



Central Depository Services (India) Limited

Convenient ⊕ Dependable ⊕ Secure

COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/POLCY/6184

October 13, 2016

AMENDMENTS TO CDSL's DP OPERATING INSTRUCTIONS

DPs are advised to note that amendments have been effected to **Chapters – 11: Annexure 11.1** of CDSL's DP Operating Instructions to incorporate Penalty for "Failure to furnish half yearly compliance certificate/report to Depository for half year ending June 30 by July 31 and half year ending December 31 by January 31" [refer **Annexure 11.1**].

DPs are advised to take note of the same.

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/-

Nayana Ovalekar
Sr. Vice President – Operations

PENALTY STRUCTURE FOR DPs

Sr. No	Nature of Non – Compliance	Penal Amount in ₹ / Action
I	Operational deviations	
1	a) Accounts operated with an unsigned agreement / without acknowledgement of Rights and Obligations document. b) Account opened without obtaining adequate proof of identity or any other document prescribed under guidelines of CDSL / SEBI / PMLA c) Account opened without obtaining adequate proof of address as prescribed under guidelines of CDSL / SEBI / PMLA d) Adequate proof of address not collected for change of address as prescribed under guidelines of CDSL / SEBI / PMLA e) Record of in-person verification not maintained as prescribed under guidelines of CDSL / SEBI / PMLA	₹ 2,500/- per account. If such deviation is observed in two consecutive inspections, penalty would be ₹ 5,000/- per account. If such deviation is observed in three consecutive inspections, matter would be referred to DAC. Depository to refer the matter to DAC if total penalty imposed in one inspection under this head exceeds ₹ 50,000/-.
2	Supplementary agreement executed or undertaking/letter obtained or any modification made in any document which has clauses contradictory to CDSL prescribed agreement or Rights and Obligations document or Power of attorney executed in favour of DP in contradiction to CDSL prescribed guidelines	₹ 1,000/- per occasion
3	Accounts opened in the name of Partnership firms / proprietary concern / such other entities not entitled to hold securities in its name as prescribed under guidelines of CDSL / SEBI / PMLA	₹ 1,000/- per account
4	Nomination not done as per prescribed procedure	₹ 250/- per account
5	Any type of transaction not executed as per the procedure prescribed by Depository such as change in bank details, change in signature, transmission, account closure, freeze/unfreeze, pledge, remat etc. as prescribed under guidelines of CDSL / SEBI / PMLA	₹ 500/- per account
6	Data entry errors / omission which may cause inconvenience and/or loss to the BO/ system / Depository	₹ 50/- per account
7	Correct PAN details are not obtained from the BOs and the account is not frozen for debit as prescribed under guidelines of CDSL / SEBI / PMLA	₹ 500/- per account

PENALTY STRUCTURE FOR DPs

Sr. No	Nature of Non – Compliance	Penal Amount in ₹ / Action
I	Operational deviations	
8	Incorrect entry of PAN details in CDAS as prescribed under guidelines of CDSL / SEBI / PMLA	₹ 50/- per account
9	Invalid/ factually incorrect/ meaningless data entered in demographic details.	₹ 500/- per account
10	Delay in dispatch of demat requests beyond 7 working day after receipt of Demat Request Form and certificates from the BO.	₹ 250/- per occasion
11	Sending securities for dematerialization to Registrar & Transfer Agents / Issuers without defacing and mutilating certificates.	₹ 100/- per occasion
12	No/inadequate control over issuance and/or acceptance of instruction slips.	₹ 2,500/- per occasion. If such deviation is observed in two consecutive inspections, penalty would be ₹ 5,000/-. If such deviation is observed in three consecutive inspections, matter would be referred to DAC.
13	BO account debited without receiving proper authorization as prescribed under guidelines of CDSL / SEBI.	₹ 2,500/- per account. If such deviation is observed in two consecutive inspections, penalty would be ₹ 5,000/- per account. If such deviation is observed in three consecutive inspections, matter would be referred to DAC. Depository to refer the matter to DAC if total penalty imposed in one inspection under this head exceeds ₹ 50,000/- The penalty levied above will be in addition to restoration of securities in case of BOs' dispute.
14	Instruction of the BO not executed or erroneously entered by DP.	₹ 250/- per account
15	Fax indemnity not executed with the BOs for the instructions accepted on fax and/or original instruction not collected within three working days from the date of receipt of the fax.	₹ 500/- per account
16	Transaction statement not being sent to BOs as per requirements or discrepancy observed in the transaction statement sent to BOs.	₹ 2000/- per occasion
17	Change in office address and / or investor relations officers/compliance officers not intimated to Depository.	₹ 250/- per occasion
18	Forms used are not in conformity with the prescribed format.	₹ 100/- per occasion
19	Termination / closing of franchisee / branch services contrary to CDSL instructions.	₹ 500 per occasion
20	Registration of BOs to easi/ easiest without obtaining registration forms/Registration of Trusted accounts at easiest without obtaining letter in the given format from trusted account holders	₹ 500/- per account

PENALTY STRUCTURE FOR DPs

Sr. No	Nature of Non – Compliance	Penal Amount in ₹ / Action
I	Operational deviations	
21	Internal Audit Report &/ Concurrent Audit Report not submitted in the prescribed format within stipulated time period.	₹ 1,000/- per occasion plus additional ₹ 500/- for any delay per fortnight
22	Internal audit report/ concurrent audit report submitted without inclusion of management comments for deviations noted by auditors or not providing compliance duly certified by auditors on the observations made by the Depository	₹ 1,000/- per occasion plus additional ₹ 500/- for any delay per fortnight till the submission of revised report
23	Non-submission of net worth certificate based on the audited annual accounts by the DPs (as specified in the Bye-Laws) in the prescribed format for 31st March within prescribed time limit	₹ 2,500/- per occasion plus additional ₹1,000 for any delay per fortnight.
24	Non-submission of annual financial statement within the prescribed time limit.	₹ 1,000/- per occasion plus additional ₹ 500/- for any delay per fortnight
25	Non filing of information sought by depository either periodically or specifically through communiqués / letters etc.	₹ 250 per occasion/-
26	BO Grievances (except disputes /court cases) not redressed within 30 days	₹ 250/- per grievance plus additional ₹100/- for any further delay per month. Delay beyond six months will be reported to the DAC
27	Non-submission of monthly report of BOs' Complaints as required under Bye Law 5.3.5.4 (latest by 10th of the following month).	₹ 500/- per month
28	Compliance not reported by DP within 60 days from the date of communication by depository with respect to deviations observed during the inspections.	Matter to be referred to DAC
29	a) In – person verification carried out by any person other than as permitted by SEBI / Depositories. b) Carrying out function of verification of delivery instruction slips through franchisees. c) Dispatch of periodic transaction statements by Participants through its service centre (branch as well as franchisees) other than one which is directly connected to the Depository or through its centralised processing unit under the supervision of its head office.	Matter to be referred to Disciplinary Action Committee.
30	Depository services are offered through service centres without the approval of the Depository.	₹ 2,500/- per occasion
31	Anti Money Laundering (AML) policy not framed as required under PMLA and not intimated to FIU-IND	₹ 2,500/- per occasion

PENALTY STRUCTURE FOR DPs

Sr. No	Nature of Non – Compliance	Penal Amount in ₹ / Action
I	Operational deviations	
32	Non appointment of Principal officer/Non intimation of change of Principal Officer details to FIU – IND	₹ 2,500/- per occasion
33	Suspicious Transaction Register not being maintained as prescribed by CDSL.	₹ 2,500/- per occasion
34	System of maintaining documents pertaining to depository operations not satisfactory.	₹ 1,000/- per occasion
35	System related deviations	
36	Using the CDAS for any other purpose or loading any other software or alteration of parameters / configuration/ software other than prescribed system software found loaded in the system.	₹ 5,000/- per occasion
37	Not upgrading the software and/or hardware within the prescribed time limit / not complying with pre-requisite or post-requisite of upgradation.	₹ 5,000/- per occasion plus actual cost of travel of CDSL official/s and/or other person/s on behalf of CDSL, if any, for this purpose.
38	Configuration of CDAS not as per CDSL requirements.	₹ 5,000/- per occasion
39	CDAS is connected to WAN without permission of relevant authorities.	₹ 5,000/- per occasion
40	Anti Virus Software not loaded/enabled/upgraded on server and/or client machine(s).	₹ 500/- per occasion
41	Not taking back up daily and / or deviation in procedure of taking back up	₹ 100/- per occasion
42	‘Variable access rights’ scheme suggested by Depository not implemented / not implemented properly.	₹ 250/- per occasion
43	Erroneously uploading data files into CDSL system for processing of any type of transaction.	₹ 500/- per account
44	Erroneous declaration of EOD by DP	₹ 500/- per occasion
45	Physical access to client machine and server is easily available to unauthorised persons	₹ 100/- per occasion
46	\$Delay in submission / non-submission of the Half yearly Compliance certificate within stipulated time limit	\$Restraint on new account opening if 30 days have elapsed after stipulated time period for submission of the compliance certificate. Matter to be referred to Disciplinary Action Committee if the delay is beyond 60 days from stipulated time period.
If the total monetary penalty levied on a particular DP in last three years exceed Rs.1,00,000/-, the matter would be referred to Disciplinary Action Committee.		