



Central Depository Services (India) Limited

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COMMUNIQUE TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/POLCY/4134

December 23, 2013

FAQ ON IMPLEMENTATION OF SEBI CIRCULAR FOR SIMPLIFICATION OF DEMAT ACCOUNT OPENING PROCESS

DPs are advised to refer to communiqué no **CDSL/OPS/DP/POLCY/4095** dated December 04, 2013 informing DPs about SEBI circular no. **CIR/MIRSD/12/2013** dated December 04, 2013 for simplification of Demat Account Opening process.

In this regard, DPs are advised to refer to the attached "**FREQUENTLY ASKED QUESTIONS (FAQ)**" on the Rights and Obligations document. The FAQ provides clarification to the DPs on the procedure to be followed by them for implementation of the said SEBI circular to ensure compliance.

Further, DPs are advised to note that the amendments to CDSL's Bye-Laws and DP Operating instructions pursuant to the said SEBI circular will be communicated to them separately.

Queries regarding this communiqué may be addressed to:

CDSL – **Helpdesk** on (022) 2272-8642, 2272-8427, 2272-8624, 2272-8693, 2272-8639, 2272-1261 or 2272-2075. Emails may be sent to: helpdesk@cdslindia.com.

sd/-

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Sr. Vice President – Operations

FREQUENTLY ASKED QUESTIONS – RIGHTS AND OBLIGATIONS DOCUMENT

FOR NEW CLIENTS:

1. How can a DP obtain acknowledgement of the 'Rights and Obligations document' and is the signature of all the holders required on the acknowledgement?

Ans. The DP can obtain the acknowledgement in **ANY ONE** of the following ways:-

- (a) On a separate form of acknowledgment stating that they have received the 'Rights and Obligations document'; **OR**
- (b) On a register maintained for this purpose; **OR**
- (c) Can incorporate the acknowledgement as a part of the Account Opening Form. In this case the signatures of the BOs is not required to be taken again; **OR**
- (d) Can obtain an acknowledged copy of the 'Rights and Obligations document' where the BOs can sign only on the last page of the document; **OR**
- (e) Can affix a stamp on the account opening form stating that '*I/We have received and read the copy of Rights and Obligations document*' and obtain signature of all the holders against the same separately.

Signature of all the holders is required on the acknowledgement of the 'Rights and Obligations document'.

2. Can DPs start providing the 'Rights and Obligations document' instead of DP-BO agreements with effect from the date of circular i.e. December 4, 2013 based on the SEBI Circular i.e. before the Amendment in CDSL's Bye Laws & Business Rules?

Ans. The DPs can start providing the 'Rights and Obligations document' instead of DP-BO agreements with effect from the date of the SEBI circular i.e. December 4, 2013 and should obtain the acknowledgement of having provided the 'Rights and Obligations document' to the BOs. The DPs are mandatorily required to implement the circular with respect to all new clients latest by March 3, 2014 (3 months from the date of the aforesaid SEBI circular)

3. Agreements which are currently in circulation may be submitted by the new clients after expiry of 3 months from the date of aforesaid SEBI circular i.e. after March 3, 2014. In such case, will it be required to give copy of the 'Rights and Obligations document' or will the agreement suffice?

Ans. After March 3, 2014, the DP will have to obtain and keep on record the acknowledgement of having provided the 'Rights and Obligations document' to the BO.

4. Whether the DP can give copy of the 'Rights and Obligations document' to some clients and also accept duly executed agreements (without giving copy of 'Rights

and Obligations document') from other clients simultaneously but on or before March 3, 2014 ?

Ans. The DP may do so if he so desires. However, since the DP is required to intimate all existing BOs who have already executed DP-BO agreements about the modified provisions of the 'Rights and Obligations document' replacing the DP-BO agreement, the clients who submit DP-BO agreement (even though within the 3 month period), will have to be given the copy of the 'Rights and Obligations document'. However, the acknowledgement of the BOs is not required to be obtained.

5. Can the entities who are exempted from signing the DP-BO agreement be exempted from signing acknowledgement of the receipt of 'Rights and Obligations document'?

Ans. All the entities who are exempted from signing the DP-BO agreement are exempted from signing the acknowledgement of the receipt of 'Rights and Obligations document'.

6. Whether the DP can state that the copy of the 'Rights and Obligations document' is made available on website and obtain the signature of the BO stating that the BO is aware of the same?

Ans The DP cannot state that the copy of the 'Rights and Obligations document' is made available on the website and obtain the signature of the BO stating that the BO is aware of the same.

7. Whether the 'Rights and Obligations document' is required to be stamped?

Ans. The 'Rights and Obligations document' is not required to be stamped.

8. Can the POA holder of a BO give acknowledgement of the receipt of the 'Rights and Obligations document' to the DP?

Ans. The POA holder of an individual BO cannot give acknowledgement of the receipt of the 'Rights and Obligations document'. For non-individual / corporate accounts the authorized signatories shall acknowledge the receipt of the 'Rights and Obligations document'.

9. In case of a client proposing to open multiple demat accounts, is it required to provide a separate copy of the 'Rights and Obligations document' for each such account or will a single copy of the document suffice?

Ans. Each demat account is treated as a different BO and hence separate 'Rights and Obligations document' has to be provided and acknowledgement obtained for each account separately.

FOR EXISTING CLIENTS:**1. How can the DP intimate the modified provisions of the 'Rights and Obligations document' to existing clients?**

Ans. The DP can intimate the modified provisions of the 'Rights and Obligations document' to existing clients by a letter or by email (to the email id of the client registered in the CDSL system) or along with the next monthly / quarterly / yearly transaction or holding statement.

2. Is there any specified format for intimating the modified provisions of the 'Rights and Obligations document' to the existing clients?

Ans. Though there is no specified format for intimating the modified provisions of the 'Rights and Obligations document' to the existing clients, it is suggested that the DPs may mention the following in the intimation:

'SEBI has as a part of the simplification and rationalization of the demat account opening process decided that the existing DP-BO agreement shall be replaced with a common document 'Rights and Obligations of the Beneficial Owner and Depository Participant', a copy of which is enclosed. BOs are advised to note that the said document is mandatory and binding on all the existing and new clients and Depository Participants.'

3. Can the DP intimate the modified provisions of the 'Rights and Obligations document' by making it available on its website to the existing Client?

Ans. The DPs cannot intimate the modified provisions of the 'Rights and Obligations document' on the website as the same will not be treated as compliance.

4. Should the modified provisions of the 'Rights and Obligations document' be also intimated to the entities who are exempted from signing the DP-BO agreement?

Ans. The modified provisions of the 'Rights and Obligations document' are not required to be intimated to the entities who are exempted from signing the DP-BO agreement.

5. Is the DP required to keep an acknowledgement of having provided the existing BO with the modified provisions of the 'Rights and Obligation document'?

Ans. Acknowledgement of existing BO is not required but the DP is required to keep the record of the intimation sent to the BO informing about the modified provisions of the 'Rights and Obligations document', replacing the existing DP-BO agreements.

6. Can the DP send the entire 'Rights and Obligation document' instead of only modified clauses?

Ans. The DP can send the entire 'Rights and Obligations document' instead of only modified clauses.

7. Is there any time line for compliance with this provision of intimating modified clauses of 'Rights and Obligations document' to existing clients?

Ans. DPs may send the same by May 15, 2014.

8. If the DP sends the copy of 'Rights and Obligations document' along with statement of transaction, how will DP maintain a record of dispatch?

Ans. The DP may record that the 'Rights and Obligations document' has been dispatched with the transaction or holding statement along with the record of dispatch of such transaction or holding statement.