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Depository Operational Manual

Adroit Financial services Pvt. Ltd.as Depository Participant

Adroit Financial services Pvt. Ltd. boasts of an ever-growing customer base of over 50,000 accounts holders under its retail brand – “Adroit Financial”. We are depository participants with NSDL and CDSL for trading and settlement of dematerialized shares. We perform clearing services for all securities transactions through our account. We offer depository services to create seamless transaction platform – execute trades and settle these transactions. Depository services is a part of our value added services for our clients that create multiple interfaces with the client and provide for a solution that takes care of all your needs.

FUNCTIONS PERFORMED BY “Adroit Financial Service Pvt. Ltd.” [DEPOSITORY PARTICIPANT]

Adroit Financial Services Pvt. Ltd. renders the Depository services viz :-

- Demat Account Opening
- Enable Dematerialization and Rematerialisation of eligible securities.
- Provide for disbursement of corporate benefits to the beneficial owners.
- Effect settlement of securities traded on the exchanges platform as well as off market transfers through book entry transfers.

PROCEDURES INVOLVED IN VARIOUS ACTIVITIES

Basic Requirements

- Data pertaining to participant operations will be kept separate from that pertaining to other operations.
- The participant will interact with clients across the counters. The DP will maintain counters in its premises specifically for the purposes. It will also make available the Forms which the clients are required to fill and submit to the DP to operate their accounts.
- Any data which is entered / updated in the DPM system on behalf of the client should be based on written instructions from the client.
- Any data which is entered/ updated in the DPM system for the DP should also be duly authorized and documented

ACCOUNT OPENING

In-Person verification

As per NSDL/POLICY/2007/0016 dated March 16, 2007, at the time of opening depository accounts, the employee of the Participant should verify the identity of the applicants (including guardian in case of minor account) by verifying the photographs affixed in the account opening form (Annexure J) as well as proof of identity documents as mentioned below, **with the person** concerned. Further, in case of joint accounts, '**in-person**' verification needs to be carried out for all the holders of the account.

Upon the applicants submitting the account opening form, proof of identity & address documents and PAN details, employee of the Participant should follow the procedure as given below: Verify the identity of the applicants. After due verification, affix a stamp on the face of the account opening form or on the documents

collected as proof of identity to the effect that the identity of the applicants is verified '**in-person**'. The stamp should carry the following details:

- Name of the Participant and Participant ID,
- Name / Details of Branch/Service Centre,
- Signature of the applicants (signed in the presence of the Participant staff. In case of joint accounts, all holders should sign in the presence of the Participant staff),
- Details of the Participant employee who has carried out '**in-person**' verification (Name, Employee code if any, Signature),
- Date and place where '**in-person**' verification was carried out.

Non-Body Corporate account

A person should submit duly completed account opening form along with address & identity proof, photograph, proof of bank and depository account and copy of pan card all this document should be self-attested.

Officer of account opening section should check all this document with the original and all document will be stamped "**Verified with original**" and "**In-person verification**". Pan detail should be verified with income tax site and copy of PAN card which should be stamped "**PAN verified**". Officer checking the document should put his name and signature on the verified documents. Details as per **annexure 1** can only be accepted as address and identity proof (NSDL circular no NSDL/PI/2004/1622 dated 07-09-2004).

Corporate account

Following details should be collected in case of corporate a/c

- Memorandum and Articles of Association.
- Certified True Copy of the Board Resolution, duly certified by Managing Director / Company Secretary, authorizing opening of a Demat Account and specifying name of persons authorized to open and operate the Demat Account. It should specify the manner of operation of the account by the authorized persons.
- Names of authorized signatories, their designation, photographs and their specimen signatures duly verified by the Managing Director or the Company Secretary.
- For address proof any one of this should be attached document register with ROC, any utility bill in the name of corporate not more than 2 months old, bank statement, If there is any change in shareholder, acknowledge copy of form 32 submitted to ROC should be attached.
- Updated details of Directors of the company.
- Share holding pattern of the promoters holding 5% and above shares.
- UBO details.
- Certified copy of Balance sheet of last two years.
Relevant points mentioned in 1.a should also be followed.

Partnership Firms

Account of the partnership firm should be opened jointly in the name of partners only all the details mentioned in 1.a should be followed, additionally under mentioned details should be taken from the partners

- Copy of PAN card of partnership firm along with PAN card of partners.
- Copy of registered partnership deed
- Undertaking from partners as per NSDL format

HUF Account

- HUF Account open in the Non-Individual category.
- All the procedure and document as mentioned in 1.a for account opening of individual investors will be required to be submitted for the Karta of HUF.
- PAN card and bank passbook of HUF indicating its existence.
- The Karta should sign the AOF and the declaration under the stamp of HUF.
- HUF accounts cannot be opened with joint holders.
- No nomination can be made in HUF account.
- The Coparcener/Member details mandatory capture in DPM system.

Minor's Account

- Documents to be obtained are: -
 - PAN card of the minor.
 - Duly attested copy of Birth Certificate of the minor.
 - Proof of address and proof of identity (Annexure-1) documents of the guardian.
 - One passport size photograph of minor and guardian with their signatures across the photograph. Guardian should sign across photograph of the minor.
- According to the Hindu Guardians and Wards Act, natural parents i.e. father and in his absence mother only can be the guardians. In any other event, the guardian has to be appointed by a court.

After the minor has attained majority (i.e. 21 years in case of court appointed guardian and 18 years for natural guardian) following procedure has to be followed:

- Communicate to the client immediately advising for submit a fresh account opening form along with KYC documents.
- If client does not respond within one month from the date of communication, the account should be **“Suspended for Debit”** and disable the **“Standing Instruction”** for credit.
- The account holder (i.e. the erstwhile minor) should submit proof of his / her identity and proof of address.
- Execute a fresh Participant- Client agreement with the client.

- The account should not be closed and capture the new demographic details in the DPM system after follow the KYC norms.
- Capture the signature of the client in the DPM system (Minor turned Major) in the place of signature of the Guardian.
- If the client wants to make nominee, disable the Guardian details in the DPM system and capture the nominee details.

BSDA Account

- All the existing eligible individuals to convert their Demat account in to BSDA on the date of next billing cycle based on value of holding of securities in the account as on the last day of previous billing cycle as per NSDL guidelines.

NRI Account

Procedure to be followed by Participants with respect to KYC documents and PAN of NRI (Repatriable/Non-Repatriable) at the time of opening an account in the respective category:

(i) Obtain POI and Proof of Address of the applicant as per the NSDL circular no NSDL/PI/2004/1622 dated 07-09-2004

(ii) Obtain a declaration from the Client that he/she has complied and will continue to comply with FEMA regulations.

(iii) Participants are advised to obtain photocopies of Proof of Address in respect of foreign address where the NRI is residing and verify the same with originals. In case the NRI Clients have Indian address, Participants are advised to obtain photocopies of Proof of Address of local address and verify the same with originals. Further, in case if the NRI has submitted only Proof of Address of the country (foreign address) where the NRI is residing, in such a situation, Participants may capture the foreign address in both local and foreign address fields given in the DPM System.

(iv) If Participants find it infeasible to carry out '**in-person**' verification of the NRI Client by their staff and/or verify the original KYC documents (POI and Proof of Address i.e. foreign address, where the NRI is residing) along with PAN card, in such a situation, it is clarified that:

(a) the account opening form and photocopies of the KYC documents and PAN card should be duly signed by the account holder; and

(b) photocopies of the KYC documents and PAN card is attested by the any of the entities viz; Notary Public, Court, Magistrate, Judge, Local Banker, Indian Embassy / Consulate General of the country where NRI/FN is residing; [outside India]; and

(c) The attestation is to the effect that it has been verified with the originals.

Participants should open the depository accounts or accept the PAN card only after it is satisfied with the authenticity of the documents (POI, Proof of Address and PAN card).

(v) In case where ‘**in-person**’ verification for NRI Client has been carried out by the staff of the Participant or if he/she personally visits the office of the Participant to submit the KYC documents and PAN card, in such a situation, the NRI would be exempted from obtaining attestation, on KYC documents and PAN card.

(NSDL/POLICY/2008/0030 dated April 30, 2008, NSDL/POLICY/2007/0022 dated April 18, 2007, NSDL/POLICY/2006/0049 dated October 19, 2006 and 22 NSDL/POLICY/2006/0067 dated December 28, 2006 and NSDL/POLICY/2006/0049 dated October 19, 2006). **(7.2) NRI (Repatriable/Non-Repatriable) account (NSDL/PI/98/007 dated January 2, 1998):**

(i) While opening an account for an NRI Client, the Participant should obtain copy of the RBI approval letter, if any, for acquiring securities, along with the account opening form and other necessary documents.

(ii) The account should be opened in the name of the NRI in the DPM System under Repatriable category when securities are held on Repatriable basis and under non-Repatriable category when securities are held on non-Repatriable basis.

(iii) Participants are advised to capture the following details in the DPM System against the RBI reference number and date:

(a) If the NRI has at any time purchased securities from the secondary market, i.e., under Portfolio Investment Scheme, then the RBI reference number and date mentioned in the RBI approval letter should be entered.

(b) If the NRI has never purchased securities from the secondary market, but the securities have been allotted in the primary market, i. e., under Direct Investment Scheme, then the Participant should mention the following:

RBI Reference No. : “Under General Permission” RBI Approval Date Present date
(Subsequently, whenever the NRI gives dematerialization or receipt instructions in respect of purchase of securities from the secondary market, the RBI reference number and date should be entered therein)

(c) If the NRI does not hold any securities, then the Participant should mention the following :

RBI Reference No. : “No Holdings” RBI Approval Date: Present date
(Subsequently, whenever the NRI gives dematerialization or receipt instructions in respect of purchase of securities from the secondary market, the RBI reference number and date should be entered therein)

NRI Repatriable Account

- Bank account details can only be a NRE account. Obtain a letter from the bank confirming the NRE account.
- SI should be NO till RBI Permission is obtained under PIS scheme.
- Obtain a copy of RBI permission for purchase of shares from the secondary market.

NRI Non – Repatriable account

- Bank account can be NRO only. Obtain a letter from the bank confirming the NRO bank account no.
- SI should be NO till RBI permission is obtained under PIS scheme.
- Obtain a copy of RBI permission for purchase of shares from the secondary market.

Any person who held shares prior to becoming an NRI can get the shares dematerialized in NRI- Non Repatriable category only.

Illiterate persons

The officer of account opening section should read the contents of the agreement to the person, and thump impression (left thump in case of male and right thump in case of female) should be impressed on all documents.

All account opened by illiterate person should be introduced by existing a/c holder and thump impression should be attested by the banker.

