

**SECURITIES AND EXCHANGE BOARD OF INDIA
(DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996**

CONTENTS

CHAPTER 1 :- PRELIMINARY

1. Short title and commencement
2. Definitions

CHAPTER 2 :- REGISTRATION OF DEPOSITORY

3. Application for grant of certificate of registration
4. Application to conform to the requirements
- 5 . Furnishing of information, clarification and personal representation
6. Consideration of application for grant of certificate of registration
7. Grant of certificate of registration
8. Payment of annual fee
9. Procedure where certificate of registration is not granted

CHAPTER 3 :- CERTIFICATE OF COMMENCEMENT OF BUSINESS

10. Application for grant of certificate of commencement of business
11. Application to conform to the requirements
- 1 2 . Furnishing of information, clarification, and personal representation
- 1 3 . Consideration of application for grant of certificate of commencement of business
14. Grant of certificate of commencement of business
15. Procedure where certificate of commencement of business is not granted

CHAPTER 4 :- REGISTRATION OF PARTICIPANT

16. Application for grant of certificate of registration
17. Application to conform to the requirements
- 1 8 . Furnishing information, clarification, and personal representation
- 1 9 . Consideration of application for grant of certificate of registration
20. Grant of certificate of registration
21. Period of validity of the certificate of registration
22. Renewal of certificate of registration
23. Conditions of renewal of certificate of registration
24. Procedure where certificate of registration is not granted

25. Effect of refusal to renew a certificate of registration

CHAPTER 5 :-RIGHTS AND OBLIGATIONS OF DEPOSITORIES, PARTICIPANTS, ISSUERS, MANNER OF SURRENDER OF CERTIFICATE OF SECURITY AND CREATION OF PLEDGE OR HYPOTHECATION

26. Rights and obligations of depositories, etc

27. Depository to declare specific securities eligible

28. Securities eligible for dematerialisation

29. Agreement between depository and issuer

30. Systems and procedures

31. Connectivity

32. Transfer to be affected only after payment

33. Withdrawal by participant

34. Internal monitoring, review and evaluation of systems and controls

35. External monitoring, review and evaluation of systems and controls

36. Insurance against risks

37. Manner of keeping records

38. Records to be maintained

39. Cooperation with other entities

40. Prohibition of Assignment

41. Agreement by participant

42. Separate Accounts

43. Statement of accounts

44. Transfer or withdrawal by beneficial owner

45. Connectivity

46. Monitoring, reviewing and evaluating internal systems and controls

47. Reconciliation

48. Returns

49. Record of services

50. Manner of keeping records

51. Records to be maintained depository-wise

52. Prohibition of assignment

53. Agreement by issuer

53A. Manner of handling share registry work

53B. Redressal of investor grievances

54. Manner of surrender of certificate of security

55. Reconciliation

55A. Audit

56. Connectivity

57. Information

58. Manner of creating pledge or hypothecation

58A. 58A

58B. Appointment of Compliance Officer

CHAPTER 6 :- INSPECTION

- 59. Boards right to inspect
- 60. Notice before inspection and investigation
- 61. Obligations on inspection by the Board
- 62. Submission of Report to the Board
- 63. Communication of findings etc
- 63A. Appointment of Auditor
- 63B. Board to recover the expenses

CHAPTER 7 :- PROCEDURE FOR ACTION IN CASE OF DEFAULT

- 64. Suspension of certificate
- 65. Cancellation of certificate
- 66. Manner of making order of cancellation or suspension
- 67. Show-cause notice and order
- 68. Effect of suspension and cancellation of certificate
- 69. Publication of order of suspension or cancellation

SCHEDULE 1 :- FIRST SCHEDULE-FORMS

SCHEDULE 2 :- SECOND SCHEDULE

SCHEDULE 3 :- THIRD SCHEDULE

SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

In exercise of the powers conferred by Section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with Section 25 of the Depositories Ordinance, 1996 (17 of 1996), the Securities and Exchange Board of India hereby makes the following regulations, namely:-

CHAPTER 1 PRELIMINARY

1. Short title and commencement :-

- (1) These regulations may be called the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.
- (2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions :-

- (1) In these regulations, unless the context otherwise requires,-
 - (a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - (b) "Depositories Ordinance" means the Depositories Ordinance,

1996 (17 of 1996);

(c) "enquiry officer" means any person authorised by the Board under Regulation 66;

(d) "Form" means any of the forms specified in the First Schedule;

(e) "inspecting officer" means any person authorised by the Board under Regulation 59;

(f) "Schedule" means any of the Schedules annexed to these regulations;

(g) "sponsor" means any person or persons who, acting alone or in combination with another person proposes to establish a depository and undertakes to perform the obligations of a sponsor under these regulations.

(2) Words and expressions used and not defined in these regulations but defined in the Act or in the Depositories Ordinance shall have the meanings respectively assigned to them in the Act or the Depositories Ordinance. ¹ "Explanation: Any person who acting alone or in combination with others holds not less than 51 % of the share capital of the depository as a sponsor and undertakes to perform the obligation under these regulations shall be deemed to be a sponsor for the purpose of these regulations"

1. Inserted by the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2000.

CHAPTER 2

REGISTRATION OF DEPOSITORY

3. Application for grant of certificate of registration :-

(1) An application for the grant of a certificate of registration as a depository shall be made to the Board by the sponsor in Form A, shall be accompanied by the fee specified in Part A of the Second Schedule and be paid in the manner specified in Part B thereof.

(2) The application shall be accompanied by draft bye-laws of the depository that is proposed to be set up.

4. Application to conform to the requirements :-

An application in Form A which is not complete in all respects and does not conform to the instructions specified therein shall be rejected: Provided that before rejecting any such application, the sponsor shall be given in writing an opportunity to remove, within

thirty days of the date of communication in this regard, the objections indicated by the Board : Provided further that the Board may, on being satisfied that it is necessary to extend the period specified in the first proviso, extend such period by such further time as it thinks necessary in order to enable the applicant to remove the objections indicated by the Board.

5. Furnishing of information, clarification and personal representation :-

(1) The Board may require the sponsor to furnish such further information or clarification regarding matters relevant to the activity of the depository for the purpose of consideration of the application.

(2) The sponsor or his authorised representative shall, if so required, appear before the Board for personal representation, in connection with the grant of certificate of registration.

