SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai,the 3rd October, 2018

SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 2018

No. SEBI/LAD-NRO/GN/2018/40.- 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 Act, 1996 (22 of 1996), the Securities and Exchange Board of India hereby makes the following regulations, namely:

CHAPTER I

PRELIMINARY

Short title and commencement

1.(1) These regulations may be called the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

Definitions

2.(1) In these regulations, unless the context otherwise requires, the terms used in these regulations shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly,-

(*a*) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(b) "applicant" means any person or persons who, acting alone or in combination with another person proposes to establish a depository under these regulations and holds fifteen percent shareholding of the depository;

(c) "associate" shall have the same meaning as assigned to it under clause (b) of sub-regulation (1) of regulation 2 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 or any amendments thereof;

(d) "Board" means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(e) "change in control" –

(i) in case of a body corporate –

(A) if its shares are listed on any recognised stock exchange, shall be construed with reference to the definition of control in terms of regulations framed under clause (h) of sub-section (2) of section 11 of the Act;

(B) in any other case, shall be construed as change in the controlling interest in the body corporate;

Explanation: For the purpose of para (B) of this sub-clause, the expression "controlling interest" means an interest, whether direct or indirect, to the extent of at least fifty-one percent of voting rights in the body corporate;

(ii) in a case other than that of a body corporate, shall be construed as any change in its legal formation or ownership.

(f) "control" shall have the same meaning as assigned to it under clause (e) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any amendments thereof;

(g) "Depositories Act" means the Depositories Act, 1996 (22 of 1996);

(h) “form” means any of the forms specified in the First Schedule;

(i) "governing board” means the board of directors of a depository;

(j) “inspecting officer” means any person authorised by the Board under regulation 84;

(k) "key management personnel" would include a person serving as head of any department, or in such senior executive position that stands higher in hierarchy to the head(s) of the department(s) in the depository, or any person who directly reports to chief executive officer or to the director of the governing board of the depository, or any person upto two levels below the chief executive officer or managing director, or any other person as may be identified by its Nomination and Remuneration Committee

(l) "persons acting in concert" in the context of acquisition or holding of shares or voting rights or control shall mutatis mutandis have the same meaning as assigned to it in clause (q) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any amendments thereof;

(m) "public interest director" means an independent director representing the interests of investors in securities market and who is not having any association, directly or indirectly, which in the opinion of the Board, is in conflict with his role;

(n) "regulatory department" means a department of a depository which is entrusted with regulatory powers and duties and includes such department as may be specified by the Board;"

(o) “Schedule” means any of the Schedules annexed to these regulations;

(p) "shareholder director" means a director who represents the interest of shareholders, and elected or nominated by such shareholders who are not depository participants, or their associates and agents;

(2) Words and expressions used and not defined in these regulations but defined in the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, the Companies Act, 2013 or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.

CHAPTER II

REGISTRATION OF DEPOSITORY

Application for grant of certificate of registration

3.(1) No person shall establish a Depository unless he has obtained registration from the Board in accordance with the Act, the Depositories Act, 1996 and these regulations.

(2) An application for the grant of a certificate of registration as a depository shall be made to the Board by an applicant in Form A of the First Schedule, 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.

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

Application to conform to the requirements

4.An application in Form A of the First Schedule 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.

Furnishing of information, clarification and personal representation

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

Consideration of application for grant of certificate of registration

6. (1) The Board shall not consider an application under regulation 3, unless the applicant belongs to the category of shareholders eligible to hold upto 15% share capital of the depository in terms of sub-regulation (1) and (2) of regulation 21.

(2) The Board shall not consider an application under regulation 3, unless the applicant is a fit and proper person as described in sub-regulation 2 of regulation 23.

Grant of certificate of registration

7. 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 applicant is eligible to act as depository, it may grant a certificate of registration in Form B of the First Schedule 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 Act, the bye-laws, agreements and these regulations ;

(*c*) the depository shall not carry on any activity whether involving deployment of funds or otherwise without prior approval of the Board:

Provided that prior approval of the Board shall not be required in case of treasury investments if such investments are as per the investment policy approved by the governing board of depository.

Provided further that a depository may carry out such activity not incidental to its activities as a depository, whether involving deployment of funds or otherwise, as may be assigned to the depository by the Central Government or by a regulator in the financial
sector, through the establishment of Strategic Business Unit(s) specific to each activity with the prior approval of the Board and subject to such conditions as may be prescribed by the Board, including transfer of such activity to a separate company within such time as may be specified by the Board having regard to the matters which are relevant to the efficient and orderly function of the Depository as mentioned in regulation 14.

Explanation: For the purposes of this clause, a Strategic Business Unit shall be an organizational unit of a company with its own mission, objectives and business strategy that is given the responsibility to serve the particular demands of one business area with appropriate technological, financial and other segregations.

(d) the shareholding of the applicant in the depository shall be locked-in for a period of five years from the date of grant of registration by the Board.

(e) the depository complies with the shareholding and governance structure requirements specified in these regulations;

(f) if any information previously submitted by the depository or the applicant 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 11 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;

(j) any other condition as the Board may deem fit in the interest of securities market.

Payment of annual fee

8.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.

Payment of annual charge

9. A depository shall pay to the Board, a percentage of the annual custody charges collected by it from the issuers as specified in Part A of Second Schedule in the manner specified in Part B thereof.

Procedure where certificate of registration is not granted

10.(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 III

CERTIFICATE OF COMMENCEMENT OF BUSINESS

Application for grant of certificate of commencement of business

11.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 of the First Schedule.

Application to conform to the requirements

12.Any application in Form C of the First Schedule 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 furtherthat 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.

Furnishing of information, clarification and personal representation

13.(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.

Consideration of application for grant of certificate of commencement of business

14.(1) The Board shall take into account for considering grant of certificate of commencement of business, all 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 crores;

(*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.

Networth certificate

15.(1) Every depository shall maintain networth as specified under regulation 14 (1) (a) at all times and submit an audited networth certificate from the statutory auditor on a yearly basis, by the thirtieth day of September of every year for the preceding financial year.

Explanation: For the purposes of this regulation, 'networth of a depository' means the aggregate value of paid up equity share capital and free reserves (excluding statutory funds, benefit funds and reserves created out of revaluation) reduced by the investments in businesses, whether related or unrelated, aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off.

(2) Every depository shall within one month of the date of the holding of its annual general meeting, furnish to the Board a copy of its audited balance-sheet and profit and loss account for the preceding financial year.

Grant of certificate of commencement of business

16. After considering the application under regulation 14 with reference to the matters specified in sub-regulation (1) of regulation 14 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 of the First Schedule.

Depository to abide by the Code of Conduct

17. The depository holding a certificate of commencement of business shall, at all times, abide by the Code of Conduct as specified in the Part D of the Third Schedule.

Procedure where certificate of commencement of business is not granted

18.(1) If the Board, after considering the matters specified in sub-regulation (1) of regulation 14 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 14; 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, stating therein the grounds on which the application has been rejected.

CHAPTER IV

OWNERSHIP OF DEPOSITORY

Definitions

19.For the purposes of this Chapter:

(1) "banking company" shall have the same meaning as assigned to it in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(2) "insurance company" shall have the same meaning as assigned to it in sub-section (8) of section 2 of the Insurance Act, 1938 (4 of 1938);

(3) "person resident in India" shall have the same meaning as assigned to it in clause (v) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999);

(4) "person resident outside India" shall have the same meaning as assigned to it in clause (w) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999).

(5) “public financial institution” shall have the same meaning as assigned to it in sub-section (72) of section 2 of the Companies Act, 2013

General Conditions

20. (1) Save as otherwise provided in these regulations, the shareholding or voting rights of any person in a depository shall not exceed the limits specified in these regulations at any point of time.

(2) For determining the shareholding of any person in a depository as specified in these regulations, any instrument held, owned or controlled, directly or indirectly, by a person that entitles him the voting rights or provides for entitlement to voting rights or equity shares or any other rights over equity shares at any future date, shall also be included:

Provided that any equity or rights over equity, arising from such instruments in excess of limit of shareholding specified in this Chapter on the date of commencement of these regulations, shall be reduced to the specified limit within a period of five years or such other period as may be specified by the Board from time to time, from the date of such commencement.