At the time of capturing signature in the authorized signatory column remarks should be mentioned as “illiterate person”

While issuing DIS booklet every slip should be pre-stamped with “**Thump impression**”

The dp officer of Account opening/operation section should sign every document and dis slip with the remarks “**Details explained to the client(s)**”

All the details mentioned in 1.a should be followed

Nomination

- Only individual can be appointed as a Multiple Nominee (Maximum up to Three) by submitting the Nomination Form signed by all joint holders.
- Non-individuals including Society, Trust, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family and holder of the POA can neither nominate nor be appointed as a nominee.
- A minor, who is represented by guardian, can be appointed as a nominee.
- An NRI can be appointed as a nominee, subject to Exchange Control Regulations in force and also can appoint a nominee.
- One witness are required to sign the Nomination Form.

Power of Attorney

- A BO may issue a general or a specific purpose POA for operating the Demat account.
- A DP must ensure that the POA given by the BO shall cover all the points / clauses as mentioned in the format given by NDSL.
- The copy of POA retained by the DP.
- A record of POAs received should be maintained in a Register and the DP should allot a unique POA identification number.
- The DP shall ensure that all joint holders sign the POA.
- Signature of both a/c holder and POA should be captured in the DPM system.

- The Demat a/c can be operated by both account holder and POA holder.
- The DP capture and verify the POA in the DPM system in favor of Stock Broker and generate a POA ID and MAP the same to the client beneficiary a/c.

Change of signature

- The client visits personal and submit written request specifying the reason for change of signature.
- Client's banker should duly attest new signature.
- Client should produce identity proof as per SEBI guidelines.

Change of Bank Details

- Client can submit request for change of Bank Details.
- All holders should sign the letter.
- Client must carry under mentioned documents.

Proof of identity, Cancelled cheque or Bank statement not more than old three month.(Bank Pass Book).The officer of operation department should verify the signature and other document and after verification the document should be signed and stamped with "Verified with original"

SMS flag and / or mobile numbers

- The DP must obtain a written request from the client for change in mobile number and/or SMS flag.
- The written request must be signed by the all the holders in case of joint holdings whose mobile number and / or SMS flag is being changed.
- The DP have to obtained declaration from the client for same mobile number or related to the his / her family

Dematerlization / Mutual Fund

- DRF duly complete in all respects, along with the certificate of securities to be dematerialized should be submitted by the BO to the front desk.
- Before accepting the securities for dematerialization the officer at the front desk shall ensure that the securities submitted for dematerialization have been admitted in NSDL.
- In case the securities are not admitted in NSDL, the DP shall inform the same to BO and return the documents.
- The officer at the front desk shall ensure that all the holders have signed the DRF
- If the DRF is complete in all respect, the DP shall give an acknowledgement to the BO indicating the date of receipt on DP's as well as BO's copies.
- The officer of operation department shall deface the certificates by affixing a rubber stamp "Surrendered for Dematerialization" along with DP name, DPID and BOID
- The certificates should be mutilated by punching two holes at the top of the certificate.

- The DRF shall be authorized by the officer by putting his seal and signature on DRF.
- The officer shall forward the DRF along with the security certificate to the issuer or its registrar or transfer agent after electronically registering such request in the DPM system. Such DRF shall be within seven days from the day it is received from client.
- Details of Demat should be maintained in the dispatch register which should have details of date of receipt, client id and name, scrip and qty, date of dispatch, mode of dispatch etc. It should be maintained by the dispatch section and monitored by DP in-charge. We accept mutual fund for conversion of units represented by statement of account/reconversion of units in to statement of account and mutual fund redemption.

Transposition cum Demat

In case names on the certificates are matching with the names in the BO account but the order of the names on the certificates is not matching with the pattern of holding in the BO account, such certificates can be dematerialized by filling up DRF and Transposition Request Form annexure OA/OB

Rematerlisation

- The DP official shall ensure that RRF in duplicate, duly complete in all respects has been submitted by the BO
- The RRF details shall be captured in the DPM system and the RRN shall be generated.
- The DP should note down the RRN on the RRF and the same is to be sent to the Issuer/ RTA along with other documents within seven days of receipt of RRF.

Repurchase

In case the issuer repurchase units/shares that are available in Demat form in BO's account, then a Repurchase Request Form has to be submitted along with the RRF. The DP should ensure that the bank details are entered in the DPM system. If bank details are not entered, then the repurchase request may get rejected.

DIS booklet Issuance

At the time of account opening first set of DIS booklet will be sent to client along with account opening kit, there after client has to submit requisition slip for reissue of DIS booklet.

All instruction slips of DIS booklet should be pre stamped with serial no and client id.

Incase request for DIS booklet comes from any dormant a/c the same should be put into notice of higher official and crosschecked with the client.

Details of book issued, series no, type of book etc. are maintained in book issue register.

Details of book in stock are shown in stock register.

DIS booklet re-issues

Re-issuance of DIS booklet to client on basis requisition slips should be only after client has used not less than 75% of booklet from the previous booklet.

Re-issuance of DIS booklet should be strictly according to requisition slips only, and officer of DP dept. should verify the signature and put his sign and name on it along with serial no of new booklet issued. In case client reports that requisition slip lost/misplaced or stolen than client should submit written request should be signed by all holder for reissue of DIS booklet.

Client should personally visit our office with requisition slip for re-issuance of DIS booklet, in case client is represented by authorized person then he should carry his identity proof.

In case requisition slip is received through post/courier then after verification of signature DIS booklet should be sent through courier or reg. post only.

Execution of DIS

Every instruction slip accepted from client after proper date and time stamping if late stamping, officer of the DP dept. at the front desk should punch the slip into the system which will show signature and debit balance. If debit balance is there it should be intimated to client and collected from the client, if signature differ the same should be brought into the attention of officer of DP dept. and to the client. After punching the slip should be forwarded to the officer of operation dept.

Officer of DP dept. should punch instruction slip received from front desk into the system. Officer should check the signature (second stage of signature verification) and punch the details as per the instruction in to the back office system, if while punching look for the value of transaction also if it is more than 5 lac and dormant account it should be put to the attention of senior officer dealing with transaction of more than 5 lacs and dormant a/c.

As DP are using maker checker process officer with release right can only verifying and release the slip. If any transactions value is of more than 5 lac than it must be verified /released by one of the senior official. After verification/ release batch file should be generated and the same should be imported in the DPM system. After import out file generated by the DPM system should be imported into the back office system.

Collection of Stamp Duty w.e.f. 1st July 2020

NSDL circular no. NSDL/POLICY/2019/0086 dated December 12, 2019 on Government of India notification regarding the Indian Stamp (Collection of Stamp-Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 and NSDL Circular no. NSDL/POLICY/2019/0089 dated December 18, 2019 on capturing consideration amount in case of Pledge Invocation.

If consideration is involved in the off-market transfer, in the 'Consideration' field of the Delivery

- Instruction Slip, the client can specify 'As per Annexure' and it will be necessary to fill up the Annexure to DIS as prescribed format.
- For consideration for the reason 'sale', the payment details will be required to be filled-up and for reasons other than 'sale', in the space for payment details, not applicable may be mentioned.
- If the consideration is paid in part or in instalments, full consideration amount should be mentioned in the Annexure to DIS & stamp-duty shall be remitted on the entire consideration.

- If consideration is not involved in the off market transfer, then client(s) can specify “without consideration” in the “Consideration” field of Delivery Instruction Slip (DIS). In case of reason code ‘sale’ and ‘Commercial Paper Issuance’, it will be necessary to provide the consideration details.

At the time of capture DP punched all details as per slip and Annexure (OFF-MARKET SALE Consideration Payment details like consideration amount, payment date, mode of payment, buyers Name(s), Bank a/c No. and Bank Name, Transaction reference no./Instrument No. etc...and Stamp Duty paid by Client or DP.

If stamp duty not paid by Client/DP instruction will be overdue due the stamp duty and Instructions will reject at EOD.

Margin Pledge/ Re-pledge

As per aforesaid SEBI Circulars, with effect from August 1, 2020, TM / CM shall, accept collateral from clients in the form of securities, only by way of ‘margin pledge’, created in the Depository system

- Client can initiate a margin pledge in favour of ‘TM – Client Securities Margin Pledge Account’ or ‘TM/CM – Client Securities Margin Pledge Account’ by submitting a physical Margin Pledge Form to its Participant or electronic instructions through SPEED-e. and by the way of POA. Client has given a POA to a TM which is registered in the Demat account of the client, such instructions may be given by the TM on behalf of the client
- Such instructions should have details of client UCC, TM, CM and Default Segment.

After capture/release transactions by DP, a link to ‘Confirm Margin Pledge Transactions’ would be generated and sent by NSDL through SMS on registered mobile number and registered e-mail id in the Demat account of a client. On clicking the said link, client will be redirected to a web page where client will be authenticated with “PAN” (not applicable in case of PAN exempt clients), After authentication, One Time Password (OTP) will be sent on the registered mobile number and registered e-mail id of the client and client will be displayed the details of outstanding margin pledges for the specific TM. On OTP authentication, margin pledge transaction would be processed further.

DP ensure that the client is registered for SMS alert facility and has a valid and active email ID registered in the Demat account. Margin Pledge Transactions cannot be processed without OTP. If Client not provide OTP that Transaction will be rejected at the time of EOD.

Client Billing

Whenever a new account details is imported from NSDL DPM system into the back office system charges as per the agreement signed under the option “scheme”.

No scheme should be changed without intimating the client with a notice period of 30 days and the same should be approved by the higher official.

If any client wants to change any existing scheme he should intimate officer in writing.

If there is any transmission and or shifting of account cum closure, then no transaction charges should be taken from the claimant client.

If there is any closure of account where the client has maintained security deposit with us them after closing the account as per NSDL guideline the security deposit should be refunded to client within 15 days after deducted any due.

If there is any compliant then the same should be registered in compliant register, and it should be brought to the notice of DP in charge or higher official.

All billing, transaction, holding etc should be send to the address of the client, which is mentioned in the DPM system.

Scanning of DIS

- The DP shall scan every DIS executed during the day along with all the Annexures/ Computer printouts, if any, by the end of the next working day in the manner specified by the depository.
- The Depositories shall insure that their DPs have adequate infrastructure, systems and processes to implement scanning, storage and transfer of the scanned DIS in the manner specified by the depositories.
- The depositories shall ensure that the systems set up by the DPs maintain proper records of all the DIS images including audit trails for changes made, if any and put in place adequate checks and procedures to prevent unauthorized changes in scanned DIS.
- Depositories can utilize the archived scanned images for off-site inspection.
- Provisions of the circular is not be applicable for the instructions received from the clients by the DPs in electronically in a manner approved by the Depository.
- The provisions of this circular come into effect 01/10/2014.

Daily Backup

Backup should be taken on daily basis on two set (odd and even) - (transaction and database) one for local and the other for remote.

Backup should be taken on holiday also if NSDL server is up.

After backup details of the same should be recorded on backup register also with name and signature of the person who has taken backup.

Database Re-org.

As per schedule, every week the database should be reorganized .it should be done through re-org option of GISMO.