6. Consideration of application for grant of certificate of registration :-

The Board shall not consider an application under Regulation 3, unless the sponsor be to ngs to one of the fol to wing categories, namely :-

(i) a public financial institution as defined in Section 4A of the Companies Act, 1956 ;

(ii) a bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);

(iii) a foreign bank operating in India with the approval of the Reserve Bank of India;

(iv) a recognised stock exchange within the meaning of clause (j) of S.2 of the Securities Contracts (Regulation) Act, 1956;

(v) a body corporate engaged in providing financial services where not less than seventy-five per cent of the equity capital is held by any of the institutions mentioned in sub-clause (i), (ii), (iii) or (iv) jointly or severally;

(vi) a body corporate constituted or recognised under any law for the time being in force in a foreign country for providing custodial, clearing or settlement services in the securities market and approved by the Central Government: or

(vii) an institution engaged in providing financial services established outside India and approved by the Central Government.

¹ (viii) the applicant is a fit and proper person.

1. Inserted vide " THE SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORY AND PARTICIPANTS) REGULATIONS, 1996" Dt.5th January, 1998 Published in Securities and Exchange Board of India, Noti. No. S.O. 18(E), dated January 5, 1998, published in the Gazette of India, Extra., Part II, Section 3(ii), dated 5th January, 1998, p. 10, No. 9 [F. No. SEBI/LE/2303/98] [L]

7. Grant of certificate of registration :-

After considering the application under Regulation 3, with reference to the qualifications specified in Regulation 6, if the Board is satisfied that the company established by the sponsor is eligible to act as depository, it may grant a certificate of registration in Form B to the depository subject to the following, namely:-

(a) the depository shall pay the registration fee specified in Part A of the Second Schedule in the manner specified in Part B thereof, within fifteen days of receipt of intimation from the Board;

(b) the depository shall comply with the provisions of the Act, the Depositories Ordinance, the bye-laws, agreements and these regulations;

(c) the depository shall not carry on any activity other than that of a depository unless the activity is incidental to the activity of the depository;

(d) the sponsor shall, at all times, hold at least fifty-one per cent of the equity capital of the depository and the balance of the equity capital of the depository shall be held by its participants;

(e) no participant shall at any time, hold more than five per cent of the equity capital of the depository;

(f) if any information previously submitted by the depository or the sponsor to the Board is found to be false or misleading in any material particular, or if there is any change in such information, the depository shall forthwith inform the Board in writing;

(g) the depository shall redress the grievances of the participants and the beneficial owners within thirty days of the date of receipt of any complaint from a participant or a beneficial owner and keep the Board informed about the number and the nature of redressals;

(h) the depository shall make an application for commencement of business under Regulation 14 within one year from the date of grant of certificate of registration under this regulation; and

(i) the depository shall amend its bye-laws from time to time as may be directed by the Board.

8. Payment of annual fee :-

A depository who has been granted a certificate of registration under Regulation 7, shall pay annual fee specified in Part A of the Second Schedule in the manner specified in Part B thereof.

9. Procedure where certificate of registration is not granted :-

(1) Where an application for the grant of certificate of registration under Regulation 3 does not satisfy the requirements specified in Regulation 7, the Board shall reject the application after giving the applicant an opportunity of being heard.

(2) The decision of the Board to reject the application shall be communicated to the applicant in writing within thirty days of such decision, stating therein the grounds on which the application has been rejected.

CHAPTER 3

CERTIFICATE OF COMMENCEMENT OF BUSINESS

10. Application for grant of certificate of commencement of business :-

A depository which has been granted a certificate of registration under Regulation 7. shall within one year from the date of issue of such certificate make an application to the Board for commencement of business in Form C.

11. Application to conform to the requirements :-

Any application in Form C which is not complete in all respects and does not conform to instructions specified therein shall be rejected: Provided that before rejecting any such application, the applicant shall be given in writing an opportunity to remove within thirty days of the date of communication in this regard, the objections indicated by the Board : Provided further that the Board may, on being satisfied that it is necessary to extend the period specified in the first proviso, extend such period by such further time as it thinks necessary in order to enable the applicant to remove the objections indicated by the Board.

12. Furnishing of information, clarification, and personal representation :-

(1) The Board may require the depository to furnish such further information or clarification regarding matters relevant for the grant of certificate of commencement of business.

(2) The depository or its authorised representative, if so required, shall appear before the Board for personal representation in connection with the grant of certificate of commencement of business.

13. Consideration of application for grant of certificate of commencement of business :-

(1) The Board shall take into account for considering grant of certificate of commencement of business, all of matters which are relevant to the efficient and orderly functioning of the depository and in particular, the following, namely, whether :-

(a) the depository has a net worth of not less than rupees one hundred crore;

(b) the bye-laws of the depository have been approved by the Board:

(c) the automatic data processing systems of the depository have been protected against unauthorised access, alteration, destruction, disclosure or dissemination of records and data;

(d) the network through which continuous electronic means of communications are established between the depository, participants, issuers and issuers' agents is secure against unauthorised entry or access;

(e) the depository has established standard transmission and encryption formats for electronic communications of data between the depository, participants, issuers and issuers' agents:

(f) the physical or electronic access to the premises, facilities, automatic data processing systems, data storage sites and facilities including back up sites and facilities and to the electronic data communication network connecting the depository, participants, issuers and issuers' agents is controlled, monitored and recorded;

(g) the depository has a detailed operations manual explaining all aspects of its functioning, including the interface and method of

transmission of information between the depository, issuers, issuers' agents, participants and beneficial owners;

(h) the depository has established adequate procedures and facilities to ensure that its records are protected against loss or destruction and arrangements have been made for maintaining back up facilities at a location different from that of the depository;

(i) the depository has made adequate arrangements including insurance for indemnifying the beneficial owners for any loss that may be caused to such beneficial owners by the wrongful act, negligence or default of the depository or its participants or of any employee of the depository or participant; and

(j) the grant of certificate of commencement of business is in the interest of investors in the securities market.

(2) The Board shall, before granting a certificate of commencement of business under this Chapter make a physical verification of the infrastructure facilities and systems established by the depository.

14. Grant of certificate of commencement of business :-

After considering the application under Regulation 13 with reference to the matters specified in sub-regulation (1) of Regulation 13 and making physical verification under sub-regulation (2) of that regulation, if the Board is satisfied that the depository is eligible to commence business as a depository, shall grant a certificate of commencement of business in Form D.

15. Procedure where certificate of commencement of business is not granted :-

(1) If the Board, after considering the matters specified in sub-regulation (1) of Regulation 13 and making physical verification under sub-regulation (2) of that regulation, is of the opinion that the depository shall not be granted a certificate of commencement of business, it may either-

(a) direct the depository to conform to the matters specified in Regulation 13; or

(b) reject the application after giving the applicant an opportunity of being heard.

(2) The decision of the Board to reject the application shall be

communicated to the depository in writing within thirty days of such decision, slating therein the grounds on which the application has been rejected.

CHAPTER 4

REGISTRATION OF PARTICIPANT

16. Application for grant of certificate of registration :-

(1) An application for the grant of a certificate of registration as a participant shall be made to the Board in Form E, through each depository in which the applicant proposes to act as a participant, shall be accompanied by the fee specified in Part A of the Second Schedule and be paid in the manner specified in Part B thereof.