Shareholding in a Depository

21.(1) No person resident in India shall at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five percent of the paid up equity share capital in a Depository:

Provided that,—

(i)a stock exchange;

(ii)a depository;

(iii)a banking company;

(iv)an insurance company; and

(v)a public financial institution,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen percent of the paid up equity share capital of a Depository.

(2)No person resident outside India, directly or indirectly, either individually or together with persons acting in concert, shall acquire or hold more than five percent of the paid up equity share capital in a Depository:

Provided further that,-

(i)a foreign stock exchange;

(ii)a foreign depository;

(iii)a foreign banking company;

(iv)a foreign insurance company;

(v)a foreign commodity derivatives exchange; and

(vi)a bilateral or multilateral financial institution approved by the Central Government,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen percent of the paid up equity share capital of a Depository.

Explanation: For the purposes of proviso to sub-regulation (2), the persons referred to in clauses (i) to (vi) shall mean persons recognised/ incorporated outside India.

(3)Subject to the limits as otherwise prescribed by the Central Government from time to time, the combined holding of all persons resident outside India in the paid up equity share capital of a depository shall not exceed, at any time, forty-nine percent of its total paid up equity share capital.

Eligibility for acquiring or holding shares in a depository

22.(1) No person shall, directly or indirectly, acquire or hold equity shares or voting rights of a depository unless he is a fit and proper person. The depository shall ensure that all its shareholders are fit and proper persons:

Provided that such a requirement to ensure that all its shareholders are fit and proper persons shall not be applicable to a listed depository for shareholding of a person who directly or indirectly, acquires or holds less than two percent equity shares or voting rights of such listed depository.

(2) Any person(s) who acquires equity shares or voting rights, in a depository, directly or indirectly, either individually or together with persons acting in concert, that entitles the person(s) so acquiring to exercise voting rights of two percent upto five percent, shall seek approval of the Board within fifteen days of such acquisition.

(3) Any person eligible to acquire or hold more than five percent of the paid up equity share capital under sub-regulation (1) and sub-regulation (2) of regulation 21 may acquire or hold

more than five percent of the paid up equity share capital of a depository only if the person has obtained prior approval of the Board.

(4) The application for seeking approval in terms of sub-regulation (2) or sub-regulation (3) of this regulation shall be made to the Board in Form E of the First Schedule through the depository concerned.

(5) The depository shall verify the declarations/ undertakings given by the shareholders under sub-regulation (4) and forward the application, along with its recommendation for approval of the Board.

(6) If approval under sub-regulation (2) is not granted by the Board to any person, such person shall forthwith divest his entire shareholding in the depository.

(7) Any person holding two percent or more of the paid up equity share capital in a depository shall file a declaration within fifteen days from the end of every financial year to the depository that he complies with the fit and proper criteria.

Monitoring of shareholding limits

22A The depository shall put in place a monitoring mechanism as specified in Part E of Second Schedule to ensure compliance with the shareholding restrictions prescribed in these regulations at all times.

Requirement of fit and proper

23.(1)The depository shall ensure that all its directors and key management personnel are fit and proper persons at all times.

(2) For the purpose of determining whether an applicant, depository, its shareholder, director, key management personnel or a participant, is a 'fit and proper person' under these regulations, the criteria specified under regulation 20 of Securities Contracts (Regulation) (Stock exchanges and Clearing Corporations) Regulations, 2018, shall be applicable

(3) If any question arises on the decision of a depository as to whether a person is fit and proper, the Board's decision on such question shall be final.

CHAPTER V

GOVERNANCE OF DEPOSITORY

Composition of the governing board

24.(1) The governing board of every depository shall include:

(a) shareholder directors;

(b) public interest directors; and,

(c) managing director.

(2) Subject to prior approval of the Board, the chairperson shall be elected by the governing board from amongst the public interest directors.

(3) The number of public interest directors shall not be less than the number of shareholder directors on the governing board of a Depository.

(4) The number of public interest directors shall not be less than the number of shareholder directors to constitute the quorum for the meeting of the governing board.

(5) The voting on a resolution in the meeting of the governing board shall be valid only when the number of public interest directors that have cast their vote on such resolution is equal to or more than the number of shareholder directors who have cast their vote on such resolution.

(6) The casting vote in the meetings of the governing board of the depository shall be with the chairperson of the governing board.

(7) The managing director shall be included in the category of shareholder directors.

(8) Any employee of a depository may be appointed on the governing board in addition to the managing director, and such director shall be deemed to be a shareholder director:

(9) No depository participant or their associates and agents, irrespective of the depository of which they are members, shall be on the governing board of a depository.

(10) A person who is a director in an entity, that itself is a depository participant or has associate(s) as depository participant, he/she will be deemed to be a depository participant:

Provided a person shall not be deemed to be Depository Participant or their associate for the purpose of sub-regulation 10, if he/she is on the board of a Public Financial Institution or Bank which is in public sector, or which has no identifiable ultimate promoter, or the ultimate promoter is in public sector or has well diversified shareholding, and such Public Financial Institution or Bank or its associate is a Depository Participant:

Provided further that the independent directors of associates of Public Financial Institution or Bank in public sector, who is a Depository Participant and where the majority shareholding is that of such Public Financial Institution or Bank in public sector, shall not be deemed to be Depository Participant for the purpose of sub-regulation 10.

(11) The appointment of director shall be subject to fulfillment of other requirements and satisfaction of the Board.

(12) Depository shall monitor and ensure the compliance of sub-regulation 9 on continuous basis, to ensure that directors appointed, on their governing board, do not get associated with Depository Participant after approval and appointment.

(13) No foreign portfolio investor shall have any representation in the governing board of a depository.

Conditions of appointment of directors

25.(1) The appointment and re-appointment of all shareholder directors on the governing board of every depository shall be with the prior approval of the Board.

(2) The public interest directors on the governing board of a depository shall be nominated by the Board.

(3) Public interest directors shall be nominated for a term of three years, extendable by another term of three years, subject to performance review in the manner as may be specified by the Board:

Provided that post the expiry of term(s) at a depository, a public interest director may be nominated for a term of three years in other depository or recognized stock exchange or a recognized clearing corporation, only after a cooling-off period of one year:

Provided further that a person shall be nominated as a public interest director for a maximum of three terms across a depository / a recognized stock exchange / a recognized clearing corporation, subject to a maximum age limit of seventy five years.

(4) A public interest director on the board of a depository shall not act simultaneously as director on the board of its subsidiary or on the board of any other depository or recognized stock exchange or recognized clearing corporation or on the board of subsidiary of such other depository or recognized stock exchange or recognized clearing corporation.

(5) A public interest director on the board of a depository shall not act simultaneously as member on more than five committees of that depository.

(6) A public interest director on the board of a depository shall keep its governing board apprised of any conflict of interest, which may arise as a result of the public interest director providing services, either directly or indirectly, to depository participants or their associates and agents.

(7) No public interest director shall become a shareholder director unless there is a cooling-off period of three years after ceasing to be a public interest director

(8) No public interest director on the governing board of a depository shall become a director on the board of subsidiary of that depository unless there is a cooling-off period of three years after ceasing to be a public interest director.

(9) Public interest directors shall be remunerated only by way of payment of sitting fees as admissible to independent directors in the Companies Act, 2013.

(10) If any issue arises as to whether an assignment or position of a public interest director is in conflict with his role, the Board's decision shall be final.

(11) For the purpose of this regulation, the procedure for appointment of directors is prescribed under Part C of the Second Schedule.

Appointment of Managing Director

26.(1) The appointment, renewal of appointment and termination of service of the managing director of a depository shall be subject to prior approval of the Board.

(2) Every depository shall, subject to the guidelines issued by the Board from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities relating to the selection/ appointment of the managing director.

(3) The appointment of the managing director shall be for a term not exceeding five years:

Provided that post the completion of first term as Managing Director, the depository shall conduct the appointment process afresh:

Provided further that a person may be appointed as Managing Director by the depository for a maximum of two terms not exceeding five years each subject to a maximum age limit of sixty five years.

