CDSL/OPS/RTA/POLCY/2023/103 **June 08, 2023**

AMENDMENTS TO CDSL's OPERATING INSTRUCTIONS FOR ISSUERS / REGISTRAR & TRANSFER AGENTS

Issuers / RTAs are advised to note that amendments have been effected in **Chapter 7: PENALTIES FOR VIOLATIONS, IRREGULARITIES, NONCOMPLIANCES OR DELAY IN COMPLIANCES** of CDSL's Operating Instructions for Issuers / Registrar & Transfer Agents. The amendments to **Chapter 7** in track changes mode are attached herewith [**Refer Annexure I**].

Further, Issuers / RTAs are advised to note that amendments have been effected in **Annexure 7.1: Schedule of Penalties to Issuers / RTA**, as follows:

1. The penalty points in the existing penalty structure have been replaced with monetary penalty as mentioned in table below:

Sr. No.	Penalty points in existing penalty structure	Monetary penalty against the penalty points (Post amendment)
1.	Less than or equal to 5 penalty points	₹500/- per occasion.
2.	More than 5 penalty points but less than or equal to 7 penalty points	₹1,000/- per occasion.
3.	More than 7 penalty points but less than or equal to 10 penalty points	₹1,500/- per occasion.

2. The existing penalty amount has been increased to two times for all penalty heads attracting monetary penalty except for following two penalty heads with respect to reconciliation areas:

Sr. No.	Nature of Non-compliance	Penal Action in ₹ (Present)	Penal Action in ₹ (Post Amendment)
1.	Reconciliation between depository control position and Register of Members (ROM) is not carried out on a daily basis.	₹2,500/- If deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled.	The penalty imposed shall be ISIN wise (@ ₹500/- per ISIN) and will be applicable for those ISINs which form part of the inspection sample with a maximum cap of ₹10,000/-.

Sr. No.	Nature of Non-compliance	Penal Action in ₹ (Present)	Penal Action in ₹ (Post Amendment)
			If deviations are observed under same head in consecutive inspection, penalty amount indicated above will be doubled.
2.	Reconciliation between issued capital and summation of shares held in Physical form, CDSL and NSDL system is not carried out on daily basis.	₹2,500/- If deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled.	The penalty imposed shall be ISIN wise (@ ₹500/- per ISIN) and will be applicable for those ISINs which form part of the inspection sample with a maximum cap of ₹10,000/- If deviations are observed under same head in consecutive inspection, penalty amount indicated above will be doubled.

3. New penalty head has been introduced for non-submission of half yearly compliance certificate by Issuers / RTAs:

Sr. No.	Nature of Non-compliance	Penal Action in ₹
1.	Half yearly Compliance certificate not submitted within stipulated time.	₹1,000/- per occasion plus additional ₹500/- per fortnight for further delay. ₹2000/- per occasion plus additional ₹1,000/- for any delay per fortnight if repeated delay found in consecutive period. If delay in submission is observed for three consecutive periods, matter would be referred to Member Committee.

The amendments to **Annexuer 7.1: Schedule of Penalties to Issuer / RTA** in track changes mode are attached herewith [**Refer Annexure II**].

Further following new penalty structure has been introduced for issuers and provided in **Annexure 7.2: Schedule of Penalties to Issuers** [**Refer Annexure III**] for non-complying with the requirements specified for issuer / RTAs in SEBI (Depository and Participants) Regulations, 2018 and in the Circulars issued time to time.

Sr. No	Nature of Non-Compliance	Penal Action in ₹
1.	Delay in confirmation/rejection of pending demat/remat requests within prescribed time period where the delay is attributable to the Issuer.	₹500/- per request with a max cap of ₹50,000/- per occasion. If deviations are observed under same head in consecutive RTA inspection, ₹1,000/- per request with a maximum cap of ₹1,00,000/- per occasion.
2.	Issuer which are listed and not adhering to handling of share registry work at single point i.e. common agency requirement for share registry as prescribed by SEBI.	₹10,000/- per issuer identified during RTA inspection. If deviations are observed under same penalty head for the same issuer in consecutive RTA inspection ₹20,000/-. If the total penalty amount under this head exceeds ₹50,000/- for an Issuer, the matter would be referred to SEBI.

Please note that the revised penalty structure shall be applicable with immediate effect.

Issuers / RTAs are advised to take note of the same. **RTAs are also advised to bring the provisions of this Commuique to the notice of their client companies.**

Queries regarding this communiqué may be addressed to CDSL – Audit, Inspection & Compliance Department on telephone nos. (022) 2305 8519, 2305 8520, 2305 8678, 2305 8679, 2305 8515.