(2) The depository shall forward to the Board the application in Form E as early as possible, but not later than thirty days after with its recommendations and certifying that the participant complies with the eligibility criteria including adequate infrastructure as provided for in these regulations and the bye-laws of the depository.

17. Application to conform to the requirements :-

An application in Form E, which is not complete in all respects and does not conform to the instructions specified therein, shall be rejected: Provided that before rejecting any such application, the applicant shall be given in writing an opportunity to remove within thirty days of the date of communication in this regard, the objections indicated by the Board : Provided further that the Board may, on being satisfied that it is necessary to extend the period specified in the first proviso, extend such period by such further time as it thinks necessary in order to enable the applicant to remove the objections indicated by the Board.

18. Furnishing information, clarification, and personal representation :-

(1) The Board may require the applicant, or the depository to which the applicant is to be admitted as a participant, to furnish such further information or clarification as may be considered necessary for the grant of a certificate of registration to the applicant.

(2) The applicant or his authorised representative shall, if so required, appear before the Board for personal representation in connection with the grant of a certificate of registration.

19. Consideration of application for grant of certificate of registration :-

For the purpose of grant of certificate of registration, the Board shall take into account all matters which are relevant to or relating to the efficient and orderly functioning of a participant and in particular, whether the applicant complies with the following requirements, namely-

(a) the applicant belongs to one of the following categories.-

(i) a public financial institution as defined in Section 4A of the Companies Act, 1956 :

(ii) a bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934):

(iii) a foreign bank operating in India with the approval of the Reserve Bank of India:

(iv) a State financial corporation established under the provisions of Section 3 of the State Financial Corporations Act, 1951 :

(v) an institution engaged in providing financial services, promoted by any of the institutions mentioned in sub-clause (i), (ii), (iii), (iv), jointly or severally;

(vi) a custodian of securities who has been granted a certificate of registration by the Board under sub-section (1-A) of Section 12 of the Act:

(vii) a clearing corporation of a stock exchange:

(viii) a stock broker who has been granted a certificate of registration by the Board under sub-section (1) of Section 12 of the Act: ¹["Provided that the stockbroker shall have a minimum net worth of Rupees 50 lakhs and the aggregate value of portfolio of securities of the beneficial owners held in dematerialised form in a depository through him, shall not exceed²["100 times of the net worth of the stock broker"] Provided further that if the stock broker seeks to act as a participant in more than one depository, he shall comply with the criteria specified in the first proviso separately for each such depository; or

3

"Provided further that where the stock broker has a minimum net worth of Rupees Ten Crore, the limits on the aggregate value of the

portfolio of securities of the beneficial owners held in dematerialized form in a depository through him shall not be applicable."

(ix) a non-banking finance company, having a net worth of not less than rupees fifty lakhs: Provided that such company shall act as a participant only on behalf of itself and not on behalf of any other person.

⁴(x) a registrar to an issue or share transfer agent who has a minimum net worth of ⁵[Rupees ten crores] and who has been granted a certificate of registration by the Board under sub-section (1) of Section 12 of the Act: [****6***]

(b) the applicant is eligible to be admitted as a participant of the depository through which it has made the application to the Board;

(c) the applicant has adequate infrastructure, systems, safeguards and trained staff to carry on activity as a participant; and

⁷ (cc) the applicant is a fit and proper person.

(d) the grant of certificate of registration is in the interests of investors in the securities market.

1. Substituted for " Provided that the stock broker shall have a minimum net worth of rupees fifty lakhs and the aggregate value of the portfolio of securities of the beneficial owners held in dematerialised form in a depository through him shall not be more than twenty-five times the net worth of the stock broker: ", vide " THE SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996" Dt. May 20, 1999 Published in [218] Securities and Exchange Board of India, Noti. No. S.O. 357(E), dated May 20, 1999, published in the Gazette of India, Extra., Part II, Section 3(ii), dated 20th May, 1999, pp. 3-4, No. 265 [F. No. SEBI/LE/15/1133/99]

2. Substituted for " the fol to wing limits: Net worth (in lakhs) Aggregate Value of Portfolio of Securities 50 up to (including) 750 35 times of the net worth above 750 and up to 5000 50 times of the net worth.] ", vide " THE SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996" Dt. 21st September, 1999 Published in S.E.B.I., Noti. No. S.O. 775(E), dated September 21, 1999, published in the Gazette of India, Extra., Part II, Section 3(ii), dated 21st September, 1999, p. 3, No. 575 [F. No. SEBI/LE/17998/99] [L]

3. Inserted by Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2003

4. Inserted vide " THE SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996" Dt. May 20, 1999 Published in [218] Securities and Exchange Board

of India, Noti. No. S.O. 357(E), dated May 20, 1999, published in the Gazette of India, Extra., Part II, Section 3(ii), dated 20th May, 1999, pp. 3-4, No. 265 [F. No. SEBI/LE/15/1133/99]

5. Substituted for the words "Rs. 50 lakhs " by Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2003

6. Omitted for "Provided that a registrar to an issue or share transfer agent shall not act as a depository participant on behalf of investors, for securities of those companies on whose behalf it is acting as a registrar to an issue or share transfer agent."], vide " THE SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996" Dt.21st September, 1999 Published in S.E.B.I., Noti. No. S.O. 775(E), dated September 21, 1999, published in the Gazette of India, Extra., Part II, Section 3(ii), dated 21st September, 1999, p. 3, No. 575 [F. No. SEBI/LE/17998/99] [L]

7. Inserted vide " THE SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996" Dt.5th January, 1998 Published in Securities and Exchange Board of India, Noti. No. S.O. 18(E), dated January 5, 1998, published in the Gazette of India, Extra., Part II, Section 3(ii), dated 5th January, 1998, p. 10, No. 9 [F. No. SEBI/LE/2303/98] [L]

20. Grant of certificate of registration :-

(1) After considering the application under Regulation 16, with reference to the matters specified in Regulation 19, if the Board is satisfied that the applicant is eligible for grant of certificate of registration, grant a certificate in Form F.

(2) The grant of certificate of registration in Form F shall be subject to the following, namely:-

(a) the participant shall pay the registration fee specified in Part A of the Second Schedule in the manner specified in Part B thereof, within fifteen days of the receipt of intimation from the Board;

(b) the participant shall comply with the provisions of the Act, Depositories Ordinance, the bye-laws, agreements and these regulations;

(c) the depository through which an application for certificate of registration has been forwarded holds a certificate of commencement of business under Regulation 14;

(d) if any information previously submitted by the participant to the Board is found to be false or misleading in any material particular, or if there is any change in such information, the participant shall forthwith inform the Board in writing;

(e) the participant shall redress the grievances of beneficial owners within thirty days of the date of the receipt of the complaint and keep the depository informed about the number and the nature of redressals; and

(f) the participant shall pay annual fees specified in Part A of the Second Schedule in the manner specified in Part B thereof.