(4) The managing director of a depository shall not—

(a) be a shareholder or an associate of a shareholder of a depository or shareholder of an associate of a depository;

(b) be a depository participant, or his associate and agent, or shareholder of a depository participant or shareholder of an associate and agent of a depository participant; or

(c) hold any position concurrently in the subsidiary of a depository or in any other entity associated with a depository:

Provided that the managing director of a depository may be appointed on the governing board, but not as managing director, of the subsidiary or associate of a depository.

(5) The managing director shall be liable for removal or termination of services by the governing board of the depository with the prior approval of the Board for failure to give effect to the directions, guidelines and other orders issued by the Board, or the rules, instructions, the articles of association and bye-laws of the depository.

(6) The Board may suo motu remove or terminate the appointment of the managing director if deemed fit in the interest of securities market:

Provided that no managing director shall be removed unless he has been given a reasonable opportunity of being heard.

(7) The conditions specified under this regulation for appointment of managing director shall be applicable to a person holding position as managing director in a depository on the date of commencement of these regulations.

Explanation: For the purpose of sub-regulation (7), the applicability shall be determined post the completion of the existing term and the prior term(s) completed by a managing director on the governing board of a depository shall also be considered while determining the eligibility.

Code of Conduct for directors and key management personnel

27.(1) Every director of a depository shall abide by the Code of Conduct specified under Part-B of Third Schedule of these regulations.

(2) Every director and key management personnel of a depository shall abide by the Code of Ethics specified under Part-C of Third Schedule of these regulations.

(3) Every director and key management personnel of a depository shall satisfy the fit and proper person criteria at all times as per sub-regulation (2) of regulation 23.

(4) The Board may, for any failure by the directors to abide by these regulations or the Code of Conduct or Code of Ethics or in case of any conflict of interest, either upon a reference from the depository or suo motu, take appropriate action including removal or termination of the appointment of any director, after providing him a reasonable opportunity of being heard.

Compensation and tenure of key management personnel

28.(1) A depository shall constitute a Nomination and Remuneration Committee comprising a majority of public interest directors and chaired by a public interest director.

(2) The Nomination and Remuneration Committee shall determine the compensation of key management personnel in terms of a compensation policy.

(3) The compensation policy shall be determined by Nomination and Remuneration committee in accordance with the norms specified by the Board under Part D of Second Schedule.

(4) The compensation payable to the managing director shall be as approved by the Board and the terms and conditions of the compensation of the managing director shall not be changed without prior approval of the Board.

(5) The compensation given to the key management personnel shall be disclosed in the Report of the depository under section 134 of the Companies Act, 2013.

(6) The report under sub-regulation (5) shall comprise of ratio of compensation paid to each key management personnel, vis-a-viz. median of compensation paid to other employees of the depository.

(7) The tenure of a key management personnel, other than a director, in a department, shall be for a fixed period, as may be decided by the Nomination and Remuneration committee.

Explanation: For the purpose of sub-regulation (7), the tenure refers to the period of posting as key management personnel in a regulatory department, which shall be for a fixed period.

Segregation of regulatory departments

29. The depository shall segregate its regulatory departments from other departments in the manner specified in Fourth Schedule of these regulations.

Statutory committees

30.(1) The depository shall constitute the committees as per sub-regulation (2) and sub-regulation (3).

(2)Functional committee, comprising of:

(a) Member [1][*] committee;
(b) [2][*] grievance redressal committee; and
(c) Nomination and remuneration committee.

(3)Oversight committees, comprising of:

(a) Standing committee on technology;
(b) Advisory committee;
(c) Regulatory oversight committee; and
(d) Risk management committee.

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[1]Omitted by the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2019 w.e.f. 04-06-2019. Prior to its omission, it read as "selection".

[2] Omitted by the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2019 w.e.f. 04-06-2019. Prior to its omission, it read as "Investor".

(4)The composition, quorum and functions of the committees under sub-regulation (2) and sub-regulation (3) shall be in the manner as specified by the Board from time to time.

Disclosure and corporate governance norms

31.(1) The disclosure requirements and corporate governance norms as specified for listed companies shall mutatis mutandis apply to a depository.

(2) The governing board of a depository shall confirm compliance of sub-regulation (1) in writing on half yearly basis to the Board.

(3) Depository shall disclose resources committed towards strengthening regulatory functions and towards ensuring compliance with regulatory requirements applicable to the depository, backed by an activity based accounting in the report under section 134 of the Companies Act, 2013.

(4) The fees and charges levied by a depository shall be placed for review before the Oversight Committee of such depository.

CHAPTER VI

REGISTRATION OF PARTICIPANT

Application for grant of certificate of registration

32. (1) An application for the grant of a certificate of registration as a participant shall be made to the Board in Form F of the First Schedule, through the 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 F of the First Schedule as early as possible, but not later than thirty days along 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.

Application to conform to the requirements

33. An application in Form F of the First Schedule, 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 furtherthat 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.

Furnishing information, clarification, and personal representation

34. (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.

Consideration of application for grant of certificate of registration

35. 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 2(72) of the Companies Act, 2013;

(*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 (63 of 1951);

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

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

(*vii*) a clearing corporation or a clearing house 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 :

Provided that the stock broker shall have a minimum net worth of rupees fifty lakhs and the aggregate value of portfolio of securities of the beneficial owners held in dematerialised

form in a depository through him, shall not exceed hundred 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:

Provided alsothat 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:

Provided further that a non-banking finance company may act as a participant on behalf of any other person, if it has a net worth of rupees fifty crore in addition to the net worth specified by any other authority;

(*x*) a registrar to an issue or share transfer agent who has a minimum net worth of 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;

(*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;

(*d*) the applicant is a fit and proper person; and

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

Grant of certificate of registration

36. (1) After considering the application under regulation 32, with reference to the matters specified in regulation 35, if the Board is satisfied that the applicant is eligible for grant of certificate of registration, grant a certificate in Form G of the First Schedule.

(2) The grant of certificate of registration in Form G of the First Schedule 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 Act, 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 16;

(d) where the participant proposes change in control, it shall obtain prior approval of the Board for continuing to act as such after the change;

(*e*) 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 ;

(f) 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

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

(3) The certificate of registration granted under sub-regulation (1) shall be valid unless it is suspended or cancelled by the Board.

(4) The participant who has already been granted certificate of registration by the Board, prior to the commencement of the Securities and Exchange Board of India (Change in Conditions of

Registration of Certain Intermediaries) (Amendment) Regulations, 2016 shall be deemed to have been granted a certificate of registration, in terms of sub-regulation (1).

(5) The participant, to keep the registration in force, shall pay registration fee as specified in Part A of the Second Schedule for every five years from the sixth year of the date of grant of certificate of registration or of the date of grant of certificate of initial registration granted prior to the commencement of the Securities and Exchange Board of India (Change in Conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2016, as the case may be.

(6) The fee specified in sub-regulation (5) shall be paid three months prior to the expiry of the block for which the fee has been paid.

(7) The participant shall immediately intimate the Board, details of changes that have taken place in the information that was submitted, while seeking registration.

Participants to abide by code of conduct

37.The participant holding a certificate of registration shall, at all times, abide by the Code of Conduct as specified in Part A of Third Schedule.

Acting as participant in more than one depository

38. (1) A participant who has been granted a certificate of registration may act as a participant of another depository without obtaining separate certificate of registration subject to approval by such other depository.

(2) Such a participant who desires to act as a participant of another depository shall apply to such other depository for approval in the manner as specified by the Board.

(3) On receipt of an application under sub-regulation (2), the depository shall, on being satisfied with the compliance of the provisions of these regulations and other relevant eligibility requirements specified by the Board, grant approval to act as its participant subject to payment of registration fees specified in Part A of Second Schedule in the manner specified in Part B thereof, by the participant within fifteen days of the receipt of intimation from the depository.

(4) The depository shall inform the Board about the approval granted under sub-regulation

(5) A participant who has been granted approval under sub-regulation (3) shall pay annual fees specified in Part A of Second Schedule in the manner specified in Part B thereof, separately for each depository.

(6) To keep the registration in force, a participant who has been granted approval under sub-regulation (3) shall pay registration fees specified in Part A of Second Schedule in the manner specified in Part B thereof, for every five years from the sixth year of the date of grant of approval by the depository.

Procedure where certificate of registration is not granted

39.(1) Where an application for the grant of certificate of registration under regulation 32 does not satisfy the requirements specified in regulation 35, 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 VII

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

Rights and obligations of depositories, etc.