Internal audit & concurrent audit

On half yearly basis internal audit report should be prepared by the internal auditor and it should be submitted with in one and half month from every half yearly. Internal audit should cover all area of DP operation. It should have special remark regarding in- person verification.

Concurrent audit should be done by the internal auditor on daily/weekly basis. Concurrent audit should cover new a/c opened, instruction slip issued, loose instruction slip, register, instruction slip received, time and date stamp, blocking of used/lost/stolen or directly punched slip into DPM system, two step verification of transaction with more 5 lack value, instruction from dormant account etc.

Internal auditor should make sure that all these details are checked 100%

Half yearly compliance certificate

Half yearly compliance certificate should be submitted at e-pass portal of NSDL duly digitally signed by the compliance officer in the NSDL prescribed format

- January to June before 31st July
- July to December before 31st January

Investor grievance register

Investor grievance register should be maintained with the front desk (reception) whenever client has any complaint regarding his account the same should be recorded in the register. Front desk should forward the register to higher official whenever any complaint is received. Higher official should do the needful to resolve the complaint and put his remark on the register. Investor grievance report sent to NSDL every month.

Register should have name of date, named of client, account no, complaint, action taken, if the matter is referred to arbitration it should be maintained.

The Client can also raise his/ her complaint in electronic form to the designated email id i.e. investorgrievance@adroitfinancial.com.

Separate Mobile Number and Email Address for each client

All Participants are hereby informed that SEBI vide its email dated January 16, 2015 addressed to the depositories, has advised Participants to ensure that separate mobile number and Email address are uploaded for each client. However, under exceptional circumstances, the DP may, at the specific written request of a client, upload the same mobile and Email address for more than one client provided that such client belong to one family. "Family" for this purpose has been defined as self, spouse, dependent children and dependent parents.

Operationalization of Central KYC Records Registry (CKYCR)

SEBI has issued SEBI circular dated 21-July-2016 where the KYC forms have been revised. Further, additional requirements for uploading data to CERSAI over and above the KRA has been directed.

CIRCULAR

CIR/MIRSD/ 66 /2016

July 21, 2016

- 1. All Recognized Stock Exchanges**
- 2. Stock Brokers through Recognized Stock Exchanges**
- 3. All recognized Depositories**
- 4. Depository Participants through Depositories**
- 5. Association of Mutual Funds in India**
- 6. Mutual funds through AMFI**
- 7. Portfolio Managers**
- 8. KYC Registration Agencies (KRAs)**
- 9. Alternative Investment Funds (AIFs)**
- 10. Collective Investment Schemes (CIS)**

11. Custodians
12. Investment Advisors

Dear Sir/Madam,

Sub: Operationalization of Central KYC Records Registry (CKYCR)

1. Please refer to SEBI circulars no. CIR/MIRSD/16/2011 dated August 22, 2011, MIRSD/SE/Cir-21/2011 dated October 5, 2011 and CIR/MIRSD/13/2013 dated December 26, 2013 on uniform Know Your Client („KYC“) norms, prescribing a standard account opening form (AOF). AOF has been divided in 2 parts - Part I contains the basic KYC details of the investor used by all SEBI registered intermediaries.
2. Government of India has authorized the Central Registry of Securitization and Asset Reconstruction and Security interest of India (CERSAI), set up under sub-section (1) of Section 20 of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, to act as, and to perform the functions of, the Central KYC Records Registry under the PML Rules 2005, including receiving, storing, safeguarding and retrieving the KYC records in digital form of a “client”, as defined in clause (ha) sub-section (1) of Section 2 of the Prevention of Money Laundering Act, 2002 (Copy of the Gazette notification No.S.O. 3183(E) dated November 26, 2015.
3. As per the 2015 amendment to PML (Maintenance of Records) Rules, 2005 (the rules), every reporting entity shall capture the KYC information for sharing with the Central KYC Records Registry in the manner mentioned in the Rules, as per the KYC template for „individuals“ finalised by CERSAI.

4. Accordingly, the KYC template finalised by CERSAI shall be used by the registered intermediaries as Part I of AOF for individuals. The KYC template for “individuals” and the “Central KYC Registry Operating Guidelines 2016” for uploading KYC records on CKYCR finalised by CERSAI are enclosed herewith as Annexure 2 and Annexure 3 for your reference and necessary action. In this regard, it is clarified that the requirement for Permanent Account Number (PAN) would continue to be mandatory for completing the KYC process.
5. The “live run” of the CKYCR has started with effect from July 15, 2016 in a phased manner beginning with new „individual accounts“. Further, „Test Environment“ has also been made available by CERSAI for the use of the reporting entities.
6. In the first phase, the registered intermediaries shall upload the KYC data with CKYCR, in respect of all individual accounts opened on or after August 1, 2016, wherever KYC is required to be carried out as per the circulars issued by SEBI from time to time and accordingly, shall take steps to prepare their systems for uploading the KYC data.
7. For addressing any difficulty in uploading KYC records to CKYCR, CERSAI has operationalized a help desk. Contact details of the CKYCR Helpdesk:

Phone: 022-61102592 (10 lines)

Email: helpdesk@ckycindia.in

The helpdesk support will be available Monday to Saturday from 8.00 am to 8.00 pm.

8. This circular is issued in exercise of the 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.

Simplification of Online process of on-boarding password based users on SPEED-e facility.

Attention of all Participants is invited to Circular No. NSDL/ POLICY/2020/0044 dated April 7, 2020 regarding online process of on-boarding Password based Users on SPEED-e facility. In this regard, Participants are requested to take note of the following:

- A. Online process of on-boarding password based users on SPEED-e facility is further simplified for individual clients to register for SPEED-e facility based on OTP authentication. The revised process to be followed is given below:
 1. Client will visit NSDL e-Services website <https://eservices.nsdl.com>
 2. Client will complete online Registration Request. The same can be accessed from ‘New user registration’ tab under ‘SPEED-e’ option where Client has to click on REGISTER link which is highlighted in purple color under ‘A) Clients:-> Password Users’.
 3. Client has to add CM BP ID(s) of its broker(s) under Pre-notified Account. [No need to add dummy CM BP ID as mentioned in aforesaid circular dated April 7, 2020]
 4. One Time Password (OTP) will be generated and sent to Client on mobile number and email ID registered in his/her Demat account provided mobile number and email ID are registered in Demat account. In case of NRI and FN clients, OTP will be sent to registered email ID only.

5. Upon successful validation of OTP, registration request will be sent to Participant for authorization and request for addition of pre-notified account(s) will be sent to Clearing Member(s) for authorization, if Clearing Member(s) is registered for the SPEED-e facility.
6. Participants should login to SPEED-e facility at regular interval to check the details of registration done by its clients for password based access of SPEED-e facility. Participants may authorize SPEED-e registration request generated by its clients for password based access based on electronic request received from SPEED-e.
7. Participant should inform Client at his/her registered email ID mentioned in demat account post activation of SPEED-e registration.
8. Clearing Member whose CM BP ID is added by Client has to authorize the request for addition of pre-notified account through SPEED-e facility.
9. Client will be able to access SPEED-e facility after successful authorization by its Participant and will be able to submit delivery instructions upon successful authorization of addition of pre-notified account by its Clearing Member.

As per aforesaid process, Clients will not be required to submit any physical documents viz., SPEED-e Application Form and consent letter from Clearing Members (CMs) to their Participants. Client will also not required to send soft copy of SPEED-e registration form as mentioned vide aforesaid Circular dated April 7, 2020. However, if the CM which has been added as pre-notified account by client has not subscribed for SPEED-e facility, then client has to submit the consent letter from CM to its Participant for authorization as per existing process. C. In case joint Demat accounts, Client has to submit physical SPEED-e registration request along with applicable documents as per existing SPEED-e registration process.

Know Your Client (KYC) Process and Use of Technology for KYC

CIRCULAR

SEBI/HO/MIRSD/DOP/CIR/P/2020/73

April 24, 2020

To,

All Recognized Stock Exchanges

All Recognized Depositories Stock Brokers through Recognized Stock Exchanges

Depository Participants through Depositories

Association of Mutual Funds in India

All Mutual funds and AMCs through AMFI

Portfolio Managers

KYC Registration Agencies (KRAs)

Qualified Registrar to an Issue and Share Transfer Agents (QRTAs)

Alternative Investment Funds (AIFs)

Collective Investment Schemes (CIS)

Custodians Investment Advisors

Madam/Sir,

Subject: Clarification on Know Your Client (KYC) Process and Use of Technology for KYC

1. Know Your Customer (KYC) and Customer Due Diligence (CDD) policies as part of KYC are the foundation of an effective Anti-Money Laundering process. The KYC process requires every SEBI registered intermediary (hereinafter referred to as ‘RI’) to collect and verify the Proof of Identity (PoI) and Proof of Address (PoA) from the investor.
2. The provisions as laid down under the Prevention of Money-Laundering Act, 2002, Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, SEBI Master Circular on Anti Money Laundering (AML) dated October 15, 2019 and relevant KYC / AML circulars issued from time to time shall continue to remain applicable. Further, the SEBI registered intermediary shall continue to ensure to obtain the express consent of the investor before undertaking online KYC.
3. SEBI, from time to time has issued various circulars to simplify, harmonize the process of KYC by investors / RI. Constant technology evolution has taken place in the market and innovative platforms are being created to allow investors to complete KYC process online. SEBI held discussions with various market participants and based on their feedback and with a view to allow ease of doing business in the securities market, it has been decided to make use of following technological innovations which can facilitate online KYC:

a. e-Sign service is an online electronic signature service that can facilitate an Aadhaar holder to forward the document after digitally signing the same provided the e-Sign signature framework is operated under the provisions of Second schedule of the Information Technology Act and guidelines issued by the controller.

b. In terms of PML Rule 2 (1) (cb) “equivalent e-document” means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature, including documents issued to the Digital Locker account of the investor as per Rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

c. Section 5 of the Information Technology Act, 2000 recognizes electronic signatures (which includes digital signature) and states that where any law provides that information or any other matter shall be authenticated by affixing the signature or any document shall be signed or bear the signature of any person then such requirement shall be deemed to have been satisfied, if such information or matter is authenticated by means of a digital signature affixed in such manner as prescribed by the Central Government. Therefore, the eSign mechanism of Aadhaar shall be accepted in lieu of wet signature on the documents provided by the investor. Even the cropped signature affixed on the online KYC form under eSign shall also be accepted as valid signature.