21. Period of validity of the certificate of registration :-

The certificate of registration issued under Regulation 20, or renewed under Regulation 22 shall be valid for a period of five years from the date of its issue or renewal, as the case may be.

22. Renewal of certificate of registration :-

(1) Three months before the expiry of the period of validity of a certificate of registration, the participant shall, if it so desires, make an application for renewal in Form E through the depository in which it is a participant

.

(2) The application for renewal under sub-regulation (1) shall accompany the fee specified for issue of certificate of registration and shall be dealt with in the same manner as if it were a fresh application for grant of certificate of registration.

23. Conditions of renewal of certificate of registration :-

The Board may renew a certificate of registration granted to a participant subject to the conditions of certificate of registration specified in Regulation 22.

24. Procedure where certificate of registration is not granted :-

(1) Where an application for the grant of certificate of registration under Regulation 16 or for its renewal under Regulation 22 does not satisfy the requirements specified in Regulation 19, the Board shall reject the application after giving the applicant an opportunity of being heard,

(2) The decision of the Board to reject the application shall be communicated to the applicant in writing within thirty days of such decision, stating therein the grounds on which the application has been rejected.

25. Effect of refusal to renew a certificate of registration :-

Any participant whose application for a certificate of registration as a participant has been rejected by the Board under Regulation 24, shall from the date of expiry of the certificate of registration sought to be renewed, cease to carry on any activity as a participant : Provided that the Board may, in the interest of the investors in the securities market permit the participant to carry on activities undertaken prior to the receipt of the intimation of refusal subject to such condition as the Board may specify.

CHAPTER 5

RIGHTS AND OBLIGATIONS OF DEPOSITORIES, PARTICIPANTS, ISSUERS, MANNER OF SURRENDER OF CERTIFICATE OF SECURITY AND CREATION OF PLEDGE OR HYPOTHECATION

26. Rights and obligations of depositories, etc :-

The depositories, participants, issuers, and issuers' agents, in addition to the rights and obligations laid down in the Depositories Ordinance and the bye-laws shall have the rights and obligations arising from the agreements entered into by them.

27. Depository to declare specific securities eligible :-

Every depository shall, in its bye-laws, state the specific securities which are eligible for being held in dematerialised form in the depository.

28. Securities eligible for dematerialisation :-

The following securities shall be eligible for being held in dematerialised form in a depository :

(a) shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate:

(b) units of mutual funds, rights under collective investment schemes and venture capital funds, commercial paper, certificates of deposit, securitised debt, money market instruments and unlisted securities shall also be similarly eligible for being held in dematerialised form in a depository.

¹ "(c) any other security as may be specified by the Board from time to time, by way of a notification in the Official Gazette and subject to such conditions as it may deem fit to impose."

1. In Regulation 28, after the existing clause (b), the clause (c) shall be inserted, by the Securities and Exchange Board of India

29. Agreement between depository and issuer :-

(1) Every depository shall enter into an agreement with the issuer in respect of securities that are to be declared as eligible to be held in dematerialised form. ¹ ["Provided that no agreement shall be required to be entered into where the depository itself is an issuer of securities"]

(2) Where the issuer has appointed a Registrar to the Issue or Share Transfer Agent, who has been granted certificate of registration by the Board under sub-section (1) of Section 12 of the Act, the depository shall enter into a tripartite agreement with the issuer and the Registrar to the Issue or Share Transfer Agent, as the case may be, in respect of the securities to be declared by the depository as eligible to be held in dematerialised form.

1. Inserted vide " THE SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996" Dt.5th September, 1997 Published in Securities and Exchange Board of India, Noti. No. S.O. 640(E), dated September 5, 1997, published in the Gazette of India, Extra., Part II, Section 3(ii), dated 5th September, 1997, pp. 2-3, No. 511 [F. No. SEBI/LEXVI/ii] [L]

30. Systems and procedures :-

Every depository shall have systems and procedures which will enable it to coordinate with the issuer or its agent, and the participants, to reconcile the records of ownership of securities with the issuer or its agent, as the case may be. and with participants, on a daily basis.

31. Connectivity :-

Every depository shall maintain continuous electronic means of communication with all its participants, issuers or issuers' agents, as the case may be, clearing houses and clearing corporations of the stock exchanges and with other depositories.

32. Transfer to be affected only after payment :-

The depository shall satisfy the Board that it has a mechanism in place to ensure that the interest of the persons buying and selling securities held in the depository are adequately protected and shall register the transfer of a security in the name of the transferee only after the depository is satisfied that payment for such transfer has been made.

33. Withdrawal by participant :-

Every depository shall allow any participant to withdraw or transfer its account, if the request for such withdrawal or transfer is in accordance with conditions stipulated therefor in the bye-laws of the depository.

34. Internal monitoring, review and evaluation of systems and controls :-

Every depository shall have adequate mechanisms for the purposes of reviewing, monitoring and evaluating the depository's controls, systems, procedures and safeguards.

35. External monitoring, review and evaluation of systems and controls :-

Every depository shall cause an inspection of its controls, systems, procedures and safeguards to be carried out annually and forward a copy of the report to the Board.

36. Insurance against risks :-

Every depository shall take adequate measures including insurance to protect the interests of the beneficial owners against risks likely to be incurred on account of its activities as a depository.

37. Manner of keeping records :-

Where records are kept electronically by the depository, it shall ensure that the integrity of the automatic data processing systems is maintained at all times and take all precautions necessary to ensure that the records are not lost, destroyed or tampered with and in the event of loss or destruction, ensure that sufficient back up of records is available at all times at a different place.

38. Records to be maintained :-

(1) Every depository shall maintain the following records and documents namely-

- (a) records of securities dematerialised and rematerialised,
- (b) the names of the transferor, transferee, and the dates of transfer of securities:
- (c) a register and an index of beneficial owners;
- (d) records of instructions received from and sent to participants, issuers, issuers' agents and beneficial owners;
- (e) records of approval, notice, entry and cancellation of pledge or

hypothecation, as the case may be;

(f) details of participants;

(g) details of securities declared to be eligible for dematerialisation in the depository; and

(h) such other records as may be specified by the Board for carrying on the activities as a depository.

(2) Every depository shall intimate the Board the place where the records and documents are maintained.

(3) Subject to the provisions of any other law, the depository shall preserve records and documents for a minimum period of five years.

39. Cooperation with other entities :-

Every depository shall extend all such cooperation to the beneficial owners, issuers, issuers' agents, custodians of securities, other depositories and clearing organizations as is necessary for the effective, prompt and accurate clearance and settlement of securities transactions and conduct of business.