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

Depository to declare specific securities eligible

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

form in the depository.

Security eligible for dematerialisation

form in a depository :—

(*a*) shares, scrips, stocks, bonds, debentures, debenture stock, Indian Depository Receipts 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, Government securities and unlisted securities shall also be similarly eligible for being held in dematerialised form in a depository;

*(*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.

Agreement between depository and issuer

43. (1) Either on the issuer or on the investor exercising an option to hold his securities with a depository in dematerialised form, the issuer shall enter into an agreement with the depository to enable the investor to dematerialise the securities:

Provided that no agreement shall be required to be entered into where the depository itself is an issuer of securities:

Provided furtherthat no such agreement shall be required to be entered into where the State or the Central Government is the issuer of Government 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.

Systems and procedures

44.Every depository shall have systems and procedures which will enable it to co-ordinate 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.

Connectivity

45.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.

Mechanism for investor protection

46.The depository shall satisfy the Board that it has a mechanism in place to ensure that the interests of the persons buying and selling securities held in the depository are adequately protected.

Withdrawal by participant

47.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.

Internal monitoring, review and evaluation of systems and controls

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

External monitoring, review and evaluation of systems and controls

49.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.

Business Continuity Plan

50.A depository shall have adequate Business Continuity Plan for data and electronic records to prevent, prepare for, and recover from any disaster.

Wind-down Plan.

51.Every depository shall devise and maintain a wind-down plan in accordance with guidelines specified by the Board.

Explanation: For the purpose of this regulation, 'wind-down plan' means a process or plan of action employed, for transfer of the beneficial owner accounts and other two operational powers of the depository to an alternative institution that would take over the operations of the depository in scenarios such as erosion of net-worth of the depository or its insolvency or its inability to provide critical depository operations or services.

Insurance against risks

52.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.

Manner of keeping records

53.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.

Records to be maintained.

54. (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*) details of the holding of the securities of beneficial owners as at the end of each day;

(*e*) records of instructions received from and sent to participants, issuers, issuers' agents and beneficial owners;

(*f*) records of approval, notice, entry and cancellation of pledge or hypothecation, as the case may be;

(*g*) details of participants;

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

(*i*) 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 eight years.

Co-operation with other entities

55. Every depository shall extend all such co-operation 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.

Consolidated account statement

56.In order to enable generation of a consolidated account statement for the use of a beneficial owner in respect of all demat assets held by him, the depository shall enter into necessary agreements for sharing of such information.

Prohibition of assignment

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

Agreement by participant

58.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.

Separate accounts

59. (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.

Statement of accounts

60. 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.

Transfer or withdrawal by beneficial owner

61. 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.

Connectivity

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

Monitoring, reviewing and evaluating internal systems and controls

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

Reconciliation

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

Returns

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

Record of services

66. (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 eight years.

Manner of keeping records

67.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.

Records to be maintained depository-wise

68.If a participant enters into an agreement with more than one depository, it shall maintain the records specified in regulation 66 separately in respect of each depository.

Prohibition of assignment

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

Agreement by issuer

70. 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 43:

Providedthat no agreement shall be required to be entered into in case,—

(*i*) the depository is the issuer of securities; or

(*ii*) the State or the Central Government is the issuer of Government securities.

Manner of handling share registry work

71.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.

Redressal of investor grievances

72.Every issuer or its agent or any person who is registered as an intermediary under this regulation, 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.

Investor Protection Fund

73.(1) Every depository shall establish and maintain an Investor Protection Fund for the protection of interest of beneficial owners:

Provided that this Fund shall not be used by the depository for the purpose of indemnifying the beneficial owner under section 16 of the Depositories Act, 1996.

(2) Every depository shall credit five percent or such percentage as may be specified by the Board, of its profits from depository operations every year to the Investor Protection Fund.

(3) The contribution to and utilization of the Investor Protection Fund shall be in accordance with the norms specified by the Board.

Manner of surrender of certificate of security

74. (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.

(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) along with the certificate of security.

(5) Within fifteen 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 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.

Reconciliation

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

Providedthat where the State or the Central Government is the issuer of Government securities, the depository shall, on a daily basis, reconcile the records of the dematerialised securities.

Audit

76. (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 twenty one 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.

Connectivity

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

Information

78. Every issuer whose securities have been declared as eligible for dematerialisation in a depository shall give information to the depository about book closures, 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:

Providedthat no such information would be required to be given to the depository where the State or the Central Government is the issuer of Government securities.

Manner of creating pledge or hypothecation

79. (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) Within fifteen days of receipt of the application, the depository shall after concurrence of the pledgee through its participant, create and record the pledge and send an intimation of the same to the participants of the pledger and the pledgee.

(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 along 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) 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).

(11) The provisions of sub-regulations (1) to (9) shall *mutatis 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.

(12) 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.

Investment advice

80. (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.

Appointment of compliance officer

81. 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 thereunder and for redressal of investors' grievances.

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

Equal, fair and transparent access

82. A depository shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities.

CHAPTER VIII
LISTING OF SECURITIES

Listing

83. (1) Subject to the provisions of applicable laws in force, a depository may apply for listing of its securities on a recognised stock exchange if,—

(a) it is compliant with the provisions of these regulations particularly those relating to ownership and governance;

(b) it has completed three years of continuous depository operations immediately preceding the date of application of listing; and

(c) it has obtained approval of the Board.

(2) The Board may specify such conditions as it may deem fit in the interest of the securities market including those in relation to transfer of shares held by any person.

(3) A depository or its associates shall not list its securities on a recognized stock exchange that is an associate of the depository.

CHAPTER IX

INSPECTION

Board's right to inspect

84. The Board may appoint one or more persons as inspecting officer to undertake inspection of the books of account, 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 Act, 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.

Notice before inspection and investigation.

85. (1) Before ordering an inspection or investigation under regulation 84, the Board shall give not less than ten 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 86.

Obligations on inspection by the Board

86. (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 also 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 or 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.

Submission of report to the Board

87. 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.

Action on inspection or investigation report

88. The Board or the Chairman shall after consideration of inspection or investigation report take such action as the Board or Chairman may deem fit and appropriate including action under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

Appointment of Auditor

89. The Board shall have the power to appoint an auditor to inspect or investigate, into the books of account, 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 84 and 85, 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 86, shall be applicable to the inspection or investigation under this regulation.

Board to recover the expenses

90.The Board shall be entitled to recover from the depository, participant, beneficial owner, 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 account, records, documents, infrastructures, system and procedures of the depository, participant, beneficial owner, issuer or its agent, as the case may be.

Application of Chapter

91.Nothing contained in this Chapter shall be applicable to the State or the Central Government

where it is the issuer of the Government securities.

CHAPTER X

PROCEDURE FOR ACTION IN CASE OF DEFAULT

Liability for action in case of default

92. Without prejudice to the power of the Board to take action, under the provisions of the Act and the Depositories Act, if a depository or a participant:-

(*a*) contravenes any of the provisions of the Act, the Depositories Act, 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 Act or furnishes information which is false or misleading in any material particular;

(*d*) does not co-operate 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 Act;

(*f*) fails to pay the annual fee referred to in regulation 8,

shall be dealt with in the manner provided under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

Liability for action in case of default by issuer or its agent

93. (1) If an issuer or its agent -

(a) contravenes any of the provisions of the Depositories Act, the byelaws, agreements, these regulations and directions issued thereunder;

(b) fails to furnish any information relating to its activity as an issuer 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 Act or furnishes information which is false or misleading in any material particular;

(d) does not co-operate 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 Act,

the Board may, without prejudice to any other action which it may take under the Act, take any action against such issuer or its agent under the Depositories Act.

(2) The depository shall conduct inspection of the records of the issuers or agents, as the case may be to ensure that the records of dematerialised securities are reconciled with all the securities issued by the issuer and submit its report to the Board if there is failure by the issuers or agents in such reconciliation of records.

CHAPTER XI

MISCELLANEOUS

Power to call for information

94. The Board may from time to time call for any information, documents or records from the depository or its governing board or any shareholder or applicant thereof and from depository

participant.

