.5.1.1.18. Provided however that CDSL shall not take any action as aforesaid unless and until CDSL shall have issued a show-cause notice to the participant setting out the grounds on which the agreement with the participant is sought to be terminated and the participant shall have been given a reasonable opportunity of being heard by the ¹⁰⁵[the Member Committee and CDSL being satisfied that it is necessary to terminate the agreement with such participant.]</p> |
| 16.2. | <p>ACCOUNTING, INTERNAL CONTROL, REPORTS AND RETURNS</p> <p>16.2.12. In case the participant fails to comply with the provisions of the Act, Regulations, these Bye Laws and Operating Instructions, etc., and continues to ignore or disregard the instructions issued by CDSL, the matter may be placed before the Disciplinary Action Committee for such action as it may deem fit. Any action taken by the Disciplinary Action committee shall be in addition to action taken by SEBI.</p> | <p>ACCOUNTING, INTERNAL CONTROL, REPORTS AND RETURNS</p> <p>16.2.12. In case the participant fails to comply with the provisions of the Act, Regulations, these Bye Laws and Operating Instructions, etc., and continues to ignore or disregard the instructions issued by CDSL, the matter may be placed before the ¹⁹⁶[Member Committee] for such action as it may deem fit. Any action taken by the ¹⁹⁷[Member Committee] shall be in addition to action taken by SEBI.</p> |
| 16.4.4. | <p>SUBMISSION OF REPORT</p> <p>16.4.4.5. In case the report of the inspecting and/ or investigating Authority indicates the existence of any grounds for taking disciplinary action against a participant, CDSL if so satisfied shall cause a copy of the inspection/ investigation report to be handed over to the Disciplinary Action Committee for further action in this regard.</p> | <p>SUBMISSION OF REPORT</p> <p>16.4.4.5. In case the report of the inspecting and/ or investigating Authority indicates the existence of any grounds for taking disciplinary action against a participant, CDSL if so satisfied shall cause a copy of the inspection/ investigation report to be handed over to the ²⁰⁶[Member Committee] for further action in this regard.</p> |

| Clause | Existing provision | Amended provision |
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| 17.1. | <p>DISCIPLINARY ACTION COMMITTEE</p> <p>17.1.1. A Disciplinary Action Committee shall be appointed by the Board of Directors to deal with any disciplinary matter.</p> <p>17.1.2. The maximum strength of the Disciplinary Action Committee shall be ¹⁹⁹[seven].</p> <p>17.1.3. The Disciplinary Action Committee appointed by the Board of Directors shall consist of :</p> <p>¹⁹⁹Amended vide SEBI letter no. MRD/CDSL/VM/123532/08 dated 22.04.2008.</p> | <p>²⁰⁶[MEMBER COMMITTEE]</p> <p>17.1.1. A ²⁰⁶[Member Committee] shall be appointed by the Board of Directors to deal with any disciplinary matter.</p> <p>17.1.2. The maximum strength of the ²⁰⁶[Member Committee] shall be ²⁰⁷[seven].</p> <p>17.1.3. The ²⁰⁶[Member Committee] appointed by the Board of Directors shall consist of :</p> <p>²⁰⁷Amended vide SEBI letter no. MRD/CDSL/VM/123532/08 dated 22.04.2008.</p> |
| 17.2. | <p>POWERS OF THE DISCIPLINARY ACTION COMMITTEE</p> <p>17.2.1. The Disciplinary Action Committee shall have the following responsibilities and powers to be discharged in accordance with the provisions of these Bye Laws:</p> | <p>POWERS OF THE ²¹⁰[MEMBER COMMITTEE]</p> <p>17.2.1. The ²¹⁰[Member Committee] shall have the following responsibilities and powers to be discharged in accordance with the provisions of these Bye Laws:</p> |