40. Prohibition of Assignment :-

No depository shall assign or delegate to any other person its functions as a depository, without the prior approval of the Board.

41. Agreement by participant :-

Every participant shall enter into an agreement with a beneficial owner before acting as a participant on his behalf, in a manner specified by the depository in its bye-laws.

42. Separate Accounts :-

(1) Separate accounts shall be opened by every participant in the name of each of the beneficial owners and the securities of each beneficial owner shall be segregated, and shall not be mixed up with the securities of other beneficial owners or with the participant's own securities.

(2) A participant shall register the transfer of securities to or from a beneficial owner's account only on receipt of instructions from the beneficial owner and thereafter confirm the same to the beneficial owner in a manner as specified by the depository in its bye-laws.

(3) Every entry in the beneficial owner's account shall be supported

by electronic instructions or any other mode of instruction received from the beneficial owner in accordance with the agreement with the beneficial owner.

43. Statement of accounts :-

Every participant shall provide statements of account to the beneficial owner in such form and in such manner and at such time as provided in the agreement with the beneficial owner.

44. Transfer or withdrawal by beneficial owner :-

Every participant shall allow a beneficial owner to withdraw or transfer from his account in such manner as specified in the agreement with the beneficial owner.

45. Connectivity :-

Every participant shall maintain continuous electronic means of communication with each depository in which it is a participant.

46. Monitoring, reviewing and evaluating internal systems and controls :-

Every participant shall have adequate mechanism for the purposes of reviewing, monitoring and evaluating the participant's internal accounting controls and systems.

47. Reconciliation :-

Every participant shall reconcile his records with every depository in which it is a participant, on a daily basis.

48. Returns :-

Every participant shall submit periodic returns to the Board and to every depository in which it is a participant in the form specified by the Board or the bye-laws of the depository, as the case may be.

49. Record of services :-

(1) Every participant shall maintain the following records and documents, namely-

(a) records of all the transactions entered into with a depository and with a beneficial owner',

(b) details of securities dematerialised, rematerialised on behalf of beneficial owners with whom it has entered into an agreement;

(c) records of instructions received from beneficial owners and statements of account provided to beneficial owners: and

(d) records of approval, notice, entry and cancellation of pledge or hypothecation, as the case may be.

(2) Every participant shall make available for the inspection of the depository in which it is a participant all records referred to in sub-regulation (1).

(3) Every participant shall allow persons authorised by the depository in which it is a participant to enter its premises during normal office hours and inspect its records.

(4) Every participant shall intimate the Board the place where the records and documents are maintained.

(5) Subject to the provisions of any other law, the participant shall preserve records and documents for a minimum period of five years.

50. Manner of keeping records :-

Where records are kept electronically by the participant, it shall ensure that the integrity of the data processing systems is maintained at all times and take all precautions necessary to ensure that the records are not lost, destroyed or tampered with and in the event of loss or destruction, ensure that sufficient back up of records is available at all times at a different place.

51. Records to be maintained depository-wise :-

If a participant enters into an agreement with more than one depository, it shall maintain the records specified in Regulation 49 separately in respect of each depository.

52. Prohibition of assignment :-

No participant shall assign or delegate its functions as participant to any other person, without the prior approval of the depository.

53. Agreement by issuer :-

Every issuer whose securities have been declared as eligible to be held in dematerialised form in a depository shall enter into an agreement with the depository in accordance with the provisions of Regulation 29.

53A. Manner of handling share registry work :-

A1 . All matters relating to transfer of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with the depositories shall be handled and maintained at a single point i.e. either in house by the issuer or by

a Share Transfer Agent registered with the Board.

a1. Inserted by Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2003

53B. Redressal of investor grievances :-

A1 . Every issuer or its .agent or any person who is registered as an intermediary under this Act, shall redress the grievances of beneficial owners within thirty days of the date of receipt of the complaint and keep the depository informed about the number and nature of grievances redressed by it and the number of grievances pending before it."

a1. Inserted by Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2003

54. Manner of surrender of certificate of security :-

(1) Any beneficial owner, who has entered into an agreement with a participant, shall inform the participant of the details of the certificate of security which is to be dematerialised, and shall surrender such certificate to the participant: Provided that where a beneficial owner has appointed a custodian of securities, then he may surrender the certificates of security to the participant through his custodian of securities..

(2) The participant shall, on receipt of information under sub-regulation (1). forward such details of the certificate of security to the depository and shall confirm to the depository that an agreement has been entered into between the participant and the beneficial owner.

(3) The participant shall maintain records indicating the names of beneficial owners of the securities surrendered, the number of securities and other details of the certificate of security received.

¹(4) The participant shall, within seven days of the receipt of certificate of security referred to in sub-regulation (1) furnish to the issuer details specified in sub-regulation (2) alongwith the certificate of security."

¹ (5) Within 15 days of receipt of the certificate of security from the participant the issuer shall confirm to the depository that securities comprised in the said certificate have been listed on the stock exchange or exchanges where the earlier issued securities are listed and shall all also after due verification immediately mutilate

and cancel the certificate of security and substitute in its record the name of the depository as the registered owner and shall send a certificate to this effect to the depository and to every stock exchange where the security is listed :

Provided that in case of unlisted companies the condition of listing on all the stock exchanges where earlier issued shares are listed shall not be applicable."

(6) Immediately upon receipt of information from the issuer under sub-regulation (5), the depository shall enter in its records the name of the person who has surrendered the certificate of security as the beneficial owner, as well as the name of the participant from whom it has received intimation under sub-regulation (2), and shall send an intimation of the same to the participant.

(7) The issuer shall maintain a record of certificates of securities which have been dematerialised.

1. SUBSTITUTED BY "The Securities and Exchange Board of India (Depositories and Participants) (Second Amendment) Regulations, 2003, [Noti. No. F. No. SEBI/LE/16459/2003, dt. 2.9.2003 Gaz. of India, Exty., Pt. II-Sec. 3(ii), No. 808, dt. 2.9.2003, p. 3.1

55. Reconciliation :-

The issuer or its agent shall reconcile the records of dematerialised securities with all the securities issued by the issuer, on a daily basis.

55A. Audit :-

A1

(1) Every issuer shall submit audit report on a quarterly basis, starting from September 30, 2003, to the concerned stock exchanges audited by a qualified Chartered Accountant or a practicing Company Secretary, for the purposes of reconciliation of the total issued capital, listed capital and capital held by depositories in dematerialized form, the details of changes in share capital during the quarter and the in-principle approval obtained by the issuer from all the stock exchanges where it is listed in respect of such further issued capital.