Directions by the Board

95. Without prejudice to exercise of its powers under the provisions of the Act, Depositories Act, 1996 and rules and regulations made thereunder, the Board may, either suo motu or on receipt of any information or during pendency of any inspection, inquiry or investigation or on completion thereof, in the interest of public or trade or investors or the securities market, issue such directions as it deems fit, including but not limited to any or all of the following:—

(a) directing a person holding equity shares or rights over equity shares in a depository in contravention of these regulations to divest his holding, in such manner as may be specified in the direction;

(b) directing transfer of any proceeds or securities to the Investor Protection Fund of a depository;

(c) debarring any depository, any shareholder of such depository, or any associate and agent of such shareholder, or any transferee of shares from such shareholder, or applicant(s), director(s) and key management personnel(s) of the depository from accessing the securities market and/or dealing in securities for such period as may be determined by the Board.

Power to remove difficulties

96.In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Board shall have the power to issue directions through guidance notes or circulars.

Power to specify procedures, etc. and issue clarifications

97.For the purposes of implementation of these regulations and matters incidental thereto, the Board may specify norms, procedures, processes, manners or guidelines as specified in these regulations, by way of circulars.

Repeal and savings

98.(1) On and from the commencement of these regulations, the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, shall stand repealed.

(2) Notwithstanding such repeal, anything done or any action taken or purported to have been taken or contemplated under the repealed regulations before the commencement of these regulations shall be deemed to have been done or taken or commenced or contemplated under the corresponding provisions of these regulations.

(3) After the repeal of the regulations referred to in sub-regulation (1), any reference thereto in any regulation, guideline, circular or direction issued by the Board shall be deemed to be a reference to the relevant provisions of these regulations.

FIRST SCHEDULE

FORMS

FORM A

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[*See* regulation 3]

Application for grant of certificate of registration as depository

Securities and Exchange Board of India, C4-A, 'G' Block, Bandra-Kurla Complex,

Bandra (East) Mumbai 400051 - India**,**

INSTRUCTIONS

i. This form is meant for use by each person acting as the applicant of a depository.

ii. The applicant should complete this form, and submit it, along with all supporting documents to the Board at its head office at Mumbai.

iii. This application form should be filled in accordance with the regulations.

iv. Application for grant of certificate of registration as depository, will be considered provided it is complete in all respects.

v. All answers must be typed.

vi. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form.

vii. The application must be signed and all signatures must be original.

viii. The application must be accompanied by an application fee as specified in the Second Schedule to these regulations and by the draft bye-laws.

ix. Every page of the form and every additional sheet must be initialed by the authorised signatory of the applicant.

x. All copies of documents should be *attested* as true by an authorised notary.

Items 1-6 pertain to an applicant

1. Name, address of the registered office, address for correspondence, telephone number(s), fax number(s), telex number(s) and the name of the contact person of the applicant.

2. Please indicate the name of the depository which is proposed to be established by the applicant.

3. Please indicate the names of other depositories, if any, which have been sponsored by the applicant, or in which the applicant is acting as participant.

4. Please indicate the category to which the applicant belongs as per regulation 6 read with sub-regulation (1) and (2) of regulation 21.

5. Please provide the following details of each applicant:

(*a*) Date of incorporation or establishment, and the statute, if any, under which established (enclose certificate of incorporation, memorandum and articles of association or statutory provisions, if any).

(*b*) Objects of the applicant.

(*c*) Details of the nature of activities carried on by the applicant.

(*d*) Details of affiliates and subsidiaries, and activities carried on by them.

(*e*) Details of registration with the Securities and Exchange Board of India, the Reserve Bank of India or with any foreign regulatory authority of the applicant, its affiliates and its subsidiaries (enclose documents supporting such registration).

(*f*) Net worth of the applicant (enclose a copy of the latest audited financial statements). (*g*) Percentage and amount of the paid up capital of the proposed depository which the applicant is to hold.

6. Declaration statement (to be given as below) by each applicant.

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true.

And we further agree that we will notify Securities and Exchange Board of India immediately any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, and such other guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of.....

(Name of the applicant) Authorised signatory..... .....

(Name) (Signature) Date:

Place:

Items 7-14 pertain to the depository, and should be filled in accordingly

7. Name, address of the registered office, address for correspondence, telephone number(s), fax number(s), telex number(s) and the name of the contact person of the applicant.

8. Date of incorporation of the depository (enclose certificate of incorporation and memorandum and articles of association)

(*a*) Objects (main and ancillary) of the depository.

(*b*) Authorised, issued, subscribed and paid-up capital of the depository.

(*c*) Proposed net worth of the depository.

(*d*) Details of proposed shareholding of each applicant.

9. The following details may be given for each director of the depository, and for its principal officer.

(*a*) Name, age, nationality.

(*b*) Details of educational and other qualifications.

(*c*) Details of experience.

(*d*) Details of other directorships held.

(*e*) Details of any litigation connected with the securities market which has an adverse bearing on the business of the depository, involving the director or principal officer, and details of any conviction of the director or principal officer for a crime involving moral turpitude or of any economic offence for which the director or principal officer has been found guilty.

10. Please indicate the details of staff and organisation structure that is proposed to be set- up prior to commencement of business.

11. Details of infrastructure such as premises and automatic data processing, storage and back up systems and procedures, communication systems that are proposed to be set-up prior to commencement of business.

12. Internal evaluation and monitoring systems that are proposed to be set-up prior to the commencement of business.

13. Arrangements for indemnification of beneficial owners that are proposed to be put in place, including details of insurance cover proposed to be taken prior to the commencement of business.

14. Declaration statement (to be given as below).

We hereby agree and declare that the information supplied in the application including the attachment sheets, is complete and true.

And we further agree that, we will notify Securities and Exchange Board of India immediately any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, and such other guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of.....

(Name of the applicant)

Authorised signatory..... .....

(Name) (Signature)

Date: Place:

FORM B

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[*See* regulation 7]

Certificate of registration as depository

I. In exercise of the powers conferred by sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with the regulations made thereunder and with the Depositories Act, 1996 (22 of 1996) the Board hereby grants a certificate of registration to.....as a Depository subject to the conditions specified in the Act, the Depositories Act and the regulations made thereunder.

II. Registration Number for the Depository is IN/SD///

Date :

Place : Mumbai

Sd/-

For and on behalf of the

Securities and Exchange Board of India

FORM C

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[*See* regulation 11]

Application for grant of certificate of commencement of business as depository

Securities and Exchange Board of India, C4-A, 'G' Block, Bandra-Kurla Complex,

Bandra (East) Mumbai 400051 – India

INSTRUCTIONS

i. This form is meant for use by a depository granted a certificate of registration by the Securities and Exchange Board of India.

ii. The applicant should complete this form, and submit it, along with all supporting documents to the Board at its head office at Mumbai.

iii. This application form should be filled in accordance with the regulations.

iv. Application for grant of certificate of commencement of business will be considered provided it is complete in all respects.

v. All answers must be typed.

vi. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form.

vii. The application must be signed and all signatures must be original.

viii. Every page of the form and every additional sheet must be initialled by the authorised signatory of the applicant.

ix. All copies of documents should be attested as true by an authorised notary.

1. Name and registration number of the applicant.

2. Date of grant of certificate of registration to the applicant.

3. Please indicate whether bye-laws have been approved by the Board.

4. Please indicate the details of staff and organisation structure that has been set-up.

5. Please indicate the background and experience of key personnel.

6. Internal evaluation and monitoring systems including details of background and experience of personnel involved that have been set-up (enclose copies of risk management and operations manuals).

7. Please provide the following details of the automatic data processing and communications systems :

(*a*) details of hardware, software and communications systems, their capability, function and location;

(*b*) details of data storage and back up procedures and sites, their capability, function and location;

(*c*) details of disaster recovery systems and procedures.

8. Please indicate whether premises and automatic data processing and communications systems are owned, leased or rented (enclose copies of title lease or rental agreements).

9. Please indicate arrangements that have been put in place in order to indemnify beneficial owners.

10. Please enclose copy of insurance cover that has been taken.

11. Please enclose a copy of the participation agreement to be entered into with different categories of participants.

12. Please enclose a copy of the agreement to be entered into with the issuer, or with the issuer and his registrar.

13. Please enclose a copy of the agreement to be entered into between the participant, as the depository's agent, and the beneficial owners.

14. Declaration statement (to be given as below) :

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true.