4. In order to enable the Online KYC process for establishing account based relationship with the RI, Investor’s KYC can be completed through online / App based KYC, in-person verification through video, online submission of Officially Valid Document (OVD) / other documents under eSign, in the following manner:

- i. The investor visits the website/App/digital platform of the RI and fills up the online KYC form and submits requisite documents online.

ii. The name, photograph, address, mobile number, email ID, Bank details of the investor shall be captured online and OVD / PAN / signed cancelled cheque shall be provided as a photo / scan of the original under eSign and the same shall be verified as under:

- a. Mobile and email is verified through One Time Password (OTP) or other verifiable mechanism. The mobile number/s of investor accepted as part of KYC should preferably be the one seeded with Aadhaar. (the RI shall ensure to meet the requirements of the mobile number and email as detailed under SEBI circular no. CIR/MIRSD/15/2011 dated August 02, 2011)
- b. Aadhaar is verified through UIDAI's authentication / verification mechanism. Further, in terms of PML Rule 9 (16), every RI shall, where the investor submits his Aadhaar number, ensure that such investor to redact or blackout his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required under sub-rule (15). RI shall not store/ save the Aadhaar number of investor in their system. e-KYC through Aadhaar Authentication service of UIDAI or offline verification through Aadhaar QR Code/ XML file can be undertaken, provided the XML file or Aadhaar Secure QR Code generation date is not older than 3 days from the date of carrying out KYC. In terms of SEBI circular No. CIR/MIRSD/29/2016 dated January 22, 2016 the usage of Aadhaar is optional and purely on a voluntary basis by the investor.
- c. PAN is verified online using the Income Tax Database.
- d. Bank account details are verified by Penny Drop mechanism or any other mechanism using API of the Bank. (Explanation: based on bank details in the copy of the cancelled cheque provided by the investor, the money is deposited into the bank account of the investors to fetch the bank account details and name.) The name and bank details as obtained shall be verified with the information provided by investor.
- e. Any OVD other than Aadhaar shall be submitted through DigiLocker / under eSign mechanism. iii. In terms of Rule 2 (d) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules) "Officially Valid Documents" means the following:
 - a. the passport,
 - b. the driving licence,
 - c. proof of possession of Aadhaar number,
 - d. the Voter's Identity Card issued by Election Commission of India,
 - e. job card issued by NREGA duly signed by an officer of the State Government and
 - f. the letter issued by the National Population Register containing details of name, address, or any other document as notified by the Central Government in consultation with the Regulator.

iii. Further, Rule 9(18) of PML Rules states that in case OVD furnished by the investor does not contain updated address, the document as prescribed therein in the above stated Rule shall be deemed to be the OVD for the limited purpose of proof of address.

v. PML Rules allows an investor to submit other OVD instead of PAN, however, in terms of SEBI circular No. MRD/DoP/Cir- 05/2007 dated April 27, 2007 the requirement of mandatory submission of PAN by the investors for transaction in the securities market shall continue to apply.

vi. Once all the information as required as per the online KYC form is filled up by the investor, KYC process could be completed as under:

- a. The investor would take a print out of the completed KYC form and after affixing their wet signature, send the scanned copy / photograph of the same to the RI under eSign, or
- b. Affix online the cropped signature on the filled KYC form and submit the same to the RI under eSign.

vii. The RI shall forward the KYC completion intimation letter through registered post/ speed post or courier, to the address of the investor in cases where the investor has given address other than as given in the OVD. In such cases of return of the intimation letter for wrong / incorrect address, addressee not available etc, no transactions shall be allowed in such account and intimation shall also sent to the Stock Exchange and Depository.

viii. The original seen and verified requirement under SEBI circular no. MIRSD/SE/Cir-21/2011 dated October, 5 2011 for OVD would be met where the investor provides the OVD in the following manner:

- i. As a clear photograph or scanned copy of the original OVD, through the eSign mechanism, or;
- ii. As digitally signed document of the OVD, issued to the DigiLocker by the issuing authority.

ix. SEBI vide circular no. MIRSD/Cir- 26 /2011 dated December 23, 2011 had harmonized the IPV requirements for the intermediaries. In order to ease the IPV process for KYC, the said SEBI circular pertaining to IPV stands modified as under:

- i. IPV/ VIPV would not be required when the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI.
- ii. IPV / VIPV shall not be required by the RI when the KYC form has been submitted online, documents have been provided through digiocker or any other source which could be verified online.

5. Features for online KYC App of the RI - SEBI registered intermediary may implement their own Application (App) for undertaking online KYC of investors. The App shall facilitate taking photograph, scanning, acceptance of OVD through Digilocker, video capturing in live environment, usage of the App only by authorized person of the RI. The App shall also have features of random action initiation for investor response to establish that the interactions not pre-recorded, time stamping, geo-location tagging to ensure physical location in India etc is also implemented. RI shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. RI shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations. The RI shall before rolling out and periodically, carry out software and security audit and validation of their App. The RI may have additional safety and security features other than as prescribed above.

6. Feature for Video in Person Verification (VIPV) for Individuals – To enable ease of completing IPV of an investor, intermediary may undertake the VIPV of an individual investor through their App. The following process shall be adopted in this regard:

- i. Intermediary through their authorised official, specifically trained for this purpose, may undertake live VIPV of an individual customer, after obtaining his/her informed consent.

- The activity log along with the credentials of the person performing the VIPV shall be stored for easy retrieval.
- ii. The VIPV shall be in a live environment.
 - iii. The VIPV shall be clear and still, the investor in the video shall be easily recognisable and shall not be covering their face in any manner.
 - iv. The VIPV process shall include random question and response from the investor including displaying the OVD, KYC form and signature or could also be confirmed by an OTP.
 - v. The RI shall ensure that photograph of the customer downloaded through the Aadhaar authentication / verification process matches with the investor in the VIPV.
 - vi. The VIPV shall be digitally saved in a safe, secure and tamper-proof, easily retrievable manner and shall bear date and time stamping.
 - vii. The RI may have additional safety and security features other than as prescribed above.

7. The Stock Exchanges and Depositories are directed to:

- a. bring the provisions of this circular to the notice of the Stock Brokers, Depository Participants and also disseminate the same on their websites.
- b. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision in co-ordination with one another to achieve uniformity in approach.
- c. communicate to SEBI, the status of the implementation of the provisions of this circular Monthly Development Report of the following month; and
- d. monitor the compliance of this circular.

8. This circular is 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 markets.

9. This circular is available on SEBI website at www.sebi.gov.in.

Mandatory updation of certain attributes of KYC of clients

All Participants are advised to note that 6-KYC attributes shall be made mandatory for all the categories of clients and the same has been decided in consultation with all MIIs and SEBI.

Participants are advised to take note of the details of 6-KYC attributes shall be made mandatory as mentioned below:

- a. Name
- b. Address
- c. PAN
- d. Valid mobile number
- e. Valid email-id
- f. Income range

Thereafter, such non-compliant Demat accounts will be liable to be made inactive i.e., no debit will be allowed in such Demat account (except for settlement of already open positions).

Operational guidelines in respect of OTP for off market transfers

As per SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/158 dated August 27, 2020 (NSDL Circular No. NSDL/POLICY/2020/0118 dated August 28, 2020, Depositories are required to obtain client's consent through One Time Password (OTP) for all off market transfer of securities from client's demat account, with effect from November 1, 2020.

In this context, all Participants are hereby requested to take note of the following operational guidelines for necessary implementation of the aforesaid SEBI circular:

1. For off-market transfers with execution date of November 1, 2020 onwards, the off Market transfer instructions will be processed after taking consent from the transferor client by way of OTP confirmation.
2. On the execution date of off market transfer instruction, a link would be generated and sent by NSDL on mobile number and e-mail id as registered in the demat account of the client.
3. On clicking the said link, client will be redirected to a web page where after authentication, client will be displayed the details of off-market transfer instructions for the specific demat account which are pending for his confirmation. On OTP confirmation, Off Market Transfer instruction(s) as selected by the client will be processed, subject to payment of stamp duty, as applicable.
4. As the off-market transfer instructions have to be confirmed by the client using OTP, Participants may guide their clients to ensure that the mobile number and / or email ID is registered in the demat account of the clients.
5. Transactions pending for OTP confirmation will be reflected in the new status "Pending for OTP Confirmation" and in case OTP confirmation is not completed till EOD of the execution date (from November 1, 2020 onwards), transactions lying in the aforesaid status will be rejected.
6. A new Status (Pending for OTP confirmation – 21) will be added in Changed Orders for the Day (COD) which can be used by Participants' to update their Back Office (BO).

Block Mechanism in demat account of clients undertaking sale transactions

CIRCULAR

SEBI/HO/MIRSD/DOP/P/CIR/2021/595

July 16, 2021

To,
All Depositories
All recognized Stock Exchanges and Clearing Corporations

Madam / Sir,

Sub: Block Mechanism in demat account of clients undertaking sale transactions

1. SEBI, vide circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated September 15, 2020, issued clarification w.r.t. collection and reporting of margins by Trading Member (TM) / Clearing Member (CM) in Cash Segment. It was inter alia clarified that if Early Pay-In (EPI) of securities has been made to the

Clearing Corporation (CC), then all margins would be deemed to have been collected and penalty for short /non-collection of margin including other margins shall not arise.

2. SEBI has received representations from the clients undertaking sale transactions, wherein the clients give Early Pay-In (EPI) for sale trades which are yet to be executed. If the sale trade is executed, then the securities get adjusted against EPI, however, if securities remain unsold, then the securities are required to be returned back to client's demat account, which take time and involve cost.

3. SEBI had extensive consultations with Depositories, Clearing Corporations and Stock Exchanges to provide a mechanism of block in the demat account of clients undertaking sale transactions. When the client intends to make a sale transaction, shares will be blocked in the demat account of the client in favour of Clearing Corporation. If sale transaction is not executed, shares shall continue to remain in the client's demat account and will be unblocked at the end of the T day. Thus, this mechanism will do away with the movement of shares from client's demat account for early pay-in and back to client's demat account if trade is not executed.

4. Process flow for Block Mechanism:

4.1. The securities lying in client's demat account will be blocked either by client himself using depository's online system or e-DIS mandate or through depository participant based on physical DIS given by client or Power of Attorney (POA) holder.

4.2. Depositories may keep block on the securities in client's demat account in respect of Intra or Inter depository transfer instruction till pay-in day. The blocked securities will be transferred only after checking against the client level net delivery obligation received from CCs.

4.3. Depositories will provide the details of transfer instructions viz., UCC, TM ID, Exchange ID etc. to CCs for clients to avail EPI benefit.

4.4. CC will match the client level net obligations with the Block details provided by depositories and CC will provide EPI benefit to client if the client level net obligation exists for that client.

Matched Orders

4.5. In case of matched orders, block securities will be debited from Client's demat account and will be credited to linked TM Pool account upto pay-in day. TM shall further transfer such securities to CM Pool account.

4.6. TM shall not transfer the securities to any other pool account other than CM pool account mapped to the TM account. Pool to Pool transfers except TM pool to CM pool shall not be permitted.

4.7. Inter-settlement shall not be allowed from TM Pool account and CM pool account.

4.8. Securities lying in CM pool account will be delivered in settlement process on the Pay-in date. If TM Pool Account is also mapped as a CM Pool Account, then, securities lying in such TM/CM Pool Account can also be delivered in the settlement process.

Unblocking of securities

4.9. After receiving client level net obligations on T day from CCs, depositories will match the Intra or Inter depository transfer instruction details with CC obligation details based on UCC, TM ID, CM ID, Exchange ID, etc.

4.10. In case of unmatched orders, CCs shall upload cancellation of Block instruction on T day so that securities are unblocked and become free in client's demat account on T day itself.

4.11. Broker or client shall not be allowed to unblock securities if EPI benefit is provided by CC to client for the same.

Margining of Trades:

4.12. When the client intends to block securities for a sale transaction, shares will remain blocked in favour of CC. If securities are blocked in favour of CC, then all Margin would deemed to have been collected and penalty for short/noncollection of margin including other margins shall not arise.

4.13. Blocking shall be on 'time basis' and would mean if the order is not executed by the end of the T day, the block shall be released.

5. The proposed facility of block mechanism is on optional basis and Early Pay-in mechanism shall also continue.

6. Depositories are advised to make the facility of block mechanism available to the clients by August 01, 2021 and inform their participants of the step by step guide for block mechanism. Depositories and CCs shall put in place an appropriate system by participants / members to make available the Block Mechanism for clients in the securities market.

7. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, and Section 19 of the Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully

Narendra Rawat

General Manager

Market Intermediaries Regulation and Supervision Department

Nomination for Eligible Trading and Demat Accounts

CIRCULAR

SEBI/HO/MIRSD/RTAMB/CIR/P/2021/601

July 23, 2021

To

All Recognized Stock Exchanges

All Recognized Depositories

Stock Brokers (Trading Members) through Recognized Stock Exchanges

Depository Participants through Depositories

Sir / Madam,

Nomination for Eligible Trading and Demat Accounts

1. Section 73 of Companies Act, 2013 provides for nomination by a holder of securities.

2. Investors opening new trading and or demat account(s) on or after October 01, 2021, shall have the choice of providing nomination or opting out nomination, as follows;

- a. The format for nomination form is given in Annexure - A to this circular
- b. Opt out of nomination through 'Declaration Form', as provided in Annexure - B to this circular

These forms at Annexure – A or B, would also be applicable for any subsequent change / withdrawal of nomination.

3. In this regard, Trading Members and Depository Participants (hereinafter, intermediaries), shall activate new Trading and Demat accounts from October 01, 2021, only upon receipt of above formats.

4. The nomination and Declaration form shall be signed under wet signature of the account holder(s) and witness shall not be required. However, if the account holder(s) affixes thumb impression (instead of wet signature), then witness signature shall be required in the forms.

5. The on-line nomination and Declaration form may also be signed using e-Sign facility and in that case witness will not be required.

6. Intermediaries shall ensure that adequate systems are in place including for providing for e-Sign facility and also take all necessary steps to maintain confidentiality and safety of client records.

7. Further, all existing eligible trading and demat account holders shall provide choice of nomination as per the option given in paragraph 2 above, on or before March 31, 2022, failing which the trading accounts shall be frozen for trading and demat account shall be frozen for debits.

8. The Stock Exchanges, Depositories and intermediaries are directed to:

- a. take necessary steps to implement the provisions of this circular, including making necessary amendment to the relevant bye-laws / business rules / regulations / operational instructions, as the case may be
- b. bring the provisions of this circular to the notice of their respective constituents and also disseminate this circular on their websites
- c. communicate to SEBI, the status of the implementation of the provisions of this circular in Monthly Development Report of the following month; and
- d. monitor the compliance of this circular

9. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of SEBI (Stock Broker) Regulations, 1992 and SEBI (Depositories and Participants) Regulations, 2018, to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

10. This circular is available on SEBI website at www.sebi.gov.in.

Operational guidelines w.r.t. Mode of Operation in joint demat accounts

In this regard, all Participants are hereby requested to take note of the following operational guidelines for necessary implementation of amendment to Bye Laws and Business Rules w.r.t. mode of operation in joint demat accounts.

1. All the demat account holders having joint accounts may opt for any one of the following modes of operation of the account by submitting a specific instruction at the time of demat account opening or at a later date duly signed by all the demat account holders:

- i) Jointly;
- ii) Anyone of the holders or survivor(s).
Here the survivor(s) means the surviving holder(s) of the joint demat account.

2. The mode of operation mentioned in Point No. 1 above may be used only for the following transactions:

- i) Transfer of securities including Inter-Depository Transfer.
- ii) Pledge/ Hypothecation / margin pledge / margin re-pledge (Creation, Closure and Invocation and confirmation thereof, as applicable).
- iii) Freeze/ unfreeze account and/ or the ISIN and / or specific number of securities. However, for all other transactions at joint demat account level, the mode of operation shall be as specified at point 1 (i)

3. All existing joint demat account holders may also opt for one of the modes of operation mentioned at Point No. 1.

4. Where the demat account holders have opted for operation by any one holder or survivor(s), the instructions above should be duly signed by any one of the holders or survivor(s) of the joint demat account.

5. With regard to all transactions undertaken in the demat account mentioned in point no. 2, signature of one of the demat account holders as per the mandate of operation given by the joint account holders shall discharge the Participant in full vis-a-vis all demat account holders.

6. Each demat account holder in the demat account is jointly and severally liable towards the Participant for all the commitments entered into by himself/ herself or by any other Client account holder or authorised representative (within the limits of the power).

7. Any demat account holder may opt out from the facility as mentioned at point no 1 by giving signed written request to the Participant and upon receipt of such a request by Participant, the Participant shall change the mode of operation to 'jointly'.

- 7. In case of a joint demat account, all communications shall be sent to the first holder and shall be deemed to have been duly sent to all demat account holders. Participant shall be given an option to all joint account holders that communication will be sent to all joint account holders in electronic mode, if desired by account holders.

KYC Validation by KRA

As per the SEBI circular dated April 6, 2022, the validation of attributes viz., Aadhaar details, PAN, Email and Mobile for all KYC records where Aadhaar record is submitted as a Proof of Address/OVD is required to be done by KRAs. Validation of records is applicable for new as well as existing records. This Circular explains the process flow for the same and system changes as may be applicable. Flow for Validation of PAN, email ID, mobile number and KYC details

- I. SRI shall perform KYC as per the current compliant process and upload the KYC record to KRA.
- II. Email ID and Mobile Number fields shall be mandatory for KRA KYC. This is applicable for all KYC records irrespective of the use of Aadhaar or NonAadhaar OVD or Physical / Digital KYC mode or new KYC or modification.
- III. 'Transgender' is being added to the existing Gender Master
- IV. Additionally, in the case of Digilocker / Offline Aadhaar KYC, SRI needs to upload the digitally signed Digilocker XML/Aadhaar XML/PDF to KRA.
- V. Specific consent needs to be taken from investors for sharing the Aadhaar data and documents with KRA for validation purposes. This consent also needs to be declared on KYC Application Form. The shared documents and data shall be used by KRA to validate the KYC information.

- a. For scan copy of the Aadhaar Card provided as an OVD, the Intermediary shall ensure that the QR code present in the document is readable to extract the data. If the QR code is not readable, then the KYC shall be placed as "Hold" with the relevant remarks.

- b. Following Naming convention to be followed by Intermediary while sharing KYC documents:

VI. KRAs shall send separate OTPs to the investor's Email ID (email) and Mobile number (SMS) to validate the same.

Investor needs to validate their email id and mobile number by entering the OTP received from KRA by clicking on the link provided in the email and the SMS.

If OTP is not entered by the investor for validation of email ID and mobile number for KYC record uploaded to KRAs (both New and Modification), the mobile number and email ID shall be validated by KRAs based on delivery status of SMS or email as intimated vide SEBI approved FAQs published by KRAs in June 2022.

VII. In the case of digital KYC modes (mode 1-5), PDF of KYC documents should be digitally signed by the investor. For any modification of existing KYC records, supporting documents with a verifiable E-sign is mandatory.

VIII. All modification request needs to be supported with a verifiable eSigned/Physically signed application form and other supporting documents (POI/POA). However, if modification request is being raised only for fields listed below, only KYC application form with verifiable e-Sign/Physical sign is required. Other supporting documents (POI/POA) are not required.

IX.OTP based validation of Email and Mobile is optional for KYC processed with Non-Aadhaar OVD, however data submission of valid email and mobile is mandatory

X. KYC Inquiry (IOP1) shall be having an additional tag 'Proof of Id' (both Original and Modified), to indicate whether the OVD of the KYC is Aadhaar/Non-Aadhaar OVD based.

XI. A new status ("07") shall be added to the existing status codes of KYC. This status indicates the OVD of the KYC is Aadhaar and validated successfully. The list of common status codes across all KRA KYC.

XII.Existing KYC verified status ("02") shall continue to exist in the system

XIII. Other tags for download/response to intermediaries from KRAs would continue to be the same as what is prevalent as on date

XIV. For existing KYCs and KYCs raised with OVD as Non-Aadhaar, there is no change in the existing process of validation.

XV. The effective date of implementation of the new KYC process shall be from 1st November 2022 or such other date as may be communicated by SEBI.

Linking of PAN with Aadhaar

Attention of Participants is invited to NSDL Circular No. NSDL/POLICY/2021/0036 dated April 07, 2021 regarding Mandatory updation of certain attributes of KYC of clients wherein at point no 2 (C) it was mentioned that "In case PAN is not seeded with AADHAAR before the date specified by the Government, it will not be considered as a valid PAN". SEBI has issued a Press Release No. 27/2021 dated September 3, 2021 regarding Linking of PAN with Aadhaar (copy enclosed). Extract of the press release is as under:

1. As per Central Board of Direct Taxes (CBDT) notification G.S.R 112(E) dated February 13, 2020, the Permanent Account Number (PAN) of a person allotted as on July 01, 2017 shall become inoperative if it is not linked with Aadhaar by September 30, 2021 or any other date specified by CBDT.
2. Since, PAN is sole identification number for all transactions in the Securities Market, in view of the said CBDT notification, all SEBI registered entities including Market Infrastructure Institutions (MIIs) should ensure compliance of said notification and accept only operative PAN (i.e., linked with Aadhaar number) by the client while opening new accounts post September 30, 2021 or any other date specified by CBDT.
3. Also, all the existing investors are advised to ensure linking of their PAN with Aadhaar number prior to Sept 30, 2021 or any other date specified by CBDT for continual and smooth transactions in securities market and to avoid any consequences of non-compliance of said notification on their transactions in securities market.

Block Mechanism in demat account of clients undertaking sale transactions

CIRCULAR

SEBI/HO/MIRSD/DoP/P/CIR/2022/109 August 18, 2022

To,

All Depositories

All recognized Stock Exchanges and Clearing Corporations

Madam / Sir,

Sub: Block Mechanism in demat account of clients undertaking sale transactions

1. SEBI, vide circular no. CIR/HO/MIRSD/DOP/P/CIR/2021/595 dated July 16, 2021, introduced block mechanism in the demat account of clients undertaking sale transactions, for ease of operations in Early Pay-in mechanism.

2. Clause 5 of the circular states the following:

“5. The proposed facility of block mechanism is on optional basis and Early Pay-in mechanism shall also continue.”

3. Pursuant to extensive consultation with Depositories, Clearing Corporations and Stock Exchanges, and considering the benefits of block mechanism, it is decided to amend clause 5 as given below:

“5. The facility of block mechanism shall be mandatory for all Early Pay-In transactions.”

4. All other provisions in the circular dated July 16, 2021 shall continue to remain applicable.

5. Depositories and Clearing Corporations shall put in place appropriate systems to ensure compliance of the provisions of this circular.

6. This circular shall be applicable with effect from November 14, 2022.

7. Stock Exchanges and Depositories are directed to:

- a. bring the provisions of this circular to the notice of their members / participants and also disseminate the same on their websites;
- b. make necessary amendments to the relevant Bye-laws, Rules and Regulations for the implementation of the above decision.
- c. communicate to SEBI, the status of the implementation of the provisions of this circular on November 15, 2022 and in their Monthly Development Reports.

8. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, and Section 19 of the Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Operational Guidelines in respect of ‘Demat Debit and Pledge Instruction’ (DDPI)

As per SEBI Circular no. SEBI/HO/MIRSD/DoP/P/CIR/2022/44 dated April 04, 2022 (informed to Participants vide NSDL Circular No. NSDL/POLICY/2022/052 dated April 07, 2022) regarding Execution of ‘Demat Debit and Pledge Instruction’ (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities.

The following operational guidelines for implementation of the SEBI circular regarding Execution of ‘Demat Debit and Pledge Instruction’ (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities.

1. Post implementation of the SEBI circular dated April 4, 2022, PoA will no longer be executed for the conditions specified in paragraph 1.2.1 and 1.2.2 of the aforesaid SEBI circular.

2. The two conditions as specified in paragraphs 1.2.1 and 1.2.2 shall be made part of a separate document viz. ‘Demat Debit and Pledge Instruction’ (DDPI) (specified as Annexure-A of SEBI circular).

3. Applicability of DDPI for point no. 1.2.1 and 1.2.2 of the aforesaid SEBI circular.

a. The DDPI shall also be adequately stamped and duly signed as per the format given in Annexure A of the aforesaid SEBI circular.

b. The DDPI can be digitally signed / e-signed by the clients.

c. The client may use the DDPI or opt to complete the settlement process by issuing physical Delivery Instruction Slip (DIS) or electronic Delivery Instruction Slip (eDIS) themselves.

4. The existing PoAs given prior to implementation of the SEBI circular dated April 4, 2022 will continue to remain valid till the time client revokes the same.

5. After implementation of DDPI circular, if client revokes the existing POA and provide DDPI to the broker, then all transactions mentioned under clauses 1.2.1 and 1.2.2 of the aforesaid SEBI circular shall be processed using DDPI only.

Suspension of demat accounts of existing clients whose KYC records are not found to be valid by KRAs after the validation process

As per NSDL Circular No.: NSDL/POLICY/2023/0055 dated April 30, 2023 regarding ‘Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011’ wherein Participants were advised that, in case the existing clients whose KYC records are not found to be valid by KRA after the validation process, as per intimation received from KRA, suspend such demat accounts.

As Participants may be aware that KRAs have issued communication to SEBI Registered Intermediaries (SRIs) that the KYC records which do not get validated by August 18, 2023, their status on KRA system will be updated with ‘suitable status’ on August 19, 2023 and the transactional access needs to be handled/restricted by the SRIs accordingly.

In this regard, Participants attention is hereby drawn to para 11 of above SEBI Circular dated April 06, 2022 which states that “Clients whose KYC records are not found to be valid by KRA after the validation process shall be allowed to transact in securities market only after their KYC is validated”. Hence, the existing clients whose KYC records are not found to be valid by KRAs after the validation process are required to be suspended for debit and credit with the freeze reason code as “08 - Account Holder related – KYC non-compliant” with remarks as “KYC record not found valid by KRA”.

Procedure for suspension of demat accounts is as under:

1. For, operational convenience, NSDL will suspend demat accounts of clients (for sole or any joint account holder excluding Clearing Member (CM) Pool accounts) on September 6, 2023 whose KYC records are not found to be valid by KRA. No action w.r.t. suspension of aforesaid existing demat accounts is required to be taken by the Participants at their end.
2. List of demat accounts of clients whose KYC records are not found to be valid by KRA is being made available to Participants on NSDL i-Assist portal with file name as ‘KYC Non-Complied Accounts-KRA List’ for their review and taking up with concerned clients regularly.
3. Participants are also advised to ensure readiness in their back office to process large COD exports / Client Master Export files arising out of aforesaid exercise w.r.t. suspension of demat accounts on September 6, 2023. The details of orders for suspension will be available in COD and Client master exports in Local DPM. Participants are therefore requested to ensure that COD export/ Client master export files are processed in their back-office systems.
4. Participants are advised to send intimation to aforesaid concerned clients after suspension of demat accounts via letter/email/SMS or any other mode as deemed fit.

Procedure for removal of suspension of demat accounts:

5. If any demat account holder approaches Participant for removal of suspension, then Participant is required to verify the status of KYC record for given PAN on KRA system (for sole / all the eligible joint holders) and ensure that same is shown as validated by KRA.
6. After verification, Participant may remove suspension of demat account at Participant’s end. Such removal of suspension of demat accounts may be undertaken by Participants suo-moto after necessary verification.

Operational guidelines for Transmission of Securities in Joint Demat Accounts i.e. deletion of name.

This is in reference to NSDL circular nos. NSDL/POLICY/2022/025 dated February 28, 2022 regarding amendment to Bye Laws and Business Rules and NSDL/POLICY/2022/053 dated April 08, 2022 regarding Operational guidelines w.r.t Mode of Operation in joint demat accounts wherein it was informed that the required changes in NSDL system w.r.t deletion of name of the deceased account holder(s) in joint demat accounts will be informed separately.

In this context, all Participants are hereby requested to take note of the following operational guidelines for Transmission of Securities in Joint Demat Accounts i.e. deletion of name.

1. In case of death of the holder(s) in joint demat account, the surviving holder (s) may opt to continue the existing demat account by deleting the name of deceased account holder(s) from the demat account, by submitting a specific request (Illustrative format is enclosed as Annexure I) along with

the original death certificate or copy of death certificate attested by the joint account holder(s) subject to verification with the original or copy of the death certificate duly attested by a notary public or by a gazetted officer or death certificate downloaded from the online portal of Government carrying digital/facsimile signature of the issuing authority.

2. In case, if the surviving holder(s) fails to submit above mentioned request within one year of the date of demise, a new demat account shall be opened by the surviving account holder(s) to execute transmission as per the existing procedure.
3. If case the first holder is deceased in the demat account:
 - a) The deletion of name of first holder in demat account shall make second holder as first holder and third holder if any as second holder in the demat account.
 - b) All the available details of second holder i.e Name, Father's / Spouse's Name, PAN, Mobile Number, email ID, Date of Birth, Family Flag, SMS Flag, PAN Flag etc., will be replaced in the place of first holder. Participants are advised to review the details and update if any changes in the details.
 - c) Further, Participants are advised to update the Local address and correspondence address, Bank account details, signatory details, POA/DDPI details, etc. in the first holder details.
 - d) IDeAS / SPEED-e Login details of first holders will be deleted/de-activated, the next first holder shall receive the email from NSDL for registration of IDeAS / SPEED-e facility.
4. If case the second holder is deceased in the demat account:
 - a. In case joint demat account is having two holders and the second holder is deceased, the available details of second holder will be deleted.
 - b. In case joint demat account is having three holders, the deletion of name of second holder shall make third holder as second holder.
 - c. All the available details of third holder i.e. Name, Father's / Spouse's Name, PAN, Mobile Number, email ID, Date of Birth, Family Flag, SMS Flag, PAN Flag etc., will be replaced in the place of second holder. Participants are advised to review the details and update if any changes in the details.
 - d. There will be no change in first holder details.
5. If case the third holder is deceased in the demat account:
 - a. There will be no change in the first and second holder details.
 - b. The available details of third holder will be deleted.
6. The above facility shall be applicable for individual client demat accounts (without pledged securities / on hold securities).
7. In case the demat account has pending requests i.e. demat / remat / conversion / re-conversion/ re-purchase/tender-offer etc., Participants shall process the requests for deletion of name. However, monitoring of all such pending requests if any, shall be done by the surviving client(s).
8. The Participant shall verify the documents submitted and the signature of surviving Client(s), after being fully satisfied on all aspects, shall then effect the deletion of name.
9. Participants are advised to send intimation to clients after deletion of name in demat accounts via letter/ email or any other mode which the Participant may deem fit.

To,
The Depositories
The Depository Participants (DPs)
Sir / Madam,

Sub: Facility for Basic Services Demat Account (BSDA) for Financial Inclusion and Ease of Investing

1. with the objective of achieving wider financial inclusion to encourage holding of demat accounts and to facilitate ease of investing, SEBI, vide circular no. CIR/MRD/DP/22/2012 dated August 27, 2012 read with Circular MRD/DoP2DSA2/CIR/P/2019/51 dated April 10, 2019 and Para 1.8.1 to para 1.8.5 of the Master Circular for Depositories dated October 06, 2023 provided for the facility of “Basic Services Demat Account” with a set of defined services for eligible individuals.

2. In order to further boost participation in securities market, ease of doing investments and based on representations from market participants, the facility has been comprehensively reviewed and the following has been decided:

2.1. Eligibility for BSDA

An individual shall be eligible to opt for BSDA subject to the following conditions:

- a) The individual has or proposes to have only one demat account where he/she is the sole or first holder.
- b) The individual shall have only one BSDA in his/her name across all depositories.
- c) Value of securities held in the demat account shall not exceed ₹ 10 Lakhs for debt and other than debt securities combined at any point of time.

2.2. Opening of BSDA and conversion of existing eligible demat accounts into BSDA

a) The DPs shall open only BSDA for Beneficial Owners (BOs), if such demat accounts are eligible for BSDA as per para 2.1 above, unless such BOs specifically provide their consent by way of email from their email-id registered with the DP to avail the facility of a regular demat account.

b) The DPs shall also reassess the eligibility of all the existing BOs with respect to BSDA as provided in para 2.1 above within two months from the date of this circular coming into effect and shall convert all such eligible demat accounts into BSDA unless such BOs specifically provide their consent by way of email from their email-id registered with the DP to continue to avail the facility of a regular demat account. Later, this exercise shall be carried out by DPs at the end of every billing cycle.

2.3. Charges

- a) The charge structure shall be as indicated below:

Value of Holdings in the Demat Account (Debt as well as other than debt securities combined)	Maximum Annual Maintenance Charges

Up to ₹ 4 lakhs	NIL
More than ₹ 4 lakhs but up to ₹ 10 lakhs	₹100
More than ₹ 10 lakhs	Not a BSDA. Regular AMC may be levied.

b) It is emphasized that other than AMC as specified above, BSDA shall be treated at par with non-BSDA for the purpose of levying charges for various other services and DPs shall not levy higher charges to BSDA.

c) The value of holding shall be determined by the DPs on the basis of the daily closing price or NAV of the securities or units of mutual funds, as the case may be. Where such price is not available, the last traded price may be taken into account and for unlisted securities other than units of mutual funds, face value may be taken into account. The value of suspended securities may not be considered for the purpose of determining eligibility of demat account as BSDA.

d) If the value of holding in such BSDA exceeds the prescribed criteria at any date, the DPs may levy charges as applicable to regular accounts (non-BSDA) from that date onwards.

2.4. Services for Basic Services Demat Accounts

- a) Electronic statements shall be provided free of cost.
- b) Physical statement may be charged at a fee not exceeding ₹ 25/- per statement.
- c) All other conditions as applicable to regular demat accounts, other than the ones mentioned above, shall continue to apply to basic services demat account.

3. This circular shall come into effect from **September 01, 2024** in supersession of para 1.8.1 to para 1.8.5 of the Master Circular for Depositories dated October 06, 2023.

4. The Depositories are advised to:-

- 4.1. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately, as may be applicable/necessary;
- 4.2. bring the provisions of this circular to the notice of their DPs and also to disseminate the same on their website;
- 4.3. Put in place appropriate systems and procedures to ensure compliance of the provisions of this circular; and
- 4.4. Communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Development Report.

5. This circular is being issued in exercise of powers conferred under section 11 (1) of the Securities and Exchange Board of India Act, 1992 and section 19 of the Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Standardization of File Formats

Attention of Participants is invited to NSDL Circular no. NSDL/POLICY/2024/0052 dated April 29, 2024, regarding 'Standardization of file formats' wherein it was informed to the Participants that the existing file formats shall continue to be available in parallel along with the new standardized files till June 20, 2024.

Thereafter, the existing file formats shall be discontinued, and only new file formats will be acceptable after EOD of June 20, 2024.

In this context, NSDL has already published following artifacts on NSDL Corporate Website (<https://nsdl.co.in/nsdlnews/udiff.php>) and i-Assist for the participants and their back-office vendors to implement standardized file formats:

- a. UDiFF Catalogue V1.0.8
- b. Circulars mentioning the mapping of fields in existing file formats vis-à-vis fields in standardized UDiFF file formats
- c. Sample files (regularly updated from test environment to cover all scenarios / testing)
- d. Mapping of existing proprietary codes and standardized codes (from UDiFF catalogue)

Participants are once again advised to take note of the above and ensure necessary changes in their back-office system for the applicable upload / download file formats before the prescribed deadline of June 20, 2024, as the existing file formats shall be discontinued after EOD of June 20, 2024.

Dispatch of Consolidated Account Statement (CAS) for all securities assets

Considering the increasing reach of digital technology, electronic mode now being the preferred mode of communication and as a green initiative measure and to streamline the regulatory guidelines on mode of dispatch of account statements, it has been decided to revisit the regulatory provisions and provide for email as default mode of dispatch for Consolidated Account Statement (CAS) by Depositories, Mutual Fund – Registrar and Transfer Agents (MF-RTAs) and holding statement by Depositories Participant (DP).

Accordingly, para 1.24.6, para 1.24.12, para 1.8.5, para 1.8.6 and Para 14 & 15 under the head ‘Statement of Account’ in Annexure 3 of SEBI Master Circular on Depositories dated October 06, 2023 stands modified as given in Annexure-A.

The circular shall be effective from August 01, 2024

Annexure-A

Modifications in paras of SEBI Master Circular on Depositories dated October 06, 2023.

Para 1.24.6

The CAS shall be dispatched by email to all the investors whose email addresses are registered with the Depositories and AMCs/MF-RTAs. However, where an investor does not wish to receive CAS through email, option shall be given to the investor to receive the CAS in physical form at the address registered with the Depositories and the AMCs/MF-RTAs. The depositories shall also intimate the investor on quarterly basis through the SMS mode specifying the email id on which the CAS is being sent.

Para 1.24.12

If there is any transaction in any of the demat accounts of the investor or in any of his mutual fund folios, then CAS shall be sent to that investor through email on monthly basis. In case there is no transaction in any of the mutual fund and demat accounts then CAS with holding details shall be sent to the investors by

email on half yearly basis. However, where an investor does not wish to receive CAS through email, option shall be given to the investor to receive the CAS in physical form at the address registered with the Depositories and the AMCs/MF-RTAs.

Para 1.8.5 (ii)

- a. DP shall send at least one annual statement of holding through email in respect of accounts with no transaction and nil balance even after the account has remained in such state for one year. However, where an investor does not wish to receive the holding statement through email, option shall be given to the investor to receive the same in physical form at the registered address.
- b. One annual statement of holding shall be sent in respect of remaining accounts through email unless specifically opted by the investor to receive the same in physical form.

Para 1.8.6

- i. Accounts with zero balance and nil transactions during the year: DP shall send at least one annual statement of holding through email in respect of accounts with no transaction and nil balance even after the account has remained in such state for one year.
- ii. Accounts which become zero balance during the year: For such accounts, no transaction statement may be sent for the duration when the balance remains nil. However, an annual statement of holding shall be sent to the BO through email.
- iii. Accounts with credit balance: For accounts with credit balance but no transactions during the year, half yearly statement of holding for the year shall be sent to the BO through email.

In all above three scenarios, the BO shall be given the option to receive the statements in physical form.

Modifications to the Annexure 3 of the Master Circular on Depositories dated October 06, 2023 are as follows:

Para 14:

However, if the balance has become Nil during the year, the DP shall send one holding statement annually to such BOs through email and shall resume sending the transaction statement as and when there is a transaction in the account. In case of accounts with credit balance but no transactions during the year, half yearly statement of holding for the year shall be sent to the BO through email.

Para 15:

The DP shall provide the services of issuing the statement of demat accounts in an electronic mode. The DP will furnish to the BO the statement of demat accounts under its digital signature, as governed under the Information Technology Act, 2000. However, if the DP does not have the facility of providing the statement of demat account in the electronic mode, then the DP shall be obliged to forward the statement of demat accounts in physical form.

Migration of reports/ functionalities available on intranet site i-Assist to e-Pass portal

Participants are hereby informed that the reports/ functionalities currently available on i-Assist shall be made available on e-Pass portal [<https://www.epass.nsd1.com>] in phased manner starting from June 15, 2024. This transition of various reports/ functionalities aims to provide more integrated and seamless user experience by consolidating features of i-Assist on e-Pass portal. The following reports/ downloads currently available on i-Assist will be made available under 'I-Assist menu' on home page of e-Pass portal with effect from EOD of June 14, 2024:

S NO	Module Name	Sub Modules
1	DPM Releases	Local DPM / Archival releases
		Consolidated DPM client installation (latest update)
2	Application	e-Token – Aladdin
		e-Token – e-Pass
		JRE setups
3	Downloads	Price file downloads
4	Backoffice File Formats	Backoffice file formats for CCs
		Backoffice file formats for RTAs
		Backoffice file formats for DPs
		Sample file formats
		Standardized file formats
5	Manuals	Standardized sample files
		STP manual
6	Utilities	e-Token setup manual
		EDPM Freeze Unfreeze Utility
		System driven disclosures- File Spilt Utility
		Utility Bank master
		Margin Pledge Account Mapping Utility
		Reclassification Utility
7	Reports / Data	Signature Utility
		List of ultimate lenders/debentures issuer
		List of promoters

Participants are requested to note that the reports/ downloads mentioned in aforesaid table will be discontinued on i-Assist portal with effect from August 1, 2024. Participants are accordingly requested to start accessing aforesaid reports/downloads on e-Pass for convenient and smooth transition. The remaining reports/functionalities (other than mentioned in table above) will be continued to be made available on i-Assist till further communication.

The existing Checker / Compliance Officer / Alternate Compliance Officer of Participants will be able to access aforementioned reports/ downloads in e-PASS through their existing log-in IDs created for submission of periodic compliances.

Pay-out of securities directly to client demat account

SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/75

June 05, 2024

To,
All recognized Stock Exchanges and Clearing Corporations

All Depositories

Sub: Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account

1. SEBI, vide Master Circular for Stock Brokers dated May 22, 2024, inter alia, specified various processes for handling of clients' securities with regard to pay-in and pay-out of securities. This is to protect clients' securities and to ensure that the stock broker segregates securities of the client or clients so that they are not vulnerable to misuse.

2. The matter related to the funds of the clients has been addressed through upstreaming and downstreaming of funds mechanism. The matter related to flow of securities also needs to be addressed for the payout of securities. Currently, the securities received in payout are pooled by the broker and then credited to the respective client demat accounts.

3. It is to be mentioned that the direct payout to client account was already facilitated on voluntary basis vide circular SMDRP/Policy/Cir-05/2001 dated February 01, 2001. It has been decided that the process of securities payout directly to the client account shall now be mandatory.

4. SEBI had extensive discussions with the Stock Exchanges, Clearing Corporations (CCs) and Depositories. The proposal was also discussed in the meeting of Intermediary Advisory Committee and with Broker's Industry Standards Forum (ISF), which comprise of industry representatives. Accordingly, after extensive deliberations, the following has been decided:

4.1. The securities for pay-out shall be credited directly to the respective client's demat account by the CCs.

4.2. CCs shall provide a mechanism for Trading Member(TM)/Clearing Members (CM) to identify the unpaid securities and funded stocks under the margin trading facility.

4.3. With regard to unpaid securities, the processes as specified at para 45 of SEBI "Master Circular for Stock Brokers" dated May 22, 2024 shall be applicable.

4.4. With regard to funded stocks under the margin trading facility, para 41.9 of SEBI "Master Circular for Stock Brokers" dated May 22, 2024, is amended as follows.

"41.9. Funded stocks held by the TM / CM under the margin trading facility shall be held by the TM / CM only by way of pledge. For this purpose, the TM / CM shall be required to open a separate demat account tagged 'Client Securities under Margin Funding Account' in which only funded stocks in respect of margin funding shall be kept/ transferred, and no other transactions shall be permitted. Such funded stocks shall be transferred to respective client's demat account followed by creation of an auto-pledge (i.e., without the requirement of a specific instruction from the client) with suitable reason, in favor of 'Client Securities under Margin Funding Account'."

Handling of shortages arising due to inter se netting of positions between clients:

5. In case of any shortages arising due to inter se netting of positions between clients i.e., internal shortages, the following measures shall be taken to streamline the processes of handling of such shortages across the market:

5.1. TM/CM shall handle such shortages through the process of auction as specified by CCs.

5.2. In such cases, the brokers shall not levy any charges on the client over and above the charges levied by the CCs.

Provision not applicable to:

6. The processes specified at para 4 above, shall not be applicable to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades.

Schedule of Implementation:

7. The provisions of this circular shall come into force with effect from October 14, 2024.

8. The implementation standards shall be formulated by the Broker's Industry Standards Forum (on a pilot basis), under the aegis of the stock exchanges and in consultation with SEBI by August 05, 2024.

9. Stock Exchanges, Depositories and CCs are directed to:

9.1. bring the provisions of this circular to the notice of their members / participants and also disseminate the same on their websites;

9.2. Put in place appropriate systems and procedures to ensure compliance of the provisions of this circular;

9.3. Make necessary amendments to the relevant Bye-laws, Rules and Regulations for the implementation of the above decision;

9.4. Communicate to SEBI, the status of the implementation of the provisions of this circular in their Monthly Development Reports.

10. This circular is issued in exercise of powers conferred under Section 11(1) of Chapter IV of the Securities and Exchange Board of India Act, 1992, and Section 19 of Chapter IV of the Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Guidelines for online closure of demat accounts

1. Client shall be entitled to close the demat account through online mode without mandatorily giving any reasons to the depository participant (DP). Clients shall not be restricted from requesting, through online mode or offline mode, for the closure of demat account maintained with the DP, subject to the compliance requirements as stipulated by SEBI / Depository from time to time.

2. Online closure of demat accounts shall be made available for the clients who have opened their accounts offline or online, by the DPs that provide various Depository related services in online mode. Those DPs which do not provide any services online and do not open accounts online may not be required to offer online closure of demat accounts.

3. Account closure for account with balance shall be done only through web portal / app of DP through secured access with 2 factor authentication (in case of internet clients) and the request send through emails, SMS, other messaging apps, etc. shall not be entertained by the DP. As the KYC process requires e-sign post which demat accounts can be opened by the DP, for online closure of accounts with balance also, client shall be required to e-sign the form (using electronic / digital signature including Aadhaar e-Sign) to be verified by the DP in accordance with guidelines as stipulated by SEBI / Depositories from time to time.
4. In case of clients having demat accounts with nil balances can be closed by the DPs on the basis of request received through web portal / app of DP through secured access with 2 factor authentication (in case of internet clients) or on the basis of emails received from the registered email ID of the demat account holder.
5. Once the application for closure of demat account is received, the DP shall provide acknowledgement to the client on registered email id and / or mobile number about the receipt of closure request.
6. The request for demat account closure shall include target account details (in case of request for closure of demat account having security balances is made) where the client intends to shift the securities.
7. In case of demat account with balance, client would have to upload the Client Master Report (CMR) of the target account digitally signed by official of the target DP (CMR applicable in case of account having security balances). Filled Account Closure form along with CMR as uploaded, would be displayed in one single file to the client, subsequent to which, client shall then be required to e-sign the form (using electronic / digital signature including Aadhaar e-Sign) along with the documents and submit the same for further processing. The requirement of obtaining a CMR will be exempted if the DP is able to verify the target demat account details (i.e. sole holder's name and PAN should match perfectly) directly from the Depository electronically.
8. If the DP authorises the request received, the account will get closed in the Depository system. If the DP rejects the client requests received, the DP shall inform the reason for such rejection to the client.
9. In case the target account of the client specified in the account closure form is not its own account i.e. not the same PAN both in source and target accounts, as per the extant requirements, it will be necessary for the client to submit an off-market transfer instruction delivery instruction slip for execution of such transfers along with the requirement of entering OTP as provided by the Depository.
10. after the closure of demat account by the DP, the same shall be intimated to the client through electronic mode enclosing the CMR & Transaction cum Holding Statement of the closed account.
11. DP shall maintain and store system logs of the closure instructions and e-signed electronic requests (uneditable) received in electronic form in a secured manner and the same shall be subject to 100% internal audit.
12. Notwithstanding any such closure of demat account, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the closure of demat account shall continue to subsist and vest in / be binding on the respective parties or his / its respective heirs, executors, administrators, legal representatives or successors, as the case may be.

13. The above process shall be applicable in case of individual client accounts with single holder (without pledge / freeze / pending demat requests balances) and the closure requests accepted through above mechanism shall be considered as a valid client request and DPs / Depository shall not be held liable for acting on such requests.

14. Depositories shall put in place a complaint redressal mechanism for dealing with complaints related to online closure of demat accounts.

Amendment to Business Rules of NSDL w.r.t Settlement Fees

This is in reference to SEBI Circular SEBI/HO/MRD/TPD-1/P/CIR/2024/92 dated July 01, 2024 on 'Charges levied by Market Infrastructure Institutions – True to Label'. In this context, all Participants are hereby informed that pursuant to aforesaid SEBI Circular, an amendment has been made in the Business Rules of NSDL w.r.t "Settlement Fees". The same shall be effective from October 01, 2024.

A settlement fee at the rate of ₹ 4.00 per debit instruction in a Client's account shall be charged to the Participant of the Client.

Provided however that for the accounts that fall under the Youth Plan, no Settlement Fees shall be charged in a Client's account, for a period of three years from the date of opening a new client account within a period of one year after the implementation of Youth Plan.

To be eligible to qualify under Youth Plan, the first holder must be below the age of twentyfour years at the time of opening the client account.

Provided further that the Youth Plan will be subject to a review after a period of one year from the date of implementation.

Facility for reporting of number of Non-Profit Organisation Transaction Report (NTR)

Attention of Participants is invited to SEBI's Master circular SEBI / HO / MIRSD / MIRSDSECFATF / P / CIR / 2024 / 78 dated June 6, 2024, regarding "Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under" (NSDL circular no. NSDL/POLICY/2024/0077 dated June 07, 2024), wherein at point no. iii of para 74 it states that the Non-Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND within specified timelines as described below.

In this context, to identify the Non-Profit Organisation, Participants are requested to refer to the point (vii) of para 74 in the above-mentioned SEBI master circular. Further, as mentioned in the "Guidelines for correct reporting of NPO transaction reports (NTRs)" dated February 8, 2021, every Reporting Entity is required to report the information in respect of transactions involving receipts by Non-Profit Organisations of value more than Rs. 10 Lakhs or its equivalent foreign currency to FIU-IND by the 15th day of the succeeding month.

User manual, which states the guidelines to file the NTR on the portal of FIU-IND is provided under Learning & Resources module in FINnet 2.0 of FIU-INDIA, portal (post login). The related hardware and

technical requirement for preparing reports, the data files and data structures thereof are also detailed in the manual.

Participants who are yet to register on FINnet 2.0 portal of FIU-IND, requested to refer circular no. NSDL/POLICY/2024/0033 dated March 18, 2024, for “Registration of the Reporting Entities (REs) in FINnet 2.0 system of FIU-INDIA”.

Further, Participants are hereby informed that NSDL has developed a facility for submitting number of NTRs filed to FIU-IND through online portal i.e., NSDL e-PASS (<https://www.epass.nsdl.com/>).

Participants may note that aforesaid feature to submit the number of NTRs filed with FIU-IND to NSDL through e-PASS portal has been released on October 9, 2024. Accordingly, Participants can submit details of number of NTRs submitted to FIU-IND for the month of October 2024 onwards OR submit NIL reporting in case no NTR has been submitted to FIU-IND by the 20th day of a succeeding month. In this case, the first reporting must be done on or before November 20, 2024.

To supervise the compliance of the above regulatory requirement for Participants, NSDL needs to collect the details of NTRs submitted by the Participants to FIU-IND on monthly basis.

It is advisable that Principal Officer of Participants, conduct an internal training and awareness of this compliance requirement to the relevant team members and monitor compliance themselves.

CIRCULAR

HO/38/11/11(3)2025-MIRSD-POD/I/1101/2025 December 24, 2025

To,
All Depositories
All Depository Participants (DPs) through Depositories

Madam / Sir,

Subject: Ease of investments and ease of doing business measures – enhancing the ‘Facility for Basic Services Demat Account (BSDA)’

1. SEBI, vide circular no. SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/91 dated June 28, 2024 (‘the circular’), specified provisions related to enhancing the facility of BSDA to boost investor participation in securities market. SEBI received stakeholder inputs for further enhancing the facility of BSDA.

2. Thus in order to provide ease of doing business to the depository participants (DPs) and ease of doing investments for the investors, it has been decided to exclude the following securities for reckoning the threshold for BSDA

2.1. Zero Coupon Zero Principal (ZCZP) bonds

2.2. Delisted securities

3. The valuation of the illiquid securities shall be at last closing price for calculating

the threshold for BSDA; and

4. DPs shall now be required to reassess the BSDA eligibility every quarter.

5. DPs shall require the beneficiary owner to submit consent to avail / continue to avail the facility of a regular demat account by active consent through a verifiable channel as specified by the Depositories.

6. The effect of this circular shall replace paras 2.2(a), 2.2(b) and 2.3(c) of the circular, which stand modified as under:

Para 2.2(a)

The DPs shall open only BSDA for Beneficial Owners (BOs), if such demat accounts are eligible for BSDA as per para 2.1 above, unless such BOs specifically provide their consent through authenticated and verifiable channel to avail the facility of a regular demat account.

Para 2.2(b)

The DPs shall also reassess the eligibility of all the existing BOs with respect to BSDA as provided in para 2.1 above at the end of every quarter and shall convert all such eligible demat accounts into BSDA unless such BOs specifically provide their consent through authenticated and verifiable channel, as specified by Depositories, to continue to avail the facility of a regular demat account.

Para 2.3(c)

The value of holding shall be determined by the DPs on the basis of the daily closing price or NAV of the securities or units of mutual funds, as the case may be. Where such price is not available, the last traded price may be taken into account. For unlisted securities other than units of mutual funds, face value may be taken into account. For illiquid securities, last closing price may be taken into account. The value of suspended securities, delisted securities and Zero Coupon Zero Principal bonds may not be considered for the purpose of determining eligibility of demat account as BSDA.

7. The provisions of this circular shall come into force with effect from March 31, 2026 in supersession of paras 2.2(a), 2.2(b) and 2.3(c) of the circular.

8. The Depositories are advised to:-

8.1. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately, as may be applicable/necessary;

8.2. bring the provisions of this circular to the notice of their DPs and also to disseminate the same on their website; and

8.3. put in place appropriate systems and procedures to give effect to the provisions made in this circular within a period of 75 days, and implement the provisions after user testing within 90 days from the date of issuance of this circular.

9. This circular is being issued in exercise of powers conferred under section 11 (1) of the Securities and Exchange Board of India Act, 1992 and section 19 of the Page 3 of 3 Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

10. This circular is available on SEBI website at www.sebi.gov.in under the category: 'Legal → Circulars'.