(2) The audit report under sub-regulation (1) shall also give the updated status of the register of members of the issuer and confirm that securities have been dematerialized as per requests within 21 days from the date of receipt of requests by the issuer and where

the dematerialization has not been effected within the said stipulated period, the report shall disclose the reasons for such delay.

(3) The issuer shall immediately bring to the notice of the depositories and the stock exchanges, any difference observed in its issued, listed, and the capital held by depositories in dematerialised form.

a1. Inserted by Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2003

56. Connectivity :-

Every issuer or its agent shall establish continuous electronic means of communication with the depository with which it has entered into an agreement.

57. Information :-

Every issuer whose securities have been declared as eligible for dematerialisation in a depository shall give information to the depository about hook c to sures, record dates, dates for the payment of interest or dividend, dates for annual general meetings and other meetings, dates for redemption of debentures, dates for conversion of debentures and warrants, call money dates and such other information at the time and in the manner as may be specified by the depository in its bye-laws or agreement.

58. Manner of creating pledge or hypothecation :-

¹ (1) If a beneficial owner intends to create a pledge on a security owned by him he shall make an application to the depository through the participant who has his account in respect of such securities.

(2) The participant after satisfaction that the securities are available for pledge shall make a note in its records of the notice of pledge and forward the application to the depository.

(3) The depository after confirmation from the pledge that the securities are available for pledger with the pledger shall within fifteen days of the receipt of the application create and record the pledge and send an intimation of the same to the participants of the pledger and the pledgees.

(4) On receipt of the intimation under sub-regulation (3) the participants of both the pledger and the pledgee shall inform the

pledger and the pledgee respectively of the entry of creation of the pledge.

(

5) If the depository does not create the pledge, it shall send a to ng with the reasons an intimation to the participants of the pledger and the pledgee.

(6) The entry of pledge made under sub-regulation (3) may be cancelled by the depository if pledger or the pledgee makes an application to the depository through its participant: Provided that no entry of pledge shall be cancelled by the depository without prior concurrence of the pledgee.

(7) The depository on the cancellation of the entry of pledge shall inform the participant of the pledger.

(8) Subject to the provisions of the pledge document, the pledgee may invoke the pledge and on such invocation, the depository shall register the pledgee as beneficial owner of such securities and amend its records accordingly.

(9) After amending its records under sub-regulation (8) the depository shall immediately inform the participants of the pledger and pledgee of the change who in turn shall make the necessary changes in their records and inform the pledger and pledgee respectively.

(10)

(a) If a beneficial owner intends to create a hypothecation on a security owned by him he may do so in accordance with the provisions of sub-regulations (1) to (9).

(b) The provisions of sub-regulations (1) to (9) shall mutadis mutandis apply in such cases of hypothecation : Provided that the depository before registering the hypothecatee as a beneficial owner shall obtain the prior concurrence of the hypothecator.

(11) No transfer of security in respect of which a notice or entry of pledge or hypothecation is in force shall be effected by a participant without the concurrence of the pledgee or the hypothecatee as the case may be.

1. Substituted for " (1) If a beneficial owner intends to create a pledge or hypothecation on a security owned by him, he shall make

an application in this regard to the depository through the participant who has his account in respect of such security in the manner specified in sub-regulations (2) to (9). (2) If the security intended to be pledged or hypothecated is unencumbered, the participant shall, after making a note of its records, of the notice of pledge or hypothecation, forward the application of the beneficial owner to the depository for its approval. (3) On receipt of application of the beneficial owner through the participant, the depository shall make such investigation as it may consider necessary and if it approves the creation of the pledge or hypothecation, it shall enter the particulars of the intended pledge or hypothecation in its records and where he does so, intimate the participant who shall also amend its records accordingly and immediately intimate the beneficial owner. (4) On receipt of the intimation under sub-regulation (3), the beneficial owner may create a pledge or hypothecation and where he does so, he shall intimate the depository through the participant of the creation of such pledge or hypothecation. (5) The participant, on receipt of the intimation under sub-regulation (4), shall substitute for the notice of pledge or hypothecation in its records an entry of pledge or hypothecation as the case may be and shall inform the pledgee, beneficial owner and the depository. (6) On receipt of the intimation under sub-regulation (5), the depository shall make in its records the changes referred to in sub-regulation (5). (7) Where the depository disapproves the creation of the pledge or hypothecation it shall record the reasons for such disapproval and intimate the participant, who in turn shall inform the beneficial owner and the beneficial owner shall not create a pledge or hypothecation with respect of the securities. (8) The entry of pledge made under sub-regulation (5) shall be cancelled by the participant when the beneficial owner redeems the pledge or hypothecation and makes a request, with the concurrence of the pledgee, to the participant to cancel the entry of pledge or hypothecation, and the participant shall inform the depository accordingly. (9) On receipt of the intimation under sub-regulation (8), the depository shall make in its records the changes referred to in sub-regulation (8). (10) No transfer of security in respect of which a notice of pledge or entry of pledge is in force, shall be affected by a participant without the concurrence of the pledgee. (11) Where the pledgee satisfies the depository that owing to the default of the beneficial owner, the pledgee is entitled to be registered as beneficial owner of the pledged securities or a part thereof, the depository may, after giving the beneficial owner a reasonable opportunity to make such representation as he may wish to make, direct the participant to register the pledgee as beneficial owner of such securities and amend its own records accordingly. (12) On receipt of the direction under sub-regulation (9), the participant shall immediately carry necessary corrections in its records. ", vide " THE SECURITIES AND EXCHANGE BOARD OF INDIA(DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996"

Dt.5th September, 1997 Published in Securities and Exchange Board of India, Noti. No. S.O.640(E), dated September 5, 1997, published in the Gazette of India, Extra., Part II, Section 3(ii), dated 5th September, 1997, pp. 2-3, No. 511 [F. No. SEBI/LEXVI/ii] [L]

58A. 58A :-

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(1) A depository or a participant or any of their , employees shall not render, directly or indirectly, any investment advice about any security in the publicly accessible media, whether real-time or non real-time, unless a disclosure of his interest including long or short position in the said security . has been made, while rendering such advice.

(2) In case, an employee of the depository or the participant is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice."

1. Inserted by "The Securities and Exchange Board of India (Investment Advice by Intermediaries)(Amendment)Regulations, 2001

58B. Appointment of Compliance Officer :-

1

(1) A depository and a participant shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions etc. issued by the Board or the Central Government and for redressal of investors' grievances.

(2) The compliance officer shall immediately and independently report to the Board any non-compliance observed by him."