And we further agree that, we will notify the Securities and Exchange Board of India immediately of any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, and such other guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of.....

(Name of the applicant)

Authorised signatory..... .....

(Name) (Signature)

Date:

Place:

FORM D

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[*See* regulation 16]

Certificate of commencement of business as depository

In exercise of the powers conferred by section 3 of the Depositories Act, 1996 (22 of 1996) read with the regulations, the Board hereby grants a certificate of commencement of business to.....as a depository subject to the conditions specified in the Act, the Depositories Act and the regulations made thereunder.

Date:

Place : Mumbai

By order

Sd/-

For and on behalf of the

Securities and Exchange Board of India

FORM E

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[See regulation 22(2) and 22(3)]

Application for grant of approval for acquisition of shares of a depository Securities and Exchange Board of India, C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (East) Mumbai 400051 – India

INSTRUCTIONS

i. This form is meant for use by a person who acquires shares of a depository in terms of sub-regulation (2) or sub-regulation (3) of regulation (22).

ii. The applicant should complete this form, and submit it, along with all supporting documents, if any to the Board through the depository concerned.

iii. This application form should be filled in accordance with the regulations.

iv. Application seeking approval will be considered provided it is complete in all respects. v. All answers must be typed.

vi. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form.

vii. The application must be signed and all signatures must be original.

viii. Every page of the form and every additional sheet must be initialled by the applicant / authorised signatory of the applicant.

1. Name
2. Address
3. Details of employment/ business, if any
4. SEBI registration number, if any
5. Details of registration with other statutory authorities,
6. Declaration regarding the fulfillment of requirements of regulation 23 of these Regulations.
7. Details of action taken / penalties imposed on him by any statutory authority in India or abroad.
8. Details of activities that may, in the opinion of the shareholder, lead to his / its disqualification.
9. Association with depository participants
10. Cases pending before any Court, Tribunal or any other statutory authority in India or abroad, if any.
11. Previous approvals from the Board as fit and proper, if any.
12. Declaration statement (to be given as below) by each applicant.

I / we hereby agree and declare that the information supplied in the application, including the attachment sheets, if any, is complete and true.

And I / we further agree that I / we will notify Securities and Exchange Board of India immediately any change in the information provided in the application.

I / we further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, and such other guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

For and on behalf of.....

(Name of the applicant)

Authorised signatory..... ***.....***

(Name) ***(Signature)***

Date:

Place:

FORM F

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[Regulation 32]

Application for Grant of Certificate of Registration as Participant

Securities and Exchange Board of India, C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (East) Mumbai 400051 – India

INSTRUCTIONS

i. This form is meant for use by an applicant for grant of registration as participant.

ii. The form should be filled in by the applicant and submitted to the depository in which it is acting as participant, who shall forward it, along with all supporting documents to the Board at its head office at Mumbai.

iii. This application form should be filled in accordance with the regulations.

iv. Application for grant of registration, as the case may be, will be considered provided it is complete in all respects.

v. All answers must be typed.

vi. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form.

vii. The application must be signed and all signatures must be original.

viii. The application must be accompanied by an application fee as specified in the Second Schedule to these regulations.

ix. Every page of the form and every additional sheet must be initialed by the authorised signatory of the applicant.

x. All copies of documents should be attested as true by an authorised notary.

1. Name, address of the registered office, address for correspondence, telephone number(s), fax number(s), telex number(s) of the applicant and the name of the contact person.

2. Please indicate to which of the categories under sub-regulation (*a*) of regulation 35, the applicant belongs.

3. (*a*) Date and place of incorporation or establishment and date of commencement of business (enclose certificate of incorporation, memorandum and articles of association or statutory provisions, if any).

(*b*) Details of the activities carried on by the applicant, in India or overseas.

(*c*) Details of affiliates and subsidiaries of the applicant operating in India, and activities carried on by them.

(*d*) Details of registration with the Securities and Exchange Board of India, the Reserve Bank of India or with any regulatory authority overseas of the applicant, and of its affiliates and subsidiaries operating in India.

(*e*) Date of commencement of business in India and overseas (please enclose copies of the Reserve Bank of India's permission, and if applicable copies of approvals from the Central Government to carry on activities mentioned above).

(*f*) Type and number of beneficial owners on whose behalf the applicant proposes to act as participant (Financial Institutions, Mutual Funds, Foreign Portfolio Investors, Portfolio

Managers, Non-Banking Finance Companies, Stock Brokers, Corporates, Individuals, or for own account).

4. Please give the name and SEBI registration number of the depository in which the applicant is to act as participant.

5. Please state whether the applicant, his partner, director or principal officer is involved in any litigation connected with the securities market which has an adverse bearing on the business of the applicant; or has at any time been convicted for any moral turpitude or at any time has been found guilty of any economic offence.

6. Please also state whether there has been any instance of violation or non-adherence to the securities laws, code of ethics/conduct, code of business rules, for which the applicant or its parent or holding company or affiliate may have been subject to economic, or criminal liability, or suspended from carrying out its operations, or the registration revoked temporarily.

7. Please indicate the net worth and paid-up capital in rupees crore as per the latest audited financial statements of the applicant.

8. Please indicate services that the applicant is already providing to beneficial owners on whose behalf the applicant proposes to act as participant, and services proposed to be provided to beneficial owners.

9. Please provide the following details regarding staff involved in activities as participant:

(*i*) organisation structure;

(*ii*) experience and background of key personnel.

10. Please provide the following details regarding safekeeping and security systems and procedures:

(*i*) risk control and operations manuals;

(*ii*) give details of independent internal control mechanisms for monitoring evaluation and review of accounting, and reporting systems and procedures.

11. Please provide the following details regarding automatic data processing systems and record keeping :

(*i*) details of hardware, software and communications systems, their capability, function and location;

(*ii*) details of data storage and back up procedures and sites, their capability, function and location;

(*iii*) details of disaster recovery systems and procedures.

12. Details of insurance cover to be taken up.

13. Please indicate the applicant's shareholding for each depository in which it has such shareholding and whether any shareholding is proposed to be acquired in the depository through which this application is being made.

14. Please enclose a copy of an undertaking from the depository in which the applicant is to act as participant that:

(*a*) the applicant is eligible to act as participant in the depository through which this application is being submitted to the Board, and meets with the eligibility criteria for participants specified in these regulations and in the depository's bye-laws;

(*b*) the applicant has adequate automatic data processing systems, adequate and competent staff, risk management systems, procedures and manuals, disaster recovery procedures, secure data storage and off site back up facilities, adequate communications links and

insurance; to enable the applicant to fulfil its obligations as participants to the satisfaction of the depository; and

(*c*) the agreement to be entered into between the participant and beneficial owners has been submitted to the depository is in accordance with the depository's bye-laws.

15. Declaration statement (to be given as below).

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true.

And we further agree that, we will notify Securities and Exchange Board of India immediately any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, and such other guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of.....

(Name of the applicant)

Authorised signatory..... .....

(Name) (Signature)

Date:

Place:

FORM G

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[Regulation 36]

Certificate of Registration as Participant

I. In exercise of the powers conferred by sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with the regulations made thereunder and with the Depositories Act, 1996 (22 of 1996) the Board hereby grants a certificate of registration to..... ..... as a participant subject to the conditions specified in the Act, the Depositories Act and the regulations made thereunder.

II. Registration Number for the participant is IN/DP/ / /

III. This certificate of registration shall be valid, unless it is suspended or cancelled by the Board.

Date:

Place: Mumbai

By order

Sd/-

For and on behalf of the
Securities and Exchange Board of India

SECOND SCHEDULE

[see regulations 3, 7, 8, 9, 32, 36]

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

PART A

APPLICATION FEES, REGISTRATION FEES, ANNUAL CHARGE AND ANNUAL FEES

Application fees payable by applicant	(Rs.)5,00,000
Application fees payable by participant	(Rs.) 15,000
Registration fees payable by depository	(Rs.)1,00,00,000
Registration fees payable by participant	(Rs.)2,00,000
Annual fees payable by depository	(Rs.)50,00,000
Annual fees payable by participant	(Rs.) 1,000
Annual charges payable by depository	

PART B

MANNER OF PAYMENT OF APPLICATION, REGISTRATION, ANNUAL CHARGE AND ANNUAL FEES

Fees to be paid by	*Manner of payment*
applicant or depository	By way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI or demand draft or bankers cheque payable to the "Securities and Exchange Board of India" at Mumbai.
Participant	Fees to be paid to the depository in which the payer is a Participant. The Depository shall forward the fees collected from participants to the Board, by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI or by a demand draft or bankers cheque payable to the "Securities and Exchange Board of India" at Mumbai.