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Ajit Prabhu
Sr. Manager – Audit, Inspection & Compliance

7 PENALTIES FOR VIOLATIONS, IRREGULARITIES, NON-COMPLIANCES OR DELAY IN COMPLIANCES

7.1 Objective

The objective of imposing penalty on the Issuer/RTA is to impress upon every Issuer/RTA the importance of observing compliance of various regulatory requirements and to discourage them from non-compliance or violation of these requirements.

7.2 Features

7.2.1 The depository may impose penalty on the Issuer / RTA ~~Issuer/RTA~~ as mentioned in the Schedule of penalties provided as Annexur~~e~~ 7.1.

~~7.2.1~~7.2.2 The Depository may impose a penalty on the Issuer as mentioned in the Schedule of penalties provided as Annexure 7.2.

7.3 Reference to Law

7.3.1 Depositories Act, 1996

7.3.2 SEBI (Depository and Participant) Regulations, ~~1996~~ 2018

7.3.3 CDSL Bye Laws

7.3.4 Operating Instructions for Issuers/RTA

7.3.5 Circulars/Guidelines issued by SEBI from time to time

7.3.6 Communiqué issued by CDSL from time to time

7.3.7 **Prevention of Money Laundering Act, 2002**

- Rule 6: Retention of Records

7.4 Annexures

- Annexure 7.1 - Schedule of Penalties to Issuers / RTAs
- Annexure 7.2 - Schedule of Penalties to Issuers

7.5 Penalties

Apart from direct monetary penalty, the penalty points are **also** converted into monetary penalty after reaching the threshold limit - mentioned hereunder.

7.6 Scale of Penalty

7.6.1 The scale of penalty to be levied for non-compliance, irregularity, violation or delay in compliance is furnished in Annexure 7.1 for Issuers/RTAs.

7.6.2 The list of non-compliances is subject to such modification as may be deemed fit by CDSL from time to time and the same shall be effective on its notification to the Issuers/RTAs through communiqué.

7.7 Procedure for Imposition of Penalty on Issuers/RTAs

7.7.1 In case any violation, irregularity, non-compliance or delay in compliance is noticed, the concerned functional department will inform the A I & C about its findings.

7.7.2 All instances of complaints / cases involving or allegation of frauds will be reported to SEBI.

7.8 Non-compliances where penalty is levied

7.8.1 The A I & C Department will **impose penalty, if certain non-compliane are observed during inspection as per Annexure 7.1**

7.8.2 **The A I & C Department will** issue a letter to the Issuer/RTA intimating him of the nature of non-compliance and instructing him to rectify the same and submit his compliance report within 30 days of receipt of notice.

7.8.3 If penalty **is** imposed but the RTA does not confirm rectification of the non-compliance within 30 days of imposition of penalty, the matter will be reported to its client companies and SEBI, for necessary action. In case of such non-confirmation by the Issuer the matter will be reported to SEBI for necessary action.

7.9 Verification of Compliance

The compliance reported by the Issuer/RTA will be verified during the subsequent inspection. In case the compliance reported by the **RTA** is found to be false, materially incorrect or misleading, the matter will be reported to its client companies and SEBI, for necessary action. In case the compliance reported by the **Issuer** is found to be false, materially incorrect or misleading, the matter will be reported to SEBI for necessary action.

7.10 Penalties for non-compliances not covered in the Annexure

The MD or ED will have the authority to introduce penalty points / monetary penalty for such types of the non-compliances, which are not covered in Annexure 7.1.

7.11 General guidelines for imposition of penalty on Issuers/RTAs

7.11.1 CDSL may impose the penalty on the Issuer/RTA to the extent indicated for non-compliances as described in Annexure 7.1~~.~~ and on Issuer to the extent indicated for non-compliances as described in Annexure 7.2

~~7.11.2 One penalty point will be equivalent to `100/-.~~

~~7.11.3~~7.11.2 ~~The penalty points will be accumulated for a period of 3 years. At the beginning of the 4th year, the points accumulated in the 1st year will be dropped and the points levied in the 2nd and 3rd year will be considered as the opening balance and so on for the subsequent years~~.

~~7.11.4 If an Issuer/RTA accumulates over 25 penalty points at any point of time, all the penalty points so accumulated will be converted into monetary penalty @ `100/- per point and the penalty amount will be billed to the Issuer/RTA in the respective month.~~

~~7.11.5~~7.11.3 **I**f any Issuer/RTA does not pay monetary penalty within 30 days from the due date, the matter will be reported to its client companies (in case of RTA) and SEBI, for necessary action. If such payment is not done by any Issuer, the matter will be reported to SEBI for necessary action.

~~7.11.6~~7.11.4 If after levy of such monetary penalty, the cumulative monetary penalty for the RTA exceeds ₹~~`~~50,000/- **during a financial year,** then the matter will be reported to its client companies and SEBI, for necessary action. If such cumulative monetary penalty exceeds
₹~~`~~50,000 for an Issuer, the matter will be reported to SEBI for necessary action.

~~7.11.7~~7.11.5 If deviations are observed under the same head in consecutive inspection, the penalty points/monetary penalty amount as indicated in Annexure-7.1 will be doubled.

~~7.11.8~~7.11.6 The actual cost of travel & stay, etc. of CDSL officials and / or other person/s on behalf of CDSL, if any, with respect to the ascertainment or waiver of penalty or for rectification of the non-compliances will be recovered from the Issuer/RTA.

7.12 Manner of service of notice / communication

Any notice or communication required to be given by CDSL, Issuer and RTA interse under Bye Laws / Operating Instruction of CDSL and Agreement amongst them.

Notice/Communication shall be given by Hand Delivery against receipt, registered post or courier that provides a record of the communication thereof for following matters:-

a. Show cause notice to RTA for non-payment of dues/ violation of terms of agreement etc.

b. Notice of termination of agreement.

c. Notice of assignment of business.

Notice /Communication relating to matters other than those mentioned above may be given by Hand Delivery against receipt, or any other means of communication including but not limited to post, courier, facsimile transmission, telex, telegram, electronic mail etc, that provides a record of communication thereof.

Schedule of Penalties to Issuers / RTAs				
Sr. No.	**Nature of Non-compliance**	**Penal Action**	**Imposition criteria of Penal Action**	**Repetitive Non Compliance**
I	**Operational deviations**			
1	Date of receipt of DRF/conversion request form /reconversion request form / RRF not entered/incorrectly entered in depository system.	~~10 points~~ Sample size: Less than / equal to 10 % = ₹500/- per occasion More than 10 % but less than / equal to 20 % = ₹1,000/- per occasion More than 20 % = ₹1,500/- per occasion	~~**Percentage of deviations to sample size :-**~~ ~~No. of instances/Sample Size upto 5 % = 2 points~~ ~~If No. of instances/Sample Size > 5% and upto 10 % = 5 points~~ ~~If No. of instances/Sample Size > 10 % and upto 20 % = 7 points~~ ~~If No. of instances/Sample Size >20% = 10 points~~ If Percentage of deviations to sample size is: Less than / equal to 10 % = ₹500/- per occasion More than 10 % but less than / equal to 20 % = ₹1,000/- per occasion More than 20 % = ₹1,500/- per occasion	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.
2	Certificates / Statement of Account(SOA) and physical documents not sent to the concerned DPs within 5 working days of rejection of demat/conversion request.	~~10 points~~ Sample size: Less than / equal to 10 % = ₹500/- per occasion More than 10 % but less than / equal to 20 % = ₹1,000/- per occasion More than 20 % = ₹1,500/- per occasion	~~**Percentage of deviations to sample size :-**~~ ~~No. of instances/Sample Size upto 5 % = 2 points~~ ~~If No. of instances/Sample Size > 5% and upto 10 % = 5 points~~ ~~If No. of instances/Sample Size > 10 % and upto 20 % = 7 points~~ ~~If No. of instances/Sample Size >20% = 10 points~~ If Percentage of deviations to sample size is: Less than / equal to 10 % = ₹500/- per occasion More than 10 % but less than / equal to 20 % = ₹1,000/- per occasion More than 20 % = ₹1,500/- per occasions	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.

Sr. No.	Nature of Non-compliance	Penal Action	Imposition criteria of Penal Action	Repetitive Non Compliance
3	Not sending printed certificate/SOA to the registered owner and Proof of despatch of certificates/SOA not maintained in case of remat/reconversion.	~~10 points~~ Sample size: Less than / equal to 10 % = ₹500/- per occasion More than 10 % but less than / equal to 20 % = ₹1,000/- per occasion More than 20 % = ₹1,500/- per occasion	~~**Percentage of deviations to sample size :-**~~ ~~No. of instances/Sample Size upto 5 % = 2 points~~ ~~If No. of instances/Sample Size > 5% and upto 10 % = 5 points~~ ~~If No. of instances/Sample Size > 10 % and upto 20 % = 7 points~~ ~~If No. of instances/Sample Size >20% = 10 points~~ If Percentage of deviations to sample size is: Less than / equal to 10 % = ₹500/- per occasion More than 10 % but less than / equal to 20 % = ₹1,000/- per occasion More than 20 % = ₹1,500/- per occasion	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.
4	System of maintaining documents pertaining to demat/conversion/reconversion/ remat/ requests not satisfactory.	~~5 points~~ ₹500/- per occasion	~~5 points~~ ₹500/- per occasion	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.

Sr. No.	Nature of Non-compliance	Penal Action	Imposition criteria of Penal Action	Repetitive Non Compliance
5	Not adhering to SEBI prescribed procedure for demat confirmation for shares lost in transit from Participant to Issuer / RTA	~~5 Points~~ ₹500/- per occasion	~~5 Points~~ ₹500/- per occasion	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.
6	Delay in confirmation of demat /conversion/reconversion/ remat/redemption request within the prescribed time period where the delay is attributable to the RTA/ Issuer connected to depository	~~Rs.250/-~~ ₹500/- per request with a cap of ~~Rs.25000/-~~ ₹50,000/- per occasion.	~~Rs.250/- per request with a cap of Rs.25000/- per occasion~~ ₹500/- per request with a max cap of ₹50,000/- per occasion.	~~If deviations are observed under the same head in consecutive inspection, the penalty amount indicated will be doubled with a cap of Rs.25000/- per occasion.~~ If deviations are observed under same head in consecutive inspection, ₹1,000/- per request with a maximum cap of ₹50,000/- per occasion.
7	Dematerialistion of securities for which listing approval has not been received from the relevant stock exchange(s).	~~Rs.1000/-~~ ₹2,000/-.	~~Rs.1000/- lumpsum~~ ₹2,000/- lumpsum	If deviations are observed under the same head in consecutive inspection, the penalty amount indicated will be doubled.
8	Reconciliation between depository control position and Register of Members (ROM) is not carried out on a daily basis.	~~Rs.2500/-~~ ₹500/- per ISIN with a cap of ₹10,000/-.	~~Rs.2500/-lumpsum~~ The penalty imposed shall be ISIN wise (@ ₹500/- per ISIN) and will be applicable for those ISINs which form part of the inspection sample with a maximum cap of ₹10,000/-	If deviations are observed under the same head in consecutive inspection, the penalty amount indicated will be doubled
9	Reconciliation between issued capital and summation of shares held in Physical form, CDSL and NSDL system is not carried out on daily basis.	~~Rs.2500/-~~ ₹500/- per ISIN with a cap of ₹10,000/-.	~~Rs.2500/-lumpsum~~ The penalty imposed shall be ISIN wise (@₹500/- per ISIN) and will be applicable for those ISINs which form part of the inspection sample with a maximum cap of ₹10,000/-	If deviations are observed under the same head in consecutive inspection, the penalty amount indicated will be doubled.

Sr. No.	Nature of Non-compliance	Penal Action	Imposition criteria of Penal Action	Repetitive Non Compliance
10	Internal Audit Report not submitted in the prescribed format within the stipulated time period.	~~Rs.1000~~ ₹2,000/- per occasion plus additional ~~Rs. 500~~ ₹1,000/- for any delay per fortnight.	~~Rs.1000 per occasion plus additional Rs. 500 for any delay per fortnight.~~ ₹2,000/- per occasion plus additional ₹1,000/- for any delay per fortnight.	~~Rs.2000 per occasion plus additional Rs.1000 for any delay per fortnight if repeated delay found in consecutive period.~~ ₹4,000/- per occasion plus additional ₹2,000/- for any delay per fortnight if repeated delay found in consecutive period. If delay in submission is observed for three consecutive periods, matter would be referred to ~~Disciplinary Action Committee.~~ Member Committee.
11	Internal 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.	~~Rs.1000~~ ₹2000/- /- per occasion plus additional ~~Rs. 500~~ ₹1,000/- for any delay per fortnight.	~~Rs.1000 per occasion plus additional Rs. 500 for any delay per fortnight.~~ ₹2,000/- per occasion plus additional ₹1000/- for any delay per fortnight till the submission of revised report	-
12	Data submitted in Internal Audit Report is found to be false/ incorrect.	~~Rs.500~~ ₹1,000/- per occasion.	~~Rs.500 per occasion.~~ ₹1,000/- per occasion.	~~Rs.1000 per occasion, if same deviation is observed for consecutive period~~ ₹2,000/- per occasion, if same deviation is observed for consecutive period.. If same deviation is observed for three consecutive periods, matter would be referred to ~~Disciplinary Action Committee~~ Member Committee..

II	**System related deviations**			
Sr. No.	**Nature of Non-compliance**	**Penal Action**	**Imposition criteria of Penal Action**	**Repetitive Non Compliance**
13	Physical access to client machine is easily available to unauthorised persons.	~~3 points~~ ₹500/- per occasion	~~3 points~~ ₹ 500/- per occasion	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.
14	Scheme of Variable Access Rights not implemented.	~~5 points~~ ₹500/- per occasion	~~5 points~~ ₹500/- per occasion	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.
15	Not upgrading the software/ hardware/ network/ IT Infrastructure or not complying with pre-requisite or post- requisite of upgradation.	~~5 points~~ ₹500/- per occasion	~~5 points~~ ₹500/- per occasion	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.
16	Failure to establish connectivity with depository through alternate means of communication.	~~5 points~~ ₹500/- per occasion	~~5 points~~ ₹500/- per occasion	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.
17	Antivirus software not loaded/upgraded/enabled on server and/or client machine	~~10 points~~ ₹1,500/- per occasion	~~10 points~~ ₹,1500/- per occasion	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.

Sr. No.	Nature of Non-compliance	Penal Action	Imposition criteria of Penal Action	Repetitive Non Compliance
III	**Miscellaneous deviations**			
18	Change in office address and or investor relations officers/compliance officers not intimated to the Depository	~~5 points~~ ₹500/- per occasion	~~5 points~~ ₹500/- per occasion	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.
19	Compliance not reported by Issuer/ RTAs within 60 days from the date of communication by depository with respect to deviations observed during the inspections.	Matter will be reported to its client companies as well as SEBI, for necessary action	Matter will be reported to its client companies as well as SEBI, for necessary action	~~Same action will be repeated~~ Matter will be reported to its client companies as well as SEBI, for necessary action
20	Name & specimen signature of authorised signatories not obtained from companies having only electronic connectivity and not compared before confirmation of demat/remat requests.	~~5 points~~ ₹500/- per occasion	~~5 points~~ ₹500/- per occasion	If deviations are observed under the same head in consecutive inspection, the penalty ~~points~~ amount indicated will be doubled.
21	Quarterly Investor Grievance report not submitted in the prescribed format within the stipulated time period.	~~Rs.500~~ ₹1,000/- per month.	₹1,000/- per month	~~Rs.1000~~ ₹2,000/- per month if repeated delay found in consecutive quarter. If delay in submission is observed for three consecutive quarters, matter would be referred to ~~Disciplinary Action Committee.~~ Member Committee
22	Data submitted in ~~Internal Audit report and~~ Quarterly investor grievance report is found to be false/ incorrect	~~Rs.500~~ ₹1,000/- per occasion.	₹1,000/- per month	~~Rs.1000~~ ₹2,000/- per occasion, if same deviation is observed for consecutive period. If same deviation is observed for three consecutive periods, matter would be referred to ~~Disciplinary Action Committee.~~ Member Committee.

Sr. No.	Nature of Non-compliance	Penal Action	Imposition criteria of Penal Action	Repetitive Non Compliance
23	Half yearly Compliance certificate not submitted within the stipulated time	₹1,000/- per occasion plus additional ₹500 for any delay per fortnight.	₹1,000/- per occasion plus additional ₹ 500 for any delay per fortnight.	₹2,000/- per occasion plus additional ₹1,000/- for any delay per fortnight if repeated delay found in consecutive period. If delay in submission is observed for three consecutive periods, matter would be referred to Member Committee.

Schedule of Penalties to Issuers				
Sr. No.	**Nature of Non-compliance**	**Penal Action**	**Imposition criteria of Penal Action**	**Repetitive Non-Compliance**
I	**Operational deviations**			
1	Delay in confirmation/rejection of pending demat/remat requests within prescribed time period where the delay is attributable to the Issuer.	₹500 per request with a max cap of ₹50,000 per occasion.	₹500 per request with a max cap of ₹50,000 per occasion.	If deviations are observed under same head in consecutive RTA inspection, ₹1,000 per request with a maximum cap of ₹1,00,000 per occasion.
2	Issuer which are listed and not adhering to handling of share registry work at single point i.e. common agency requirement for share registry as prescribed by SEBI.	₹10,000 per issuer identified during RTA inspection.	₹10,000 per issuer identified during RTA inspection.	If deviations are observed under same penalty head for the same issuer in consecutive RTA inspection ₹20,000. If the total penalty amount under this head exceeds ₹50,000 for an Issuer, the matter would be referred to SEBI.