1. Inserted by "The Securities and Exchange Board of India (Investment Advice by Intermediaries)(Amendment)Regulations, 2001

CHAPTER 6
INSPECTION

59. Boards right to inspect :-

The Board may appoint one or more persons as inspecting officer to undertake inspection of the books of accounts, records, documents and infrastructure, systems and procedures, or to investigate the affairs of a depository, a participant, a beneficial owner, an issuer

or its agent for any of the following purposes, namely-

(a) to ensure that the books of account are being maintained by the depository, participant, issuer or its agent in the manner specified in these regulations',

(b) to look into the complaints received from the depositories, participants, issuers, issuers' agents, beneficial owners or any other person;

(c) to ascertain whether the provisions of the Act, the Depositories Ordinance, the bye-laws, agreements and these regulations are being complied with by the depository, participant, beneficial owner, issuer or its agent:

(d) to ascertain whether the systems, procedures and safeguards being followed by a depository, participant, beneficial owner, issuer or its agent are adequate;

(e) to suo motu ensure that the affairs of a depository, participant, beneficial owner, issuer or its agent, are being conducted in a manner which are in the interest of the investors or the securities market.

60. Notice before inspection and investigation :-

(1) Before ordering an inspection or investigation under Regulation 59, the Board shall give not less than 10 days notice to the depository, participant, beneficial owner, issuer or its agent, as the case may be.

(2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors no such notice should be given, it may, by an order in writing direct that such inspection be taken up without such notice.

(3) During the course of an inspection or investigation, the depository, a participant, a beneficial owner, an issuer or its agent against whom the inspection or investigation is being carried out shall be bound to discharge his obligation as provided in Regulation 61.

61. Obligations on inspection by the Board :-

(1) It shall be the duty of the depository, a participant, a beneficial owner, an issuer or its agent whose affairs are being inspected or investigated, and of every director, officer and employee thereof,

to produce to the inspecting officer such books, securities, accounts, records and other documents in its custody or control and furnish him with such statements and information relating to his activities as a depository, a participant, a beneficial owner, an issuer or its agent, as the inspecting officer may require, within such reasonable period as the inspecting officer may specify.

(2) The depository, a participant, a beneficial owner, an issuer or its agent shall allow the inspecting officer to have reasonable access to the premises occupied by him or by any other person on his behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the depository, a participant, a beneficial owner, an issuer or its agent or such other person and also provide copies of documents or other materials which, in the opinion of the inspecting officer are relevant for the purposes of the inspection.

(3) The inspecting officer, in the course of inspection of investigation, shall be entitled to examine or to record the statements of any director, officer or employee of the depository, a participant, a beneficial owner, an issuer or its agent.

(4) It shall be the duty of every director, officer or employee of the depository, a participant, a beneficial owner, an issuer or its agent to give to the inspecting officer all assistance in connection with the inspection, which the inspecting officer may reasonably require.

62. Submission of Report to the Board :-

The inspecting officer shall, as soon as possible, on completion of the inspection or investigation as the case may be, submit a report to the Board: Provided that if directed to do so by the Board, he may submit interim reports.

63. Communication of findings etc :-

(1) The Board shall, after consideration of the inspection report or the investigation report referred to in Regulation 62, communicate the findings of the inspecting officer to the depository, participant, issuer or its agent, as the case may be, and give him an opportunity of being heard.

(2) On receipt of the reply if any, from the depository, participant, issuer or its agent, as the case may be, the Board may call upon him to take such measures as the Board may deem fit in the

interest of the securities market and for due compliance with the provisions of the Act, the Depositories Ordinance, regulations, the bye-laws and agreements.

63A. Appointment of Auditor :-

¹ .-The Board shall have the power to appoint an auditor to inspect or investigate, into the books of accounts, records, documents, infrastructures, systems and procedures or affairs of a depository, a participant, a beneficial owner, an issuer or its agent: Provided that the auditor so appointed shall have the same powers of the inspecting or investigating officer as stated in Regulations 59 and 60, and the obligation of the depository, participant, beneficial owner, issuer or its agent and their respective directors, officers and employees, as the case may be, as stated in Regulation 61, shall be applicable to the inspection or investigation under this Regulation.

1. Inserted vide " THE SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996" Dt. July 7, 1999 Published in [251] SEBI, Noti. No. S.O. 546(E), dated July 7, 1999, published in the Gazette of India, Extra., Part II, Section 3(ii), dated 7th July, 1999, pp. 3-4, No. 415 [F. No. SEBI/LE/ 13515/99][L]

63B. Board to recover the expenses :-

The Board shall be entitled to recover from the depository, a participant, a beneficial owner, an issuer or its agent, as the case may be, such expenses including fees paid to the auditors as may be incurred by it for the purposes of inspecting or investigating the books of accounts, records, documents, infrastructures, system and procedures of the depository, a participant, a beneficial owner, an issuer or its agent, as the case may be.

CHAPTER 7

PROCEDURE FOR ACTION IN CASE OF DEFAULT

64. Suspension of certificate :-

The Board may suspend the certificate of registration granted to a depository or a participant, if such depository or participant-

- (a) contravenes any of the provisions of the Act, the Depositories Ordinance, the bye-laws, agreements and these regulations:
- (b) fails to furnish any information relating to its activity as a depository or participant as required under these regulations;
- (c) does not furnish the information called for by the Board under

clause (a) of sub-section (1) of Section 18 of the Depositories Ordinance or furnishes information which is false or misleading in any material particular:

(d) does not cooperate in any inspection or investigation or enquiry conducted by the Board;

(e) fails to comply with any direction of the Board issued under Section 18 of the Depositories Ordinance; or

(f) fails to pay the annual fee referred to in Regulation 8.

65. Cancellation of certificate :-

The Board may cancel the certificate of registration granted to a depository or participant if such depository or participant-

(a) is guilty of fraud, or has been convicted of an offence involving moral turpitude; or

(b) has been guilty of repeated defaults of the nature specified in Regulation 64. Explanation.- In this regulation, 'fraud' has the same meaning as is assigned to it in Section 17 of the Contract Act, 1872

66. Manner of making order of cancellation or suspension :-

(1) No order of suspension or cancellation of certificate of registration shall be issued by the Board against a depository or a participant, except after holding an enquiry by an officer of the Board, authorised in this regard in accordance with the procedure specified in sub-regulations (2) to (8).

(2) For the purpose of holding an enquiry the Board may appoint one or more enquiry officer.

(3) The enquiry officer shall issue to the depository or the participant, as the case may be, a notice at its registered office or the principal place of its business, setting out the grounds on which action is proposed to be taken against him and calling upon him to show cause against such action within a period of fourteen days from the date of receipt of the notice.

(4) The depository or the participant, as the case may be, shall, within fourteen days from the date of receipt of such notice, furnish to the enquiry officer a written reply, together with copies of documentary or other evidence relied on by it or sought by the Board from the depository or participant, as the case may be.

(5) The enquiry officer shall give a reasonable opportunity of hearing to the depository or participant, as the case may be, to enable it to make submissions in support of its reply furnished under sub-regulation (4) of this regulation.

(6) Before the enquiry officer, the depository, a participant, or as the case may be, may either appear in person or through any person duly authorised by the depository or participant: Provided that no lawyer or advocate shall be permitted to represent the depository or participant, as the case may be, at the enquiry : Provided further that where a lawyer or an advocate has been appointed by the Board as a presenting officer under sub-regulation (7) it shall be lawful for the depository or participant, as the case may be, to present its case through a lawyer or advocate.

(7) The enquiry officer may, if he considers it necessary, ask the Board to appoint a presenting officer to present its case.

(8) The enquiry officer shall, after taking into account all relevant facts and submissions made by the depository or participant, as the case may be, submit a report to the Board and recommend the penal action, if any, to be taken against the depository or participant, as the case may be. as also the ground on which the proposed action is justified.

67. Show-cause notice and order :-

(1) On receipt of the report from the enquiry officer, the Board shall consider the same and issue to the depository or participant, as the case may be, a show-cause notice as to why the penal action as proposed by the enquiry office should not be taken against it.

(2) The depository or participant, as the case may be, shall, within fourteen days of the date of the receipt of show-cause notice, send a reply to the Board.

(3) The Board, after considering the reply of the depository or participant, as the case may be, if received within a period of fourteen days shall as soon as possible but not later than thirty days from the date of receipt of the reply or the date of hearing, if any, whichever is later, pass such order as it deems fit including an order for the suspension or cancellation of the certificate.

(4) Every order passed under sub-regulation (3) shall be self-contained and shall give reasons for the conclusions stated therein

including the justification for the penalty if any, imposed by that order.

(5) The Board shall send to the depository or participant, as the case may be, a copy of the order made under sub-regulation (3).

68. Effect of suspension and cancellation of certificate :-

(1) On and from the date of the suspension of the certificate, the depository or participant, as the case may be, shall cease to carry on any activity as a depository or as a participant, during the period of suspension, and shall be subject to the directions of the Board with regard to any records, documents or securities that may be in its custody or control, relating to its activities as depository or participant.

(2) On and from the date of cancellation of the certificate, the depository or participant shall, with immediate effect, cease to carry on any activity as a depository or participant, and shall be subject to the directions of the Board with regard to the transfer of any records, documents or securities that may be in its custody or control, relating to its activities as depository or participant.

69. Publication of order of suspension or cancellation :-

The order of suspension or cancellation of certificate of registration issued under sub-regulation (3) of Regulation 67 shall be published by the Board in at least two daily newspapers.

SCHEDULE 1

FIRST SCHEDULE-FORMS

SCHEDULE 2

SECOND SCHEDULE

(See Regulations 3, 7, 8, 16, 20)	
SECURITIES AND EXCHANGE BOARD OF INDIA	
(DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996	
PART A	
APPLICATION FEES, REGISTRATION FEES AND ANNUAL FEES	
Application fees payable by sponsor (Rs)	50,000
Application fees payable by participant (Rs)	5000
Registration fees payable by depository (Rs)	25,00,000
Registration fees payable by participant (Rs)	1,00,000
Annual fees payable by depository (Rs)	10,00,000
Annual fees payable by participant (Rs)	1000
<u>SCHEDULE 3</u>	

THIRD SCHEDULE

Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 [Regulation 20-A] CODE OF CONDUCT FOR PARTICIPANTS

"THIRD SCHEDULE

Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996

[Regulation 20-A1 **CODE OF CONDUCT FOR PARTICIPANTS**

1. A Participant shall make all efforts to protect the interests of investors.
2. A Participant shall always endeavor to
 - (a) render the best possible advice to the clients having regard to the clients needs and the environments and his own professional skills;
 - (b) ensure that all professional dealings are affected in a prompt, effective and efficient manner;
 - (c) inquiries from investors are adequately dealt with;
 - (d) grievances of investors are redressed without any delay.
3. A Participant shall maintain high standards of integrity in all its dealings with its clients and other intermediaries, in the conduct of its business.
4. A Participant shall be prompt and diligent in opening of a beneficial owner account, despatch of the Dematerialisation Request Form, Rematerialisation Request Form and execution of Debit Instruction Slip and in all the other activities undertaken by him on behalf of the beneficial owners.
5. A Participant shall endeavor to resolve all the complaints against it or in respect of the activities carried out by it as quickly as possible, and not later than one month of receipt.
6. A Participant shall not increase charges/fees for the services rendered without proper advance notice to the Beneficial Owners.
7. A Participant shall not indulge in any unfair competition, which is likely to harm the interests of other Participants or investors or is likely to place such other Participants in a disadvantageous position while competing for or executing any assignment.
8. A Participant shall not make any exaggerated statement whether oral or written to the clients either about its qualifications or capability to render certain services or about its achievements in regard to services rendered to other clients.
9. A Participant shall not divulge to other clients, press or any other person any

information about its clients which has come to its knowledge except with the approval/authorisation of the clients or when it is required to disclose the information under the requirements' of any Act, Rules or Regulations.

10. A Participant shall co-operate with the Board as and when required.
11. A Participant shall maintain the required level of knowledge and competency and abide by the provisions of the Act, Rules, Regulations and circulars and directions issued by the Board. The Participant shall also comply with the award of the Ombudsman passed under Securities and Exchange Board of India (Ombudsman) Regulations, 2003.
12. A Participant shall not make any untrue statement or suppress any material fact in any documents, reports, papers or information furnished to the Board.
13. A Participant shall not neglect or fail or refuse to submit to the Board or other agencies with which it is registered, such books, documents, correspondence, and papers or any part thereof as may be demanded/requested from time to time.
14. A Participant shall ensure that the Board is promptly informed about any action, legal proceedings etc., initiated against it in respect of material breach or non compliance by it, of any law, rules, regulations, directions of the Board or of any other regulatory body.
15. A Participant shall maintain proper inward system for all types of mail received in all forms.
16. A Participant shall follow the Maker - Checker concept in all of its activities to ensure the accuracy of the data and as a mechanism to check unauthorized transaction.
17. A Participant shall take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. It shall also ensure that for electronic records and data, up-to-date back up is always available with it.
18. A Participant shall provide adequate freedom and powers to its compliance officer for the effective discharge of his duties.
19. A Participant shall ensure that it has satisfactory internal control procedures in place as well as adequate financial and operational capabilities which can be reasonably expected to take care of any losses arising due to theft, fraud and other dishonest acts, professional misconduct or omissions.
20. A Participant shall be responsible for the acts or omissions of its

employees

and agents in respect of the conduct of its business.

21. A Participant shall ensure that the senior management, particularly decision makers have access to all relevant information about the business on a timely basis.
22. A Participant shall ensure that good corporate policies and corporate governance are in place.