PART C

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[See regulation 25]

[3][(I)] PROCEDURE FOR APPOINTMENT OF DIRECTORS

1.All directors while seeking approval shall submit to the depository the following details

a.Name

b.Address

c.Educational qualification

d.Details of employment/ Occupation, past and present

e.Details of other directorships

f.DIN No.

g.Declaration regarding the fulfillment of requirements specified under regulation 23 of these Regulations.

h.Declaration confirming compliance of Regulation 24(10) read with Regulation 2(1)(c) of these Regulations, in respect of non-association with trading member or clearing member.

i.Details of regulatory action taken by any statutory authority in India.

j.Details of activities that may in the opinion of the director, lead to his disqualification.

k.Association, if any, with trading members/ depository participants.

l.Disclosure of the names of his dependents associated with the securities market as member, depository participant, sub-broker, authorized person or holding any registration granted by the Board.

m.An undertaking that he shall abide by the code of conduct and code of ethics prescribed in Part B and Part C of Third Schedule to these Regulations.

n.In the case of public interest directors, consent letters for acting as a public interest director.

o.Criminal cases completed/ pending before any authority in India or abroad, if any.

(2) The depository, while recommending the names of director, shall forward the above details to the Board, along with the minutes of the meeting of the governing board where the name was

[3]Inserted by the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2019 w.e.f. 04-06-2019.

approved, copy of the shareholder's resolution (wherever applicable), a confirmation by the depository that the director is a fit and proper person in terms of the criteria specified in these regulations and are not associated with any depository participant, trading member or clearing member in terms of regulation 24(10) read with regulation 2(1)(c) of these Regulations.

[4][(II)] Managing Director / Executive Director:-

(1) The Nomination and Remuneration Committee of the Depository shall be responsible for selection of CEO /Managing Director / Executive Director, as the case may be. The managing director shall be selected through open advertisement in all editions of atleast one national daily from amongst persons qualified in the fields of capital market/ finance/ management and possessing sufficient experience. [5][The depository shall forward the new names to the Board before two months from the last working day of the existing Managing Director.]

(2) In case a vacancy of managing director arises due to unforeseen reasons, the depository shall forward the new names to the Board within 60 days from the date of submission of resignation or such vacation of office.

[6][(III)] Public Interest Directors:-

(1) The names of public interest directors shall be forwarded to the Board after the approval of the Board of the depository. The shareholders approval shall not be necessary. A minimum of two names shall be submitted to the Board for each vacancy of public interest directors.

(2) The depository shall ensure that public interest directors are selected from diverse field of work. While deciding to propose a particular person as a public interest director, the depository shall also take into account the following factors:

(a) Qualification in the area of law, finance, accounting, economics, management, administration or any other area relevant to the financial markets.

(b) At least one person may be inducted having experience and background in finance/accounts who may preferably be inducted in the audit committee.

(c) Persons currently holding positions of trust and responsibility in reputed organizations or person who have retired from such positions.

(d) Persons who are likely to have interested positions in commercial contracts and financial affairs of depository may be excluded. Also, persons who are regular traders/speculators in the market or are director in the board of the applicant of the depository shall be excluded**.**

[4]Inserted by the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2019 w.e.f. 04-06-2019.

[5]Inserted by the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2019 w.e.f. 04-06-2019.

[6]Inserted by the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2019 w.e.f. 04-06-2019.

(3) Public interest directors shall peruse the relevant laws, code of conduct, code of ethics, etc and submit an undertaking to the depository that they are aware of their role, responsibilities and obligations. The depository may conduct familiarization programmes for newly appointed Public Interest Directors and may also conduct annual training for every public interest director.

(4) In case of extension of the term of the public interest director or appointment of a new public interest director, the depository shall apply to the Board two months before the expiry of the term. In addition to the other requirements prescribed herein, the application for extension of term of the public interest director shall be accompanied with, his attendance details on meetings of various committees and on the governing board of the stock exchange / clearing corporation, performance review and the reasons for extension of term.

(5) The existing public interest director shall continue holding the post, till a new public interest director is appointed in his place.

[7][(IV)] Share Holder Directors:-

(1) The names of person(s) to be appointed as shareholder director(s) shall first be approved by the governing board of the depository followed by shareholders' approval before submitting the same to the Board for approval.

(2) The manner of election, appointment, tenure, resignation, vacation, etc., of a shareholder director shall be governed by the Companies Act, 2013, save as otherwise specifically provided under these Regulations.

[8][(V)] General conditions on appointment of directors:-

(1) The depository shall complete the appointment process within 30 days from Boards nomination/approval for directors and submit a compliance report within one week from the date of appointment.

(2) In case any other official of the depository is appointed on the governing board in addition to the Managing Director, the same shall be subject to the approval of shareholders and the Board, in that order.

[7]Inserted by the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2019 w.e.f. 04-06-2019.

[8]Inserted by the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2019 w.e.f. 04-06-2019.

PART D

Securities and Exchange Board of India (Depositories and

Participants) Regulations, 2018

[See regulation 28 (3)]

Norms for compensation policy

(1)Regulation 28 of these Regulations mandates that the compensation policy for key management personnel of depository shall be in accordance with the norms specified by the Board. The compensation norms, in this regard, shall be as follows:-

a)The variable pay component shall not exceed one-third of total pay.

b)Fifty percent of the variable pay shall be paid on a deferred basis after three years.

c)ESOPs and other equity linked instruments in the depository shall not be offered or provided as part of the compensation for the key management personnel.

d)The compensation policy shall have malus and clawback arrangements.

(2)Apart from the above, the compensation policy of the depository shall take into consideration the following:

a)financial condition / health of the depository

b)average levels of compensation payable to employees in similar ranks,

c)shall not contain any provisions regarding incentives to take excessive risks over the short term,

d)revenues, net profit of the depository,

e)comparable to the industry standards,

f)role and responsibilities of the key management personnel,

g)periodic review

(3)Further, at the time of seeking approval of the Board for the appointment of the managing director, the depository shall seek approval for the compensation of the managing director from the Board.

PART E

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[See regulation 22(10)]

Monitoring of shareholding limits

(1)In terms of sub-regulation (4) of regulation 22, the depository shall put in place a monitoring mechanism to ensure compliance with the shareholding restrictions prescribed in these Regulations at all times. Depository shall:-

(a)Check the shareholding data on a periodic basis to ensure that the shareholding restrictions specified under Chapter IV of these regulations are complied with at all times.

(b)Upon breach of shareholding limits, intimate the same to the Board within 7 days.

(c)In case of listed depository, be guided by circular dated January 01, 2016 issued by the Board.

THIRD SCHEDULE

Part-A

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[See regulation 36]

CODE OF CONDUCT FOR PARTICIPANTS

1. A participant shall make all efforts to protect the interests of investors.

2. A participant shall always endeavour 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 effected 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, dispatch 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 endeavour 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 the 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 unauthorised 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.