| 17.4. | <p>SUSPENSION OF A PARTICIPANT</p> <p>17.4.1. The Disciplinary Action Committee shall require a participant to suspend its business when it fails to meet the continuing requirements for fulfilling criteria of admission as provided in these Bye Laws and the suspension of business shall continue until participant furnishes satisfactory evidence of meeting with the requirements.</p> <p>17.4.2. The Disciplinary Action Committee may require a participant to suspend its business in part or in whole inter alia where:</p> <p>17.4.2.1. in the opinion of the Disciplinary Action Committee, the participant's financial condition is such that it has fallen below the net worth norms or the participant fails to maintain it as specified in the Regulations and these Bye Laws;</p> | <p>SUSPENSION OF A PARTICIPANT</p> <p>17.4.1. The ²¹²[Member Committee] shall require a participant to suspend its business when it fails to meet the continuing requirements for fulfilling criteria of admission as provided in these Bye Laws and the suspension of business shall continue until participant furnishes satisfactory evidence of meeting with the requirements.</p> <p>17.4.2. The ²¹²[Member Committee] may require a participant to suspend its business in part or in whole inter alia where:</p> <p>17.4.2.1. in the opinion of the ²¹²[Member Committee], the participant's financial condition is such that it has fallen below the net worth norms or the participant fails to maintain it as specified in the Regulations and these Bye Laws;</p> |

| Clause | Existing provision | Amended provision |
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| 17.5. | <p>EXPULSION OF A PARTICIPANT</p> <p>17.5.1. The Disciplinary Action Committee shall terminate the appointment of a participant with CDSL under the following circumstances:</p> <p>17.5.1.2. in case the participant exposes itself to risks which in the opinion of the Disciplinary Action Committee is not commensurate with participant's net worth;</p> <p>17.5.1.3. if the quality of service rendered by the participant is not satisfactory in the opinion of the Disciplinary Action Committee as evidenced by the complaints of its Beneficial Owner(s);</p> | <p>EXPULSION OF A PARTICIPANT</p> <p>17.5.1. The ²¹²[Member Committee] shall terminate the appointment of a participant with CDSL under the following circumstances:</p> <p>17.5.1.2. in case the participant exposes itself to risks which in the opinion of the ²¹²[Member Committee] is not commensurate with participant's net worth;</p> <p>17.5.1.3. if the quality of service rendered by the participant is not satisfactory in the opinion of the ²¹²[Member Committee] as evidenced by the complaints of its Beneficial Owner(s);</p> |
| 17.6. | <p>REVOCAION OF SUSPENSION</p> <p>17.6.1. The suspension of business under these Bye Laws as stated above shall continue until the participant has been allowed by the Disciplinary Action Committee to resume business on its paying such deposit or furnishing such security or on its doing such act or providing such evidence as the Disciplinary Action Committee may require.</p> | <p>REVOCAION OF SUSPENSION</p> <p>17.6.1. The suspension of business under these Bye Laws as stated above shall continue until the participant has been allowed by the ²¹³[Member Committee] to resume business on its paying such deposit or furnishing such security or on its doing such act or providing such evidence as the ²¹³[Member Committee] may require.</p> |
| 17.7 | <p>PROCEDURE FOR EXPULSION / SUSPENSION OR OTHER DISCIPLINARY ACTION</p> <p>17.7.1. A participant shall appear and testify before and cause its partners, Directors, representatives and employees to appear and testify before the Disciplinary Action Committee and shall produce before the Disciplinary Action Committee such books, correspondence, documents, papers and records or any part thereof which may be in its possession, power or control and which may be deemed relevant or material to any matter under inquiry or investigation.</p> <p>17.7.2. The Disciplinary Action Committee shall issue show cause notice to the concerned participant who shall be</p> | <p>PROCEDURE FOR EXPULSION / SUSPENSION OR OTHER DISCIPLINARY ACTION</p> <p>17.7.1. A participant shall appear and testify before and cause its partners, Directors, representatives and employees to appear and testify before the ²¹³[Member Committee] and shall produce before the ²¹³[Member Committee] such books, correspondence, documents, papers and records or any part thereof which may be in its possession, power or control and which may be deemed relevant or material to any matter under inquiry or investigation.</p> <p>17.7.2. The ²¹³[Member Committee] shall issue show cause notice to the concerned participant who shall be required to reply within such time as may be specified in the show</p> |

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| | <p>required to reply within such time as may be specified in the show cause notice or within such extended time as may be granted by the Disciplinary Action Committee on an application made to it.</p> <p>17.7.3. The concerned participant shall be entitled to a personal hearing. The participant may appear himself or through his authorised representative at any hearing given by the Disciplinary Action Committee. However, a participant shall not be entitled to appoint an advocate, counsel or attorney as his representative except with the prior consent of the Disciplinary Action Committee.</p> <p>17.7.4. The Disciplinary Action Committee, after taking into account the pleadings, written and oral explanation and arguments, shall pass a reasoned order. The Disciplinary Action Committee shall send a copy of its final order to participants, Board of Directors and SEBI.</p> <p>17.7.5. The participant shall have the right to appeal to Board of Directors against final order of Disciplinary Action Committee.</p> | <p>cause notice or within such extended time as may be granted by the ²¹³[Member Committee] on an application made to it.</p> <p>17.7.3. The concerned participant shall be entitled to a personal hearing. The participant may appear himself or through his authorised representative at any hearing given by the ²¹³[Member Committee]. However, a participant shall not be entitled to appoint an advocate, counsel or attorney as his representative except with the prior consent of the ²¹³[Member Committee].</p> <p>17.7.4. The ²¹³[Member Committee], after taking into account the pleadings, written and oral explanation and arguments, shall pass a reasoned order. The ²¹³[Member Committee] shall send a copy of its final order to participants, Board of Directors and SEBI.</p> <p>17.7.5. The participant shall have the right to appeal to Board of Directors against final order of ²¹⁴[Member Committee].</p> |
| 17.8. | <p>IMPOSITION OF PENALTIES</p> <p>17.8.1. The Disciplinary Action Committee may pass an order censuring or imposing penalties or suspending / expelling a participant for such period or such terms and conditions as the Disciplinary Action Committee deems fit.</p> | <p>IMPOSITION OF PENALTIES</p> <p>17.8.1. The ²¹⁴[Member Committee] may pass an order censuring or imposing penalties or suspending / expelling a participant for such period or such terms and conditions as the ²¹⁴[Member Committee] deems fit.</p> |
| 17.9. | <p>CONSEQUENCES OF SUSPENSION</p> <p>17.9.1.5. Fulfillment of obligation: The suspended participant shall be bound to fulfill obligations outstanding at the time of its suspension as directed by Disciplinary Action Committee. CDSL shall have the power to fulfill all obligations towards the Beneficial Owners of the suspended participant outstanding at the time of suspension of such participant;</p> | <p>CONSEQUENCES OF SUSPENSION</p> <p>17.9.1.5. Fulfillment of obligation: The suspended participant shall be bound to fulfill obligations outstanding at the time of its suspension as directed by ²¹⁴[Member Committee]. CDSL shall have the power to fulfill all obligations towards the Beneficial Owners of the suspended participant outstanding at the time of suspension of such participant;</p> |

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| | <p>17.9.1.7. Participants not to deal: No participant shall transact business for or with the suspended participant during the term of its suspension except with the previous permission of the Disciplinary Action Committee.</p> | <p>17.9.1.7. Participants not to deal: No participant shall transact business for or with the suspended participant during the term of its suspension except with the previous permission of the ²¹⁵[Member Committee].</p> |
| 17.10 | <p>CONSEQUENCES OF EXPULSION</p> <p>17.10.1.5. Fulfillment of obligations: The expelled participant shall be bound to fulfill transactions outstanding at the time of his expulsion and it may with the permission of the Disciplinary Action Committee close such outstanding transactions with or through a participant. CDSL shall have the power to fulfill all obligations towards the Beneficial Owners of the expelled participant outstanding at the time of expulsion of such participant;</p> <p>17.10.1.6. Participants not to deal: No participant shall transact business for or with an expelled participant except with the previous permission of the Disciplinary Action Committee.</p> | <p>CONSEQUENCES OF EXPULSION</p> <p>17.10.1.5. Fulfillment of obligations: The expelled participant shall be bound to fulfill transactions outstanding at the time of his expulsion and it may with the permission of the ²¹⁵[Member Committee] close such outstanding transactions with or through a participant. CDSL shall have the power to fulfill all obligations towards the Beneficial Owners of the expelled participant outstanding at the time of expulsion of such participant;</p> <p>17.10.1.6. Participants not to deal: No participant shall transact business for or with an expelled participant except with the previous permission of the ²¹⁵[Member Committee].</p> |
| 17.11 | <p>NOTICE OF EXPULSION / TERMINATION / SUSPENSION OF BUSINESS</p> <p>17.11.1. Notice shall be given to all other participants on the system of CDSL of the termination, expulsion or suspension of business in relation to the operations of CDSL by a participant or of any other ²⁰³[charges,] penalties imposed on it ²⁰⁴[on its partners, authorised representatives or other employees]. The Disciplinary Action Committee may, in its absolute discretion and in such manner as it thinks fit, notify or cause to be notified to the participants or to the Beneficial Owners and to public, that any person who is named in such notification has been expelled, suspended or has suspended its business or ceased to be a participant. ²⁰⁵[No action or other proceedings shall, in any circumstances, be maintainable by such suspended/expelled Participant against</p> | <p>NOTICE OF EXPULSION / TERMINATION / SUSPENSION OF BUSINESS</p> <p>17.11.1. Notice shall be given to all other participants on the system of CDSL of the termination, expulsion or suspension of business in relation to the operations of CDSL by a participant or of any other ²¹⁶[charges,] penalties imposed on it ²¹⁷[on its partners, authorised representatives or other employees]. The ²¹⁸[Member Committee] may, in its absolute discretion and in such manner as it thinks fit, notify or cause to be notified to the participants or to the Beneficial Owners and to public, that any person who is named in such notification has been expelled, suspended or has suspended its business or ceased to be a participant. ²¹⁹[No action or other proceedings shall, in any circumstances, be maintainable by such suspended/expelled Participant against the CDSL or the ²¹⁸[Member Committee] or employee of the Depository for</p> |

| Clause | Existing provision | Amended provision |
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| | <p>the CDSL or the Disciplinary Action Committee or employee of the Depository for the publication or circulation of such notification.]</p> <p>²⁰³Amended vide SEBI letter no. MRD/DOP/CDSL/VM/31934/2002 dated 25.01.2005.</p> <p>²⁰⁴Amended vide SEBI letter no. MRD/DOP/CDSL/VM/31934/2002 dated 25.01.2005.</p> <p>²⁰⁵Amended vide SEBI letter no. MRD/DOP/CDSL/VM/31934/2002 dated 25.01.2005.</p> | <p><i>the publication or circulation of such notification.]</i></p> <p>²¹⁶Amended vide SEBI letter no. MRD/DOP/CDSL/VM/31934/2002 dated 25.01.2005.</p> <p>²¹⁷Amended vide SEBI letter no. MRD/DOP/CDSL/VM/31934/2002 dated 25.01.2005.</p> <p>²¹⁹Amended vide SEBI letter no. MRD/DOP/CDSL/VM/31934/2002 dated 25.01.2005.</p> |
| 17.12. | <p>PROCEDURE FOR CANCELLATION OF AGREEMENT BETWEEN PARTICIPANT AND CDSL</p> <p>17.12.1.1. on the expulsion of the participant by the Disciplinary Action Committee, or,</p> | <p>PROCEDURE FOR CANCELLATION OF AGREEMENT BETWEEN PARTICIPANT AND CDSL</p> <p>17.12.1.1. on the expulsion of the participant by the ²¹⁸[Member Committee], or,</p> |
| 18.1 | <p>RIGHT OF APPEAL</p> <p>18.1.1. Any participant aggrieved by the order passed by the Disciplinary Action Committee shall have the right of appeal to the Board of Directors against the said order of the Disciplinary Action Committee.</p> | <p>RIGHT OF APPEAL</p> <p>18.1.1. Any participant aggrieved by the order passed by the ²²⁰[Member Committee] shall have the right of appeal to the Board of Directors against the said order of the ²²⁰[Member Committee].</p> |
| 18.2 | <p>PROCEDURE FOR APPEAL</p> <p>18.2.1. An Appeal may be filed by a participant within thirty days of receipt of the order of the Disciplinary Action Committee. The Appeal may be filed by filing with the Board of Directors a memorandum of appeal stating the reasons and grounds of the appeal against the decision/order of the Disciplinary Action Committee and must also state the relief sought, if any.</p> <p>18.2.2. The Board of Directors shall have the power to stay the operation of the final order passed by Disciplinary Action Committee for such period and on such</p> | <p>PROCEDURE FOR APPEAL</p> <p>18.2.1. An Appeal may be filed by a participant within thirty days of receipt of the order of the ²²⁰[Member Committee]. The Appeal may be filed by filing with the Board of Directors a memorandum of appeal stating the reasons and grounds of the appeal against the decision/order of the ²²⁰[Member Committee] and must also state the relief sought, if any.</p> <p>18.2.2. The Board of Directors shall have the power to stay the operation of the final order passed by ²²⁰[Member Committee] for such period and on such terms and conditions as the Board of Directors may deem fit.</p> |

| Clause | Existing provision | Amended provision |
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| | terms and conditions as the Board of Directors may deem fit. | |
| 18.4. | <p>RECORD</p> <p>18.4.1. A copy of the record of the Disciplinary Action Committee and the Board of Directors relating to the appeals, shall be furnished to SEBI upon a request being received from SEBI.</p> | <p>RECORD</p> <p>18.4.1. A copy of the record of the ²²¹[Member Committee] and the Board of Directors relating to the appeals, shall be furnished to SEBI upon a request being received from SEBI.</p> |
| Annexure B to CDSL Bye Laws (Agreement between CDSL and DP) | | |
| 27. | <p>Suspension and Termination</p> <p>27.1.20 in case the quality of the services rendered by the Participant is not satisfactory in the opinion of CDSL as evidenced by the complaints of the beneficial owners and/ or other participants, Issuers, RTAs, and Clearing Corporations;</p> <p>Provided however that CDSL shall not take any action as aforesaid unless and until CDSL shall have issued a show-cause notice to the Participant setting out the grounds on which the agreement with the participant is sought to be terminated and the Participant shall have been given a reasonable opportunity of being heard by any officer authorized by CDSL in that behalf and CDSL being satisfied on the strength of the report of such officer that it is necessary to terminate the agreement with such participant.</p> | <p>Suspension and Termination</p> <p>27.1.20 in case the quality of the services rendered by the Participant is not satisfactory in the opinion of CDSL as evidenced by the complaints of the beneficial owners and/ or other participants, Issuers, RTAs, and clearing corporations;</p> <p>Provided however that CDSL shall not take any action as aforesaid unless and until CDSL shall have issued a show-cause notice to the Participant setting out the grounds on which the agreement with the participant is sought to be terminated and the Participant shall have been given a reasonable opportunity of being heard by ¹⁶[the Member Committee and CDSL being satisfied that it is necessary to terminate the agreement with such participant.]</p> |
| 30. | <p>Disciplinary Action</p> <p>30.1. The Participant shall be subject to the disciplinary jurisdiction of the Disciplinary Action Committee as provided in the Bye Laws.</p> | <p>Disciplinary Action</p> <p>30.1. The Participant shall be subject to the disciplinary jurisdiction of the ¹⁹[Member] Committee as provided in the Bye Laws.</p> |