Part-B

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[See regulation 27]

CODE OF CONDUCT FOR DIRECTORS

i. Meetings and minutes

Every director of the depository shall:

a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;

b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require;

c) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;

d) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;

e) endeavour to have the date of next meeting fixed at each governing board meeting in consultation with other members of the governing board;

f) endeavour that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within fifteen days for considering the remaining items.

ii. Code of Conduct for the public interest directors

a) In addition to the conditions stated in Para (i) above, public interest directors of the depository shall, endeavour to attend all the governing board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the governing board or do not attend seventy five percent of the total meetings of the governing board in a calendar year.

b) Public interest directors shall meet separately, at least once in six months to exchange views on critical issues.

iii. Strategic planning

Every director of the depository shall:

a) participate in the formulation and execution of strategies in the best interest of the depository and contribute towards pro-active decision making at the governing board level;

b) give benefit of their experience and expertise to the depository and provide assistance in strategic planning and execution of decisions.

iv. Regulatory compliances

Every director of the depository shall:

a) endeavour to ensure that the depository abides by all the provisions of the Securities and Exchange Board of India Act, 1992, Depositories Act, 1996, rules and regulations framed thereunder and the circulars, directions issued by the Board from time to time;

b) endeavour compliance at all levels so that the regulatory system does not suffer any breaches;

c) endeavour to ensure that the depository takes commensurate steps to honour the time limit prescribed by Board for corrective action;

d) not support any decision in the meeting of the governing board which may adversely affect the interest of investors and shall report forthwith any such decision to the Board.

v. General responsibility

Every director of the depository shall:

a) place priority for redressing investor grievances;

b) endeavour to analyze and administer the depository issues with professional competence, fairness, impartiality, efficiency and effectiveness;

c) submit the necessary disclosures/statement of holdings/dealings in securities as required by the depository from time to time as per their bye-laws or Articles of Association;

d) unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty and no such information shall be used for personal gains;

e) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;

f) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;

g) perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;

h) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the depository.

Part-C

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[See regulation 27]

CODE OF ETHICS FOR DIRECTORS AND KEY MANAGEMENT PERSONNEL

The 'Code of Ethics' for directors and key management personnel of the depository, is aimed at improving the professional and ethical standards in the functioning of depository thereby creating better investor confidence in the integrity of the securities market.

i. Objectives and underlying principles

The Code of Ethics for directors and key management personnel of the depository seeks to establish a minimum level of business/ professional ethics to be followed by these directors and key management personnel, towards establishing a fair and transparent marketplace. The Code of Ethics is based on the following fundamental principles:

- Fairness and transparency in dealing with matters relating to the depository and the investors.
- Compliance with all laws / rules / regulations laid down by regulatory agencies / depositories.
- Exercising due diligence in the performance of duties.
- Avoidance of conflict of interest between self-interest of directors/ key management personnel and interests of depository and investors.

ii. Regulatory Oversight Committee

For overseeing implementation of this Code, a regulatory oversight committee shall be constituted by every depository under the governing board.

iii. General standards

a) Directors and key management personnel shall endeavour to promote greater awareness and understanding of ethical responsibilities.

b) Directors and key management personnel, in the conduct of their business shall observe high standards of commercial honour and just and equitable principles of trade.

c) The conduct of directors and key management personnel in business life should be exemplary.

d) Directors and key management personnel shall not use their position to give/get favours to/from the executive or administrative staff of the depository, suppliers of the depository, or any issuer company admitted to the depository.

e) Directors and key management personnel shall not commit any act which will put the reputation of the depository, in jeopardy.

f) Directors, committee members and key management personnel of the depository, shall comply with the provisions of all applicable law to the securities market.

iv. Disclosure of dealings in securities by key management personnel of the depository

a) Key management personnel of the depository shall disclose on a periodic basis as determined by the depository (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board/regulatory oversight committee/ Compliance Officer.

b) The dealings in securities shall also be subject to trading restrictions for securities about which key management personnel in the depository may have non-public price sensitive information. Requirement laid down under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 may be referred in this regard.

c) All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased must be held for a minimum period of 60 days before they are sold. However, in specific/exceptional circumstances, sale can be effected anytime by obtaining pre-

clearance from the Compliance Officer to waive this condition after recording in writing his satisfaction in this regard.

Explanation: 'securities' for the purpose of this Code shall not include units of mutual fund.

v. Disclosure of dealings in securities by directors of the depository

a) All transactions in securities by the directors and their relatives shall be disclosed to the governing board of the depository.

b) All directors shall also disclose the trading conducted by firms/corporate entities in which they hold twenty percent or more beneficial interest or hold a controlling interest, to the regulatory oversight committee.

c) Directors who are Govt. of India nominees or nominees of Govt. of India statutory bodies or financial institutions and are governed by their own codes shall be exempt from this requirement.

vi. Avoidance of conflict of interest

a) No director of the governing board or member of any committee of the depository shall participate in any decision making/adjudication in respect of any person /matter in which he is in any way, directly or indirectly, concerned or interested.

b) Whether there is any conflict of interest or not in a matter, shall be decided by the governing board.

vii. Disclosures of beneficial interest

All directors and key management personnel shall disclose to the governing board, upon assuming office and during their tenure in office, whenever the following arises:-

a) any fiduciary relationship of self and family members and directorship/partnership of self and family members in any depository participant or registrar and transfer agent;

b) shareholding, in cases where the shareholding of the director key management personnel, directly or through his family exceeds five percent in any listed company or in other entities related to the securities markets;

c) any other business interests.

viii. Role of the Chairman and directors in the day to day functioning of the depository

a) The Chairman and directors shall not interfere in the day to day functioning of the depository and shall limit their role to decision making on policy issues and to issues as the governing board may decide.

b) The Chairman and directors shall abstain from influencing the employees of the depository in conducting their day to day activities.

c) The Chairman and directors shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the governing board.

ix. Access to information

a) Directors shall call for information only as part of specific committees or as may be authorised by the governing board.

b) There shall be prescribed channels through which information shall move and further there shall be audit trail of the same. Any retrieval of confidential documents/ information shall be properly recorded.

c) All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration/ gain.

d) Any information relating to the business/operations of the depository, which may come to the knowledge of directors/ key management personnel during performance of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.

x. Misuse of position

Directors/committee members shall not use their position to obtain business or any pecuniary benefit in the organization for themselves or family members.

xi. Regulatory oversight committee to lay down procedures

a) The regulatory oversight committee shall lay down procedures for the implementation of the Code and prescribe reporting formats for the disclosures required under the Code.

b) The Compliance Officer shall execute the requirements laid down by the regulatory oversight committee.

While the objective of this Code is to enhance the level of market integrity and investor confidence, it is emphasized that a written Code of ethics may not completely guarantee adherence to high ethical standards. This can be accomplished only if directors and key management personnel of the depository commit themselves to the task of enhancing the fairness and integrity of the system in letter and spirit.

Part-D

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[See regulation 17]

CODE OF CONDUCT FOR DEPOSITORIES

1. A depository shall always abide by the provisions of the Act, Depositories Act, 1996, Rules, Regulations, circulars, guidelines and any other directions issued by the Board.

2. A depository shall take appropriate measures towards investor protection and education of investors.

3. A depository shall treat all its applicants/participants in a fair and transparent manner.

4. A depository shall promptly inform the Board of violations of the provisions of the Act, Depositories Act, the rules, the regulations, circulars, guidelines or any other directions by any of its participants, issuer or issuer's agent.

5. A depository shall take a proactive and responsible attitude towards safeguarding the interests of investors, integrity of the depository system and the securities market.

6. A depository shall make endeavors for introduction of best business practices amongst itself and its participants.

7. A depository shall act in utmost good faith and shall avoid conflict of interest in the conduct of its functions.

8. A depository shall not indulge in unfair competition, which is likely to harm the interests of any other depository, participants or investors or is likely to place them in a disadvantageous position while competing for or executing any assignment.

9. A depository shall be responsible for the acts or omissions of its employees in respect of the conduct of its business.

10. A depository shall monitor the compliance of the rules and regulations by the participants and shall further ensure that their conduct is in a manner that will safeguard the interest of investors and the securities market.

FOURTH SCHEDULE

Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

[See regulation 29]

MEASUSRES TO ENSURE AUTONOMY OF REGULATORY DEPARTMENTS

In order to ensure the segregation of regulatory departments, every depository shall adopt a "Chinese Wall" policy which separates the regulatory departments of the depository from the other departments. The employees in the regulatory departments shall not communicate any information concerning regulatory activity to any one in other departments. The employees in regulatory areas may be physically segregated from employees in other departments including with respect to access controls. In exceptional circumstances employees from other departments may be given confidential information on "need to know" basis, under intimation to the Compliance Officer. For the purposes of the above, "regulatory areas" shall mean those departments of a depository which are mandated by law or those entrusted with regulatory powers and duties, and may include departments performing the following functions:

(i) risk management;

(ii) surveillance;

(iii) participant registration;
(iv) Issuer/ securities admission;
(v) compliance;
(vi) inspection;
(vii) enforcement;
(viii) arbitration;
(ix) investor protection;
(x) investor services.

Sd/-
AJAY TYAGI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA