

## PART XII

# DEPOSITORIES

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## 1. Meaning of Depository

A depository shall be a company under the Companies Act, 1956. Under depository system, the concept of issue of share certificates will be replaced by the entries made in books by a depository in respect of each member of the concerned company as beneficial owner of the shares held by him in such company. This system is known as 'scripless trading system'. Any body to be eligible to provide depository services must register with SEBI. The depository company shall keep the account of the shares or other securities of each such beneficial owner in the said company.

For the purpose of the operation of scheme, the shares of a company are issued in the name of concerned depository which is considered to be the registered holder of said shares and is vested with certain limited rights like maintenance of account of each shareholder of every company which opt for the depository. The investor in shares or securities shall be the beneficial owner of such shares or securities. The depository as a registered owner of the shares or securities shall not have any voting rights or any other rights in respect of the securities held by it. It is only the beneficial owner, who is entitled to all the rights and benefits and be subjected to all the liabilities in respect of his securities held by a depository. The depository shall maintain a register and an index of beneficial owners in the manner provided in sections 150, 151 and 152 of the Companies Act, 1956.

At present the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), these two Depository organisations are working in India.

## 2. Depository has functions similar to bank

It can be compared with a bank, which holds the funds for depositors. A Bank-Depository comparison is given in the following table:

| <i>Bank</i>                                                                | <i>Depository</i>                                                               |
|----------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Holds fund in the account.                                                 | Hold securities in an account.                                                  |
| Transfers funds between accounts on the instruction of the account holder. | Transfers securities between accounts on the instruction of the account holder. |
| Facilitates transfer without having to handle                              | Facilitates transfer of ownership without having to                             |

|                                   |                                        |
|-----------------------------------|----------------------------------------|
| money.                            | handle securities.                     |
| Facilitates safekeeping of money. | Facilitates safekeeping of securities. |

### 3. Depository Participant (DP)

A participant is an intermediary, which provides services to a depository, issuer and beneficial owner (i.e. investor). A DP is an agent of the depository, and functions as the interacting medium between the Depository and the Investor. A DP is a person registered with SEBI and must possess the requisite qualifications prescribed by the depository of which he is a Participant. A DP is responsible for maintaining the investor's securities account with the depository and handles the account in accordance with the investor's written instructions. A DP could be linked to a broker who deals/trades on the investors' behalf.

A depository interfaces with market participants e.g. brokers, clearing members, and investors, through its agents called DP. Any body wishes to avail the services of depository has to open an account with a DP. The process of opening a depository account is similar to that of opening a bank account. According to SEBI Regulations, Financial Institutions, Banks, Custodians, Stock Brokers etc. can become DPs. A person is at liberty to choose any DP of his choice at any location to suit ones convenience. A person is also at liberty to deal with more than one DP (similar to holding bank accounts with several banks).

### 4. Beneficial owner

Under the Depositories Act, 1996, a member of a company is known as beneficial owner of the shares held by him and registered in the name of a depository. Section 41(3) of the Companies Act, 1956 provides that every person holding equity share capital of a company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be a member of concerned company.

### 5. Option to receive physical security certificate or hold in electronic mode

Every person subscribing to securities offered by an issuer shall have an option either to receive the security certificates or hold securities with a depository. Where a person opts to hold a security with a depository, the issuer shall intimate such depository the details of allotment of the security, and on receipt of such information the depository shall enter in its records the name of the allottee as the beneficial owner of that security.

### 6. Legal framework for a Depository

The operations of the depositories are carried out in accordance with the regulations made by SEBI in this behalf, and the bye-laws and business rules framed by the depository as per the powers given under the Depositories Act. The Central Government, in exercise of power to make rules to carry out the provisions of the Act, framed the SEBI (Depositories and Participants) Regulations, 1996.

The legal frame-work for a depository system has been laid down in the following enactments:—

- Securities & Exchange Board of India Act, 1992
- The Depositories Act, 1996
- SEBI (Depositories and Participants) Regulations, 1996
- By-laws of depository
- Business rules of depository
- The Companies Act, 1956

### 7. Facilities offered by Depository System

The various facilities offered by depository are as follows:—

- Opening of depository account
- Dematerialisation
- Rematerialisation
- Settlement of trades in dematerialised securities
- Account transfer
- Transfer, Transmission and Transposition

- Pledge and Hypothecation
- Redemption or Repurchase
- Stock lending and borrowing
- Corporate Action
- Account freezing
- Nomination
- Demat of debt instruments
- Dealing in Government securities

#### **8. Benefits of holding securities in electronic mode**

The Benefits are enumerated below:

- Safe and convenient way to hold securities
- Immediate transfer of securities
- No stamp duty on transfer of securities
- Elimination of risks associated with physical certificates such as bad delivery, fake securities, delays, thefts, etc.
- Reduction in paperwork involved in transfer of securities
- Reduction in transaction costs
- Nomination facility
- No odd lot problem, even one share can be sold
- Transmissions of securities are done by DP eliminating correspondence with companies
- Automatic credit into de-mat account of shares, arising out of bonus, split/consolidation/merger, etc.
- Holding investments in equity and debt instruments in a single account.

#### **9. Options to hold securities in Electronic mode ID compulsory for listed companies**

Clause 2.1.5.1 of SEBI (Disclosure of and Investor Protection) Guidelines, 2000 prescribes that no company shall make public or right issue or an offer for sale of securities unless the company enters into an agreement with a depository for dematerialisation of securities and takes other steps.

#### **10. Opening of Depository Account**

SEBI has made compulsory trading of shares of all the companies listed in Stock Exchanges in demat form w.e.f. 2nd January, 2002. Hence, if the investor wants to trade in respect of the Companies, which have established connectivity with NSDL & CDSL, he has to open a beneficiary account.

A beneficiary account is an account opened by the investor or a broker with a DP of his choice, to hold shares in dematerialised (demat) form and undertake scripless trading.

The investor cannot open demat account directly with the depository. Demat account opening procedure will normally take a maximum of 5 days.

For opening a demat account, first an investor has to approach a DP and fill up an account opening form and submit the same alongwith the following documents:—

- Address proof
- Identity proof
- Photograph
- Income Tax PAN

Once a demat account is opened, the investor must sign an agreement with the DP, which details rights and duties of investor and DP. The investor will be allotted an Account No. known as 'Client identity'. This 'Client Identity' numbers along with the 'DP identity' number forms a unique combination. Both these

numbers should be quoted in all the future dealings with Depositories/DP/RTA/Company. However, in case of CDSL there is no DP identity and the 16-digit Client identity itself is a unique number. The investor must collect forms like dematerialisation request form (DRF), Delivery instruction slips, etc.

As a partnership firm is not a legal entity, demat account cannot be opened in the name of partnership firms. However, a demat account can be opened in the name of the partners. Demat account cannot be opened in the name of HUF. It has to be opened in the name of the Karta of the HUF. In the case of a minor, the depository account should be opened in the name of the minor and the guardian's name should be mentioned. The guardian will sign as signatory on behalf of the minor.

Investor can open any number of DP accounts with any number of DPs. However, investor has to incur cost for each of such account. However, it should be noted that the multiple D-mat account should not be used for subscription of initial public issues, as it would be in contravention of section 68A of the Companies Act, 1956.

Investor must open different demat accounts for shares held in different combination of names. Alternatively investor can submit the certificate for demat along with transposition form.

There is no minimum balance required to be maintained in a demat account and an investor can even maintain nil balance.

The depository does not charge any fee directly from the investors. The depository charges only the DPs. However, the DP is free to charge its client for the services offered. The charges of the DPs to investors varies. Generally the following charges are levied viz. - Account opening—

- Demat/Remat
- Account Maintenance
- Custody
- Transaction, etc.

The investor is provided with a transaction statement by his DP at regular intervals. Based on that the Investor will know his security balances. The DP will send a transaction statement once in a quarter if there are no transactions during the quarter. If there are any transactions DP will send the statement within fifteen days of the transaction. The investor can give a one time standing instruction to his DP to receive all the credits coming to his depository account automatically. However, the investor cannot give standing instruction for any debits in his account.

A DP cannot access the investor accounts of any other DP. The DP can access only those investor accounts services by them.

Details of bank account of the client, including the 9-digit code number of the bank and branch appearing on the MICR cheques issued by the bank have to be given to the DP at the time of account opening. Companies use this information for printing them on dividend/interest warrants, etc., to prevent its misuse. In case the client wishes to change this bank account details, he can do so by submitting the changes in writing to the DP.

An investor can close a demat account by giving an application in the prescribed form. In case there is any balance in the demat account sought to be closed, the following steps are necessary:—

- (a) Re-materialisation of all securities standing to the credit of the demat account at the time of making the application for closure, or
- (b) Transferring the balance to the credit of another demat account, with the same participant or with a different participant.

## **11. Mandatory requirement to have PAN for opening and maintaining D-mat Account**

SEBI *vide* Circular No. MRD/DoP/SE/Cir-8/2006 dt.13.07.2006 has made PAN mandatory for operating Beneficial Owner Account (BO) in the depository system. All the entities/persons who are desirous of transacting in the cash market are required to produce PAN w.e.f. 01.10.2006. All applicants are required to carry original documents for verification by an authorised official of the depository participant, under his signature.

SEBI *vide* its Circular No. MRD/DoP/Dep/Cir-09/06 dt.20.07.2006 states that any investor who has PAN but not having the PAN card may be permitted to open BO Accounts subject to producing the PAN allotment letter. However, such investors would be required to produce the PAN Card on or before

September 30, 2006 failing which the DPs shall freeze such accounts as "Suspended for Debit" till PAN card is produced for verification.

However, above said date has been extended from 30<sup>th</sup> Sep., 2006 to 31<sup>st</sup> Dec., 2006 *vide* SEBI Circular No. MRD/DoP/Dep/SE/Cir-13/06 dt 26.09.2006. For detailed Circulars, refer Appendix 1

## **12. Dematerialisation of securities**

Conversion of physical certificates into dematerialised holdings at the request of the investor is called 'dematerialisation'. The entire process of dematerialisation completes in about 15 days time. However, for those cases, where large numbers of certificates are submitted from institutions for dematerialisation, it takes upto 30 days for dematerialisation.

All securities held by a depository shall be dematerialised and shall be in fungible form. Provisions contained in sections 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, 1956 shall not apply to a depository in respect of securities held by it on behalf of the beneficial owners.

### ***12.1. Procedure for dematerialisation to be followed by the issuer company***

After an existing company decides to provide the facility of holding share in electronic/dematerialized form to its members and holders of other securities, the following steps are required to be taken:

1. The company should amend its Articles by passing a special resolution at a general meeting to insert the articles relating to dematerialisation of shares. (Appendix 2)
2. The company should sign agreements with the Depositories, NSDL and CDSL. SEBI has stipulated that if a company wishes to provide demat facility to its investors it must sign agreements with both the depositories.
3. In order to dematerialise its shares, a company must have electronic connectivity with the depositories. Electronic connectivity can be established either in-house by investing in computer hardware, software and other equipment or through a Registrar which has got the required infrastructure. In case a company opts for an outside Registrar, the agreement mentioned above will be a tri-partite agreement.
4. Once the company is admitted in the depository system, an ISIN (International Securities Identification Number) is allotted by the depository. This number is unique for each security of the company that is admitted in the depository.
5. After establishment of electronic connectivity, Depositories inform the name and ISIN of the company, which has joined the depository System, to the Participant.
6. The company should inform the Stock Exchanges, where its shares are listed that the company's shares are eligible for dematerialisation. The shareholders should also be informed that the company's shares can be held in dematerialised form. This can also be done by issuing an advertisement in newspapers or by way of a mention in the Annual Report of the Company.

### ***12.2. Procedure for dematerialisation to be followed by DP on receiving of request from the investor***

1. In order to dematerialise the Physical Share Certificates, an investor will have to first open an account called as Demat A/c or Security A/c with any of the DP of his choice.
2. Obtain the Account No. from his DP.
3. Obtain the Dematerialised Request Form (DRF) from his DP.
4. This DRF, together with the Share Certificates desired to be dematerialised is to be submitted to DP.
5. DP, then issues an acknowledgement to the investor and afterwards follows the following procedure:
  - (a) Defaces the Share Certificates by putting a rubber stamp "Surrendered for Dematerialisation" and by punching two holes on the name of the company on the Share Certificate.
  - (b) Generates a Demat Request Number (DRN) through his Depository Participant Module (DPM) and fills the same in DRF at the appropriate place.

- (c) Sends an electronic communication to Depository viz. NSDL or CDSL, as the case may be, to the effect that so many shares of this company (Identified by ISIN) have been received for dematerialisation.
- (d) Sends the DRF and Share Certificates to the company by courier. The role of DP comes to an end with this but he must send a reminder in case credit of shares is not received in demat account of investors within a month.
- 6. The depository electronically downloads the particulars of demat request, received from DP and send to the electronic Registrar of the company so that these shares could be dematerialized. Ultimately, the company or its RTA, as the case may be, receives two kinds of communications:
  - (i) DRF and Physical Share Certificates from DP.
  - (ii) Electronic Download of Demat Request from depository through electronic Registrar.

**12.3. Procedure for Dematerialisation to be followed by Company after the completion of formalities by DP**

1. Separate folios should be created in computer in the names of NSDL and CDSL to which dematerialised shares will be transferred.
2. The particulars mentioned in DRF should be checked from Share Certificates. This is very much similar to scrutiny of Share Certificates and Transfer Deed in case of Transfer of shares. However, special attention should be given that the pattern of holding written on DRF is the same as the endorsement on Share Certificates.
3. Signatures of shareholders on DRF should be verified from the specimen signatures as per records of the company. All the joint holders should sign the DRF.
4. The ISIN should be mentioned in the DRF. This, to a certain extent, ensures that the security mentioned in the DRF is the one, which the investor intends to dematerialise.
5. Odd lot share certificates can also be dematerialised. In fact the market lot in demat mode is one share and an investor can even hold one share in a company.
6. The investor can dematerialise part of his holdings and hold the balance in physical mode for the same security.
7. The data of all demat requests received viz. DRN, DP-Id, Client-Id, Distinctive Nos. of Shares are entered in computer.
8. After completion of data entry, a checklist containing all the demat requests is generated which should be checked thoroughly to ensure that only those shares for which Share Certificates have been received are dematerialised.
9. After ensuring that all corrections pointed out during checking of check list have been made out, updation is done in computer as a result of which the shares are transferred from the Folios of various shareholders, who have surrendered their shares for demat, to NSDL/CDSL Folio as the case may be. Hence, the Register of Members gets updated.
10. In the end a report is generated which contains the details of DRNs, which have been dematerialised in company's records as well as DRNs, which have been rejected on account of some objection. The report is forwarded to the company's electronic Registrar which in turn uploads the data of confirmed demat requests to depository for credit of shares in demat account of shareholders. Similarly the DRNs rejected are also uploaded to depository so that an intimation regarding rejection of demat requests is sent to DPs. Once the DRNs are either accepted or rejected for dematerialisation these are removed from pending list of company.
11. The DRFs & Share Certificates which are rejected due to any objection should be returned to respective DP so that the same can be lodged again after generating a fresh DRN and rectification of objection.
12. The company should furnish the data of shares dematerialised comprising of Folio No., Name of Shareholder, No. of Shares, Distinctive No. to Shares to Stock Exchanges as per SEBI (Depository



and Participant) Regulations, 1996 to enable Stock Exchange to update their database. A certificate to this effect should also be sent to the Depositories.

13. Depositories, then confirms the dematerialisation of shares to DP.
14. DP, then credit the holding of shares into account, electronically.
15. Dematerialisation will normally take about 30 days.
16. Partly paid up shares and fully paid up shares are identified by separate ISINs (International Securities Identification Number). These are also traded separately at the Stock Exchanges. The company issues call notices to the beneficial holders of partly paid up securities in the electronic form. The details of such beneficial holders will be provided to the RTA/Company by the Depositories. After the call money realisation, RTA/Company will electronically convert the partly- paid up shares to fully paid up shares.

### **13. Transfer-cum-Dematerialisation Scheme**

SEBI has issued circular that companies whose shares are traded compulsorily in dematerialised form only by all investors should provide facility for transfer-cum-dematerialisation simultaneously to investors. For this purpose a letter known as 'Option Letter' is sent to transferees informing that shares lodged by them for transfer have been duly transferred in their favour and the Share Certificates are lying with the Company and in case they wish to hold the shares in dematerialised form, they may approach a depository participant who should lodge this letter duly signed and stamped along with Dematerialisation Request Form duly filled and signed by shareholder within 30 days of the date of letter.

SEBI has also prescribed that companies which are providing 'transfer-cum-demat' facility to their shareholders should furnish a certificate to depositories from a practising Company Secretary to the effect that the procedure prescribed by SEBI has been duly complied with and this certificate shall be sent to SEBI within 30 days of the end of the every quarter. However, since large number of scrips have already been dematerialized, SEBI by Circular No. MRD/CIR-10/2004, dated 10-02-2004 has withdrawn the above scheme.

### **14. Rematerialisation of securities**

The conversion of dematerialised holdings back into certificates is called 'rematerialisation'. If the investor wish to get back his securities in physical form, all he has to do is to request his depository participant for rematerialisation of the same by filling up 'Rematerialisation Request Form' (RRF). The entire process of rematerialisation usually takes a maximum of 30 days.

#### **14.1. Procedure for rematerialisation**

1. The Investor must fill up a Remat Request Form (RRF) and give it to DP.
2. The DP will forward the request to depository after verifying that the shareholder has the necessary balances. If it is found that clients account does not have enough balance, demat request should be rejected and client be intimated accordingly.
3. The request should be entered in DPM system and Remat Request Number (RRN) generated should be filled on RRF.
4. Depository in turn will intimate the RTA/Company.
5. RTA/Company will print the certificates and dispatch the same to the investor.

#### **14.2. Account transfer**

Depository gives effect to all transfers resulting from the settlement of trades and other transactions that take place between various beneficial owners by recording entries in the accounts of such beneficial owners. SEBI vide Circular SMDRP/POLICY/CIR-5/2001, dated 1-2-2001, has stipulated that with effect from 12-2-2001, clearing member is required to transfer the securities from their respective CM Pool Account to the respective beneficiary account of their clients within 6 calendar days after the pay-out day instead of the existing time limit of 15 days. With effect from 02.04.2001, the time limit of 6 calendar days after the pay-out day for transferring the balances to the beneficiary accounts of the clients shall be reduced to 4 calendar days or 2 working days whichever is earlier.

### **14.3. Buying of Securities**

The transactions relating to purchase of securities are summarised below:—

1. Investor purchases securities in any of the stock exchanges connected to depository through a broker.
2. Broker receives payment from investors.
3. Broker arranges payment to clearing corporation.
4. Broker receives credit of securities in clearing account on the pay-out day.
5. Broker gives standing instructions to DP to debit clearing account and credit client's account.
6. Investor receives shares into his account.
7. The investor should ensure that the broker transfers the securities purchased to his account, before the book closure. If the securities remain in the clearing account of the broker, the company may give corporate benefits to the broker. Therefore, the investor has to collect benefits from his broker.

### **14.4. Selling of Securities**

Procedure for selling securities is given below:—

1. Investor sells securities in any of the stock exchanges linked to depository through a broker.
2. Investor gives instruction to DP to debit his account and credit the broker's (clearing member pool) account.
3. Before the pay-in day, investor's broker transfers the securities to clearing corporation.
4. The broker receives payment from the stock exchange (clearing corporation).
5. The investor receives payment from the broker for the sale in the same manner payment is received for a sale in the physical mode.

## **15. Transfer, transmission and transposition**

### **15.1. Transfer**

Under a depository system, transfer of security occurs merely by passing book entries in the records of the depositories, as and when instructed by the beneficial owners. Whenever shares of a company, whose shares are maintained by a depository, are transferred from one person to another person, the transaction would be directly handled by the participant and the concerned depository. The company whose shares are the subject matter of the transfer, will not come into the picture at all. It is therefore provided that every depository shall furnish to the issuer information about the transfer of securities in the name of beneficial owners at such intervals and in such manner as may be specified by the bye-laws. Every issuer shall also make available to the depository copies of the relevant records in respect of securities held by such depository.

Section 108(3) provide that provisions contained in section 108 shall not apply to transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a depository.

### **15.2. Transmission**

In the case of transmission, the claimant will have to fill a Transmission Request Form, supported by documents like death certificate, succession certificate, etc. The DP, after ensuring that the application is genuine, will transfer securities to the demat account of the claimant. For this purpose the claimant must have a depository account. The major advantage in transmission of dematerialized holdings is that the transmission formalities for all securities held with a DP can be completed in one go, unlike in the case of share certificates, where the claimant will have to interact with each RTA/Company.

### **15.3. Transposition**

Shares sent for transposition can be dematerialised. In case of transposition-*cum*-dematerialisation, the investor can get the securities dematerialised in the same account if the names appearing on the certificates match with the names in which the demat account has been opened but are in a different order, by

submitting the security certificates along with the Transposition Form and the Dematerialisation Request Form (DRF) to the DP.

## **16. Pledge or hypothecation of securities held in an electronic mode**

A beneficial owner may with the previous approval of the depository create a pledge or hypothecation in respect of a security owned by him through his depository. Every beneficial owner shall give intimation of such pledge or hypothecation to his depository and such depository shall thereupon make entries in its records accordingly. Any entry in the records of a depository as aforesaid shall be evidence of a pledge or hypothecation. Pledging dematerialised securities is easier and more advantageous as compared to pledging physical securities.

### **16.1. Steps for pledging of securities**

1. Both borrower (pledger) as well as the lender (pledgee) must have depository accounts.
2. The pledger, desirous of pledging securities from his demat account, must submit a Pledge Request Form (PRF) in duplicate to his/her DP.
3. The pledger may countersign the PRF.
4. On receipt of the PRF from the pledger, the pledger's DP verifies that the securities to be pledged are unencumbered and there is a free balance, *i.e.* the securities are not earmarked for settlement, or they are not already pledged or frozen.
5. The pledger's DP creates a pledge request in depository system by entering the details of the PRF in the front-end system. Depository system allocates a unique Pledge Sequence Number (PSN) to each pledge request setup.
6. Depository system generates a confirmation letter for the pledgor on setup of a pledge request.
7. The PSN generated by the system is noted on the PRF and a copy of the same is given to the pledgee.
8. The pledgee submits the duly acknowledged copy of the PRF to his/her DP who can accept/reject based on the instructions from pledgor.
9. Depository system generates a confirmation letter for the pledgee on acceptance of the pledge request.
10. On acceptance of pledge request by pledgee's DP, the pledged quantity is blocked in the pledgor's account.
11. A pledge request setup can be cancelled by the pledgor before the same is accepted/rejected by the pledgee.

### **16.2. Steps for un-pledging of securities**

1. For un-pledging the securities, the pledgor submits a request on Un-pledge Request Form (URF) in duplicate to his/her DP. The pledgor may countersign the URF.
2. One copy of URF is given to the pledger's DP and the other copy to the pledgee.
3. The pledger's DP will setup an un-pledge request based on the URF, in the Depository system.
4. Pledge submits the duly acknowledged copy URF to his/her DP who either accepts or rejects the un-pledge request.
5. On acceptance/rejection of the un-pledge request, the status is changed from 'Un-pledge Set-up' to 'Un-pledge Accepted' or 'Un-pledge Rejected', as the case may be.
6. If the Un-pledge request is accepted, the pledge quantity of ISIN under this PSN is transferred from 'Pledge Balance' to Free balance' in the pledger's beneficiary account. An un-pledge request can be setup for partial quantity also.
7. An un-pledge request setup can be cancelled by the pledgor before the same is accepted/rejected by the pledgee.

### **17. Nomination in case of electronic mode**

Like shares held in physical form, shares held in electronic form also can be nominated. Nomination can be made only by individuals holding beneficiary accounts on their own behalf either singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, karta of Hindu undivided family, holder of power of attorney cannot nominate.

Nomination is permitted for accounts with joint holders. But, in case of death of any of the joint holder, the securities will be transmitted to the surviving holder(s). Only in the event of death of all the joint holders, the securities will be transmitted to the nominee. Only an individual can be a nominee. A nominee shall not be a society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family or a power of attorney holder. A minor cannot nominate either directly or through its guardian.

However, a minor can be a nominee. In such a case, the guardian will sign on behalf of the nominee and in addition to the name and photograph of the nominee, the name, address and the photograph of the guardian must be given.

Separate nomination cannot be made for each security. Nomination can be made demat account wise and not security wise.

The investor must fill in and submit to his DP the nomination form. The account holder, nominee and two witnesses must sign this form and the name, address and photograph of the nominee must be submitted.

The nomination can be changed at anytime by the account holder by filling up the revised nomination form and submitting it to the DP. The account holder, nominee and two witnesses must sign this form and the name, address and photograph of the nominee must be submitted. In case of Joint holders, all joint holders must sign.

### **18. Corporate Action by the issuer company**

Corporate actions, in the particular context of depository, are the events, which affect the rights, obligations and/or interests of the beneficial owners of the securities held by a depository. The most common examples of such events are payment of interest, dividend, bonus shares, rights or preferential issue of shares, merger, redemption, calling of call money due, liquidation etc. (See Appendix 3 & 4 for Specimen of Corporate Action Report to be filed with CDSL & NSDL on preferential issuance of shares)

A depository may handle corporate actions in two ways. In the first case, it merely provides information to the issuer about the persons entitled to receive corporate benefits. In the other case, a depository itself takes the responsibility of distribution of corporate benefits.

When any corporate event such as rights or bonus or dividend is announced for a particular security, depository will give the details of all the clients having electronic holdings in that security as of the record date to the RTA/Company. The RTA/Company will then calculate the corporate benefits due to all the shareholders. The disbursement of cash benefits such as dividend/interest will be done by the RTA/Company directly to the shareholders. Non-cash benefits will be distributed through depository by crediting the entitled quantity of shares into shareholder's demat account. NSDL at present takes the responsibility of distributing non-cash benefits.

In the public/rights issue application form of depository eligible companies, there will be a provision for the investor to indicate the manner in which he want the securities allotted to him. Even in the case of bonus issue the investor is given an option for getting the shares allotted in physical or electronic form. The investor must mention his Client ID Number and DP ID No.

SEBI has announced that the shares of all companies going in for public issue will have to be compulsorily settled in demat form by all investors. It is, therefore, advantageous for an investor to prefer the allotment internal form, so that the shares have higher liquidity.

The investor can approach his DP who in turn will contact the RTA/Company for clarifications regarding allotment of securities.

Clearing corporations and other intermediaries cannot have voting rights in respect of the shares held in pool account. Further the clearing member or clearing corporation is also responsible for distribution of bonus, rights and other corporate benefits lying in his account to the investor.

In case of physical shares, the entitlement of members to dividend is ascertained by having record date or book closure. The same record dates are to be used for payment of dividend on dematerialised shares. As per clause 14 of agreement with NSDL notice of record date/book closure for payment of dividend should be sent to NSDL on the next day on which it is sent to Stock Exchanges. In addition to this at least 15 days before the date, as of which the data of beneficial owners is required a request letter should be sent to Depositories.

#### **19. ECS Facility**

Depository system can be used for implementation of ECS facility for payment of dividend as details of Beneficial Owners downloaded from depositories already contains Bank Account Nos. of all the investors. Therefore, unlike present system there is no need to ask shareholders to furnish their Bank Account particulars so as to avail ECS facility. The concerned company obtains the details of beneficiary holders and their holdings as on the date of the book closure/record date from Depositories. The payment to the investors will be made by the company through Electronic Clearing Service (ECS), wherever available. Thus, the dividend/interest will be credited to the bank account directly. Where ECS facility is not available dividend/interest will be given by issuing warrants on which bank account details are printed.

ECS is introduced it will not only reduce costs but will also eliminate complaints with respect to non-receipt of dividend as no dividend warrants are involved and as such the question of their loss in transit does not arise.

#### **20. Reporting to Clients**

A Depository Participant should ensure that the following information is provided to the client:—

- (a) Statement of holdings to the client at regular intervals.
- (b) Transaction statement as and when a purchase or sales transaction is carried out.
- (c) Allotment details in case of primary market issues.
- (d) Confirmation of change in address/bank particulars/nomination, etc.
- (e) Any bonus shares credited into clients account.
- (f) Confirmation of dematerialisation/rematerialisation requests.
- (g) Suppression, freezing or defreezing of accounts.

#### **21. Admission of debt instruments/securities with CDSL**

SEBI had *vide* its Circular No. D/CC/FITTC/CR-13/2002, dated 1-11-2002 directed that the debt instruments of issuers be mandatorily admitted on both the depositories *i.e.* NSDL and CDSL.

In this regard SEBI has issued another Circular No. MRD/DOP/SE/Dep/Cir-36/04, dated 27-10-2004 in which it has been observed that many issuers have still not admitted their debt securities on both the depositories as required in terms of the aforesaid Circular. Further, SEBI has advised stock exchanges and depositories to inform the issuers about compliance.

The information required from the issuer company for admission of debt instruments/securities with CDSL is given below. For specimen of the below mentioned documents, see Appendix 5.

***(1) If the company is desirous of admitting its debt instruments/securities with CDSL and is admitting the same for the first time with CDSL:***

- 1. Letter of Intent (Application Form).
- 2. Master Creation Form (MCF) - Duly initialed and stamped on all the pages.
- 3. Certified true copies of Annual Reports for last 3 years.
- 4. Certified true copy of Board Resolution for admission of debt instruments/securities with CDSL.
- 5. Attested Specimen Signature of the authorised signatory as per the Board Resolution.

6. Certified true copy of Memorandum and Articles of Association, Offer Documents/Prospectus/Memorandum of Information for Debt instruments, if any.
7. Certified true copy of listing approval from stock exchanges, if company is listed.

**(2) If the company is desirous of admitting its debt instruments/securities with CDSL and has already admitted its equity shares with CDSL**

1. Letter of Intent (Application Form).
2. Master Creation Form (MCF) - duly initialed and stamped on all the pages.
3. Certified true copy of Board resolution for admission of debt instruments/securities with CDSL
4. Certified true copy of offer documents/Prospectus/Memorandum of Information for Debt Instruments, if any.
5. Certified true copy of listing approval from stock exchanges, if company is listed.
6. Letter of Offer on Rs. 100.00 stamp paper for extension of clause of tri-partite agreement from equity shares to debt instruments

**22. Reconciliation of the issued, subscribed, paid up and listed capital, held in the demat and/or physical form**

In order to ensure that the paid-up share capital of a listed company is always equal to the shares issued to the Depositories i.e. National Securities Depository, Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) for the time being, the SEBI had vide Circular No. D&CC/FITTC/CIR-16/2002 dated 31-12-2002 directed the listed companies to furnish, on a quarterly basis within 30 days of end of each quarter, a certificate from a practising Company Secretary after due verification and after a secretarial audit that the aggregate number of equity shares of the company held in NSDL and CDSL and in the physical mode tally with the total number of shares, issued and paid-up, listed and admitted. The company is required to place this certificate at the next meeting of the Board of directors of the company. The certificate shall be sent to the Depositories and Stock Exchanges within one month of end of each quarter.

**23. Appointment of common Agency for share registry work in physical and electronic mode**

SEBI in this Circular No. D&CC/FITTC/CIR-15/2002, dated 27-12-2002 observed that in many cases the issuer companies are having an internal Department or a Division for handling of physical share work and an outside agency for handling the work of electronic connectivity and that this kind of arrangement was leading to delay in dematerialisation and non-reconciliation of shareholding due to lack of proper co-ordination among the concerned agencies and Departments which was adversely affecting the interest of investors. SEBI has, therefore, asked the listed companies to ensure that the work related to share registry in terms of physical and electronic modes should be maintained at a single point i.e. either in-house by the company or by SEBI registered R&T Agent.

**24. Fees/charges payable for demat facility**

The depository participant normally charges the following fees:

*Account opening and closing fee:* DPs normally charge a nominal fee for opening and closing of accounts, though some DPs do not charge anything.

*Dematerialisation fee:* The fee could vary slightly from one DP to another. Some DPs have quoted Rs. 2 to Rs. 5 per share certificate. Some do not charge any fee for dematerialization.

*Rematerialisation fee:* This normally varies from Rs. 10 to Rs. 25 per certificate. The rematerialisation fee is deliberately kept high, in order to discourage investors who have joined the depository system from going back to the physical form of holding securities.

*Transaction fee:* The transaction fee for buying and selling varies normally from 0.025% to 0.15% calculated on the market value of the securities transacted.

**25. Rights of depositories and beneficial owner**

A depository is deemed to be the registered owner of the securities for the purposes of effecting transfer of ownership of security on behalf of a beneficial owner. The depository as a registered owner does not have any voting rights or any other rights in respect of securities held by it. The beneficial owner is

entitled to all the rights and benefits and is subjected to all the liabilities in respect of his securities held by a depository.

#### **26. Depositories to indemnify losses**

Any loss caused to the beneficial owner due to the negligence of the depository or participant, shall be indemnified by the depository to such beneficial owners. Where the loss due to the negligence of the participant is indemnified by the depository, the depository shall have the right to recover the same from such participant.

#### **27. Serving of documents**

According to the proviso of section 51 of the Companies Act, 1956, where the securities are held in a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic mode or by delivery of floppies or discs.

#### **28. Register and index of beneficial owners**

Section 152A provides that the register and index of beneficial owners maintained by a depository under section 11 of the Depositories Act, 1996 shall be deemed to be an index of members and register and index of debenture holders, as the case may be.

#### **29. SEBI safeguards to address the concerns of the investors on transfer of securities in dematerialized mode**

SEBI vide SEBI/MRD/Dep/Cir-03/2007 February 13, 2007 has issued circular for the investors protections for transfer of shares in the electronic mode to the CDSL and NSDL.

The concerns arising out of transfer of securities from the Beneficial Owner (BO) Accounts without proper authorization by the concerned investor have been brought to the notice of SEBI by some Investors' Associations. The issue was discussed by the Secondary Market Advisory Committee (SMAC) of SEBI. Based on the recommendations of the SMAC and in consultation with the depositories, it has been decided to put in place the following safeguards to address the concerns of the investors on the captioned subject :

- (1) The depositories shall give more emphasis on investor education particularly with regard to careful preservation of Delivery Instruction Slip (DIS) by the BOs. The Depositories may advise the BOs not to leave "blank or signed" DIS with the Depository Participants (DPs) or any other person/entity.
- (2) The DPs shall not accept pre-signed DIS with blank columns from the BO(s).
- (3) The DPs shall issue only one DIS booklet containing not more than 20 slips for individual account holders and not more than 100 slips for non-individual account holders, at a time.
- (4) If the DIS booklet is lost / stolen / not traceable by the BO, the same must be intimated to the DP immediately by the BO in writing. On receipt of such intimation, the DP shall cancel the unused DIS of the said booklet.
- (5) The DPs can issue subsequent DIS booklet to a BO only after the BO has used not less than 75% of the slips contained in the previous DIS booklet. The DP shall also ensure that a new DIS booklet is issued only on the strength of the DIS instruction request slip (contained in the previous booklet) duly complete in all respects, unless the request for fresh booklet is due to loss, etc., as referred to in clause (d) above.
- (6) The DPs shall not issue more than 10 loose DIS to one accountholder in a financial year (April to March). The loose DIS can be issued only if the BO(s) come in person and sign the loose DIS in the presence of an authorised DP official.
- (7) The DPs shall put in place appropriate checks and balances with regard to verification of signatures of the BOs while processing the DIS.
- (8) The DPs shall cross check with the BOs under exceptional circumstances before acting upon the DIS.
- (9) The DPs shall mandatorily verify with a BO before acting upon the DIS, in case of an account which remained inactive i.e., where no debit transaction had taken place for a continuous period of

6 months, whenever all the ISIN balances in that account (irrespective of the number of ISINs) are transferred at a time. However, in case of active accounts, such verification may be made mandatory only if the BO account has 5 or more ISINs and all such ISIN balances are transferred at a time. The authorized official of the DP verifying such transactions with the BO, shall record the details of the process, date, time, etc., of the verification on the instruction slip under his signature.

### 30. Penalties prescribed under the Depositories Act, 1996

| <i>Section</i> | <i>Default</i>                                                                                                     | <i>Maximum penalty (Rs.)</i>                                                              | <i>Person liable</i>                 |
|----------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------|
| 19A(a)         | Failure to furnish any information, document, books, returns etc. to SEBI within time specified                    | Rs. 1 lakh for each day during which failure continues or Rs. 1 crore, which ever is less | Person failing to do so              |
| 19A(b)         | Failure to file any return, etc. within time specified in regulation or bye-laws                                   | Rs. 1 lakh for each day during which failure continues or Rs.1 crore, which ever is less  | Person failing to do so              |
| 19A(c)         | Failure to maintain books of account or records                                                                    | Rs. 1 lakh for each day during which failure continues or Rs. 1 crore, which ever is less | Person failing to do so              |
| 19B            | Failure to enter into an agreement by any depository or participant or any issuer or any agent or any other person | Rs. 1 lakh for each day during which failure continues or Rs. 1 crore, which ever is less | Person failing to do so              |
| 19C            | Failure to redress investors' grievances where directed by SEBI in writing                                         | Rs. 1 lakh for each day during which failure continues or Rs. 1 crore, which ever is less | Person failing to redress grievances |
| 19D            | Failure in dematerializing securities or issue of certificate of securities on investor opting out                 | Rs. 1 lakh for each day during which failure continues or Rs. 1 crore, which ever is less | Depository or his agent              |
| 19E            | Failure to reconcile records of dematerialized securities with securities issued by issuer                         | Rs. 1 lakh for each day during which failure continues or Rs. 1 crore, whichever is less  | Depository or his agent              |
| 19F            | Failure to comply with any directions issued by SEBI                                                               | Rs. 1 lakh for each day during which failure continues or Rs. 1 crore, which ever is less | Person failing to comply             |
| 19G            | Failure to comply with any provision for which no separate penalty prescribed                                      | Fine upto Rs. 1 crore                                                                     | Any person or depository, etc.       |
| 20(1)          | Contravention of any provisions of the Act, Rules, etc.                                                            | Imprisonment upto 10 years or fine upto Rs. 25 crores                                     | Any person who contravenes           |
| 20(2)          | Failure to pay penalty                                                                                             | Imprisonment not less than 1 month upto 10 years or fine upto Rs. 25 crores or both       | Person failing to pay penalty        |

### 31. Determination of date of transfer and the period of holding of securities held in dematerialised form under section 45(2) of Income-tax Act, 1961

The clarifications issued by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes *vide* Circular No. 768, dated 24-6-1998 are as under:—

*"Transactions in Securities — Determination of "date of transfer" and the "period of holding of securities" held in dematerialized form under section 45(2A) of the Income-tax Act, 1961.—*At present trading in securities is done through the physical movement of the scrips. Transactions are settled through the endorsement and delivery of the certificates, which are also the proof of ownership of the



security mentioned therein. This system is fought with many difficulties caused due to bad deliveries and loss of share certificates. In order to remove these difficulties faced by the investors, a system of holding securities in the electronic mode at the option of an investor has now been introduced in India. The object of this system is to eliminate problems which are normally associated with settlement through physical certificates, like tearing/mutilation of share certificates due to careless handling, loss of certificates by postal authorities or registrars or investors problems of bad delivery, forgery of certificates, etc. The new system is devised to ensure faster and hassle free settlement of trade with shorter settlement cycles.

2. Under the new system, the movement of the scrips physically from one person to another is totally done away with by introducing certain intermediaries, chief among them being a depository and a participant. In order to implement the system of holding and transferring securities through the electronic media, firstly the Depositories Act, 1996, has been enacted. The object of this Act is to regulate the working of the depositories in securities and matters incidental thereto. A depository is an organisation where the securities of a shareholder are held in the electronic form on the request of the shareholder, through the medium of a depository participant. The depository is comparable to a bank where an investor who desires to utilise its services can open an account with it through a depository participant. However, a depository is not merely a custodian but is in fact the registered owner of the security and it is the depository whose name is entered as such in the register of the issuer. The person actually entitled to the security becomes the beneficial owner, whose name is recorded as such in the books of the depository.

3. The salient feature of this new system is that it is optional and would operate in conjunctions with the existing system of holding securities in physical form. Where an investor opts to hold a security with a depository *i.e.* not in physical possession of a certificate, the depository shall be intimated of the details of allotment of securities and accordingly the depository shall enter in its records the name of the allottee as the beneficial owner of that security. Under this system physical share certificates are surrendered to the issuing agency and the account maintained with the depository is the only evidence of the ownership of the securities. This conversion of physical certificates into the electronic holdings at the request of an investor is called dematerialisation. Whenever purchase/sale *i.e.* any transfer of such securities held in dematerialised form is effected, delivery is given or taken by making adjustment in the accounts maintained with the depository by the two parties. The significant feature of the dematerialised securities is that they are fungible *i.e.* all the holdings of a particular security will be identical and inter-changeable and they will have no unique characteristic such as distinctive number, certificate number, folio number, etc. As the holdings of any securities in dematerialised form is represented only by the account with the depository and all transfers are effected through book entries in the accounts maintained by the depository, under this system it is not possible to link the purchase of a security with its sale by means of its distinctive number, etc. It is for this reason that sub-section (2A) has been inserted in section 45 to provide for the computation of capital gains in respect of securities held in dematerialised form. This sub-section provides that for the purposes of calculating the date of transfer and period of holding in respect of shares held in dematerialised form, the FIFO method would apply. Clarifications have been sought on the manner of application of the FIFO system for the determination of date of transfer and the period of holding.

4. The primary issue under the Income-tax Act in the case of securities whether held in physical form or in the dematerialized form remains the determination of cost of acquisition and the period of holding. The Board had earlier issued Circular No. 704, dated 28th April, 1995, which explains the manner in which the "date of transfer" and "period of holding" may be determined. This primary position as regards the "date of transfer" and "period of holding" does not change even when the securities are held in the dematerialized form. The only problem when securities are held in dematerialized form is that the distinct trail linking every share to a certificate and its unique distinctive number linking it with its subsequent sale is not available.

5. Section 45(2A) stipulates that in the case of securities held in dematerialized form for determining 'date of transfer' and 'period of holding', the FIFO method would be applicable. FIFO method is generally used to determine the value of any item moving out of a stock account and those remaining in stock at any point of time. When applied to an account holding dematerialized stock, it implies that, out of the existing holdings, the item that first entered into the account is deemed to be the first to be sold out. However, once a sale is linked with an earlier purchase, for determination of their 'date of transfer' and 'period of holdings' Board's Circular No. 704 would be applicable. That is to say that the relevant contract notes as explained in the Circular No. 704 will have to be referred to, for ascertaining the cost of security sold and the date of transfer.

When actually operating an account of dematerialized stock by applying FIFO system, certain other issues can arise. For instance, an investor can hold part of his holdings of a security in physical form and the remaining in dematerialized form. Further, he may hold his dematerialized holdings in more than one account with one or more depositories. In such a situation there can be doubts whether the FIFO system is to be applied globally on the entire holdings of physical and dematerialized holdings or not. In this connection, it is clarified that:

- (a) FIFO method will be applied only in respect of the dematerialized holdings because in case of sale of dematerialized securities, the securities held in physical form cannot be construed to have been sold as they continue to remain in possession of the investor and are identified separately.
- (b) In the depository system, the investor can open and hold multiple accounts. In such a case, where an investor has more than one security account, FIFO method will be applied account-wise. This is because in case where a particular account of an investor is debited for sale of securities, the securities lying in his other account cannot be construed to have been sold as they continue to remain in that account.
- (c) If in an existing account of dematerialized stock, old physical stock is dematerialized and entered at a later date, under the FIFO method, the basis for determining the movement out of the account is the date of entry into the account. This is illustrated by the following examples:

| <i>Date of Credit</i> | <i>Particulars</i>                                          | <i>Quantity</i> |
|-----------------------|-------------------------------------------------------------|-----------------|
| 1-6-1997              | Purchased directly in Dematerialised form on 25-5-1997      | 2000            |
| 5-6-1997              | Dematerialized Share originally purchased in November, 1985 | 5000            |
| 10-6-1997             | Purchased directly in dematerialized form on 10-6-1997      | 4000            |
| 15-6-1997             | Dematerialized shares originally purchased in May, 1962     | 3000            |

If say, 2,500 shares were sold from out of this account, then the period of holding and the cost of acquisition of the first 2,000 shares should be as from 25-5-1997 and the cost thereof, whereas the balance 500 shares will be treated as having been acquired in November, 1985, at the relevant cost. This is the effect of the FIFO method."

### **32. Submission of Audit Report under Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996<sup>1</sup>**

SEBI have observed that some listed companies are not submitting regularly the secretarial audit reports referred to already and they have asked them to comply with the requirements. SEBI's Circular, dated 3-3-2004 is quoted below:

"1. Companies, whose securities are listed on the stock exchange(s) are required to submit audit reports on quarterly basis within 30 days from the end of each quarter, to the stock exchange(s), under the following provisions:—

(i) Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996.

(ii) SEBI Circular No. D&CC/FITTC/CIR-16/2002, dated 31-12-2002.

2. It has come to the notice of SEBI that some of the companies are not submitting reports regularly to the Stock exchange(s) as required under the above provisions.

3. The stock exchanges are, therefore, advised as under:

3.1 To draw the attention of the listed companies to the aforesaid provisions and the need for effective compliance with the said provisions. Further, stock exchanges are advised to inform the companies that submission of the audit report is a continuous requirement and accordingly comply with the same regularly on time.

3.2 To put in place a system for monitoring the compliance of the aforesaid disclosure requirements by the listed companies.

3.3 To draw the attention of the companies that failure to comply with the aforesaid provisions would be viewed seriously and penal actions including adjudication proceedings would be initiated by SEBI against the companies.

3.4 To take any other suitable steps to ensure compliance by the companies with the audit requirement.

3.5 To submit the status reports on the extent of compliance with the audit requirement by the listed companies, within 45 days from the end of each quarter, as advised earlier by SEBI *vide* letter, dated 31-12-2002.

4. The Stock Exchanges are directed to communicate to SEBI, the status of the implementation of the provisions of the above directions in Section II, Item No. 13 of the Monthly Development Report for the month of March, 2004.

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

## **Appendix 1**

### **Circulars issued by SEBI related to PAN**

#### **I. Circular No. MRD/DoP/Dep/SE/Cir-13/06 dated 26.09.2006**

1. This is further to SEBI Circular No. MRD/DoP/SE/Cir-8/2006 dated July 13, 2006 making, *inter alia*, PAN mandatory for trading in the cash market with effect from October 1, 2006 and SEBI Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006 offering clarifications pertaining to Mandatory requirement of PAN for operating Beneficiary Owner Account (BO) in the depository system.

2. Subsequent to the issue of above-referred SEBI Circulars, market participants have made further representations and suggestions and sought clarifications on the various issues from SEBI.

3. The further representations made and clarifications sought covered mainly the following aspects:

3.1. Exemption from the requirement of verification with the original PAN Card in respect of the institutional clients. Some of the brokers have expressed difficulty in verifying the PAN of institutional

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<sup>1</sup> Circular No. MRD/Policy/Cir-13/2004, dated 3-3-2004.

clients with the original PAN card as they are dealing through the custodians and not directly with their clients.

3.2. Some of the Investors have represented to SEBI seeking exemption for the joint account holders from the mandatory requirement of PAN.

3.3. Requests have also been received from various market participants for extending the present deadline of September 30, 2006 due to the following reasons:

- Some of the BOs have PAN but not the PAN Card.
- Many others have PAN Allotment Letter and have applied for duplicate PAN Card as earlier PAN card was reportedly not issued by the Income Tax Department.
- Many investors have applied for PAN but have not received the same.
- In respect of many investors, PAN has been captured, but verification is in process.

3.4. Further, brokers have requested that clarifications issued by SEBI vide SEBI Circular No.MRD/DoP/Dep/Cir-09/06 dated July 20, 2006 may be made applicable to trading in the cash market also.

4. Upon careful consideration of the representations and discussions with the market participants, the clarifications are as under:

4.1. In view of the difficulties expressed by the stock brokers in verifying the PAN of the institutional clients with the original PAN card, the custodians are advised to verify the PAN details of the institutional clients with the original PAN card and provide copy of such verified PAN details to the brokers duly certified. This would be applicable in respect of institutional clients, namely, FIIs, MFs, VCFs, FVCIs, Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with IRDA and Public Financial Institution as defined under section 4A of the Companies Act, 1956.

4.2. In the light of the practical difficulties expressed by various market participants as detailed above in adhering to the present deadline of September 30, 2006, the present deadline has been extended to December 31, 2006, as a one time measure.

4.3. The clarification contained in para 4.1 of the SEBI Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006 providing a grace period of 30 days to the entities registered with SEBI u/s 12 of the SEBI Act, 1992 stands withdrawn.

4.4. The clarifications as contained in Paras 4.2 to 4.9 of the SEBI Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006 are also applicable to trading in the cash market. A copy of the said circular is enclosed as Annexure I.

5. The Depositories are advised to:—

5.1. Bring the provisions of this circular to the notice of the DPs of the Depositories and also to disseminate the same on the website;

5.2. Include the aforesaid clarifications, as applicable, in the advertisement campaigns released by them from time to time for better understanding of the investors;

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

5.4. Communicate to SEBI the status of the implementation of the provisions of this circular in the Monthly Development Report.

6. The Stock Exchanges are advised to:

6.1 Make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately.

6.2 Bring the provisions of this circular to the notice of the member brokers/clearing members of the Exchange and also to disseminate the same on the website.

6.3 Communicate to SEBI, the status of the implementation of the provisions of this circular in Section II, item no. 13 of the Monthly Development Report.

7. This circular is being issued in exercise of the powers conferred by section 11(1) of Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

## **II. Circular No. MRD/DoP/SE/Cir-09/2006 dated 20.07.2006**

1. This has reference to NSDL Circular No. NSDL/POLICY/2006/0007 dated March 03, 2006 and CDSL Communiqué No. CDSL/OPS/DP/657 as well as CDSL/OPS/DP/666 dated February 07, 2006 and March 08, 2006, respectively, on the captioned subject.

2. During the course of implementation of the aforesaid requirement, certain operational issues have arisen and accordingly, the market participants have made representations and suggestions and sought clarifications on the various operational issues from SEBI.

3. The representations made and clarifications sought covered the following aspects:

- Exemption to certain categories of entities registered with SEBI and verification of documents for proof of address.
- Exemption to Non-Resident Indians (NRIs)/Persons of Indian Origin (PIOs).
- Exemption to persons having PAN but not the PAN card.
- Exemption to UN entities and multilateral agencies which are exempted from paying taxes/filing tax returns in India.
- Exemption to investors residing in the State of Sikkim.
- Verification of PAN card details in respect of accounts opened for HUF, AOP, Partnership Firm, Minor, etc.
- Verification of PAN card details wherever slight mismatch appears as well as where there is a difference in maiden name and current name of the investors.

4. Upon careful consideration of the representations and discussions with the market participants, the clarifications are as under:

4.1. All entities registered with SEBI under Section 12 of the SEBI Act, 1992 and having some difficulty in producing PAN card for verification at the time of opening the Beneficiary Owner (BO) account may be permitted to open a BO account without producing the PAN card. However, such entities would be required to submit the PAN card to the Depository Participants (DPs) within a period of 30 days from the date of opening of the BO account for verification, failing which the DPs shall freeze such accounts as "Suspended for Debit" till such time the PAN card is produced for verification.

4.2. As regards proof of address of FIIs/sub-accounts, a copy of the Power of Attorney (POA) given by the FIIs/FII sub-accounts to the Custodians (which are duly notarized and/or apostilled or consularised) that gives the registered address of the FIIs/sub-accounts can be accepted as proof of address.

4.3. The NRIs/PIOs would be required to comply with the mandatory requirement of producing PAN Card at the time of opening a BO account. However, such NRIs/PIOs who are not able to obtain PAN for one reason or the other but are holding securities in physical form and desire to sell the same, may be permitted to open a "limited purpose BO account" without PAN. The operation of such BO accounts shall be subject to the following conditions:

- These accounts will be "suspended for credit", which means, only credits arising out of corporate benefits and demat of physical certificates will be permitted.
- These accounts cannot be used for getting credit from IPOs, off-market transactions or any secondary market transactions, etc.
- These accounts can remain operational only for a limited period of 6 months from the date of opening of the account. Meanwhile, the account holders may be permitted to convert the account into a normal BO account subject to complying with the PAN requirements. If the Account holder

fails to produce the PAN card within the stipulated period of 6 months, the DPs shall freeze such BO accounts.

- The account holders shall be permitted to sell the securities lying in these accounts only through a registered broker on the stock exchange.

4.4. U.N. entities/multilateral agencies which are exempt from paying taxes/filing tax returns in India are exempted from the mandatory requirement of PAN. The exemption, however, would be subject to the DPs collecting documentary evidence in support of such claim of the investors.

4.5. Any investor who has PAN but not having the PAN card may be permitted to open BO Accounts subject to producing the PAN allotment letter. However, such investors would be required to produce the PAN Card on or before September 30, 2006 failing which the DPs shall freeze such accounts as "Suspended for Debit" till PAN card is produced for verification.

4.6. In case of HUF, Association of Persons (AoP), Partnership Firm, Unregistered Trust, etc. though the BO account would be in the name of natural persons, PAN of the respective HUF, AoP, Partnership Firm, Unregistered Trust, etc shall be obtained.

4.7. As regards Registered Trust, Corporate Bodies and minors, PAN of the respective entities shall be obtained when accounts are opened in their respective names.

4.8. In case where there is difference in the maiden name and current name of the investor (predominantly in the case of married women), DPs can collect the PAN card proof as submitted by the account holder. However, this would be subject to the DPs verifying the veracity of the claim of such investors by collecting sufficient documentary evidence in support of the identity of the investors as provided in the SEBI Circular No. MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004.

4.9. In the light of the observations of the Hon'ble High Court of Sikkim in its Order dated March 31, 2006 as forwarded by the Sikkim Chamber of Commerce vide their letter No.See/52/06-07 dated May 11, 2006, the investors residing in the State of Sikkim are exempted from the mandatory requirement of PAN. However, this would be subject to the DPs verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address as provided in the SEBI Circular No.MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004.

5. The Depositories are advised to:—

5.1. Bring the provisions of this circular to the notice of the DPs of the Depositories and also to disseminate the same on the website;

5.2. Include the aforesaid clarifications in the advertisement campaigns released by them from time to time for better understanding of the investors;

5.3. Put up all such communications which may be useful for investors at large on their websites;

5.4. Ensure that proof of address (POA) is collected for all the account holders as is being done in the case of Proof of Identity (POI).

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

5.6. Communicate to SEBI the status of the implementation of the provisions of this circular in the Monthly Development Report for the month of August, 2006.

6. This circular is being issued in exercise of the powers conferred by section 11(1) of Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

### **III. Circular No. MRD/DoP/SE/Cir- 8/2006 dated 13.07.2006**

#### **Mandatory requirement of Permanent Account Number (PAN) for transactions in the cash market**

"1. As you are aware, PAN has been made mandatory for transacting in the Futures and Options market as well as for operating a Beneficiary Owner (BO) Account in the Depository system.

2. In continuation of the above and to further strengthen the Know Your Client (KYC) norms in the cash market with a view to facilitate sound audit trail, it has been decided that PAN will be mandatory for all the entities/persons who are desirous of transacting in the cash market with effect from October 1, 2006.

3. The stock exchanges are advised to ensure that the members of their exchanges shall:

3.1 Collect copies of PAN cards issued to their existing as well as new clients by the Income Tax Department and maintain the same in their record after verifying with the original.

3.2 Cross-check the aforesaid details collected from their clients with the details on the website of the Income Tax Department *i.e.* <http://incometaxindiaefiling.gov.in/challan/enterpanforchallan.jsp>.

3.3 Upload details of PAN so collected to the Exchanges as part of unique client Code.

4. The stock exchanges shall ensure that with effect from October 1, 2006 transactions in the cash market are executed only in respect of clients whose PAN details have been collected and uploaded to the exchange by the members.

5. The Stock Exchanges are advised to:

5.1. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately.

5.2. bring the provisions of this circular to the notice of the member brokers/clearing members of the Exchange and also to disseminate the same on the website.

5.3. communicate to SEBI, the status of the implementation of the provisions of this circular in Section II, item no. 13 of the Monthly Development Report for the month of August, 2006.

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

## Appendix 2

### Specimen of the Resolutions

#### **I. Board resolution for authority to apply for de-mat of shares and to get connectivity with the NSDL & CDSL**

The Chairman discussed with the Board of directors of the Company about the option available with the Company to get its shares in Demat form to avail the benefit of electronic trading through the depository. To get the shares converted into Demat form it is required by the Company to approach the Depository both NSDL and CDSL.

After detailed discussion the Board decided to approach NSDL & CDSL and to enter into an agreement with the depository/depositories and the Registrar. For necessary compliance of the same, the following resolution was passed.

**RESOLVED THAT** a brief proposal be and is hereby submitted to NSDL and CDSL, along with all enclosures for permission of the depository/depositories to get Company's shares admitted to electronic trading facility.

**RESOLVED FURTHER THAT** Shri RCM the Managing Director of the Company be and is hereby authorised to sign the tripartite agreement and any other documents in correspondence with the Stock Exchange(s) and the depository required to give effect to the above resolution.

#### **II. Board resolution for appointment of common share transfer agent for electronic transfer (Demat) and physical share transfer Activities**

The Chairman informed *vide* Circular issued by SEBI, dated 27<sup>th</sup> December, 2002, the listed companies are required to appoint common RTA for carrying out the share transfer activities at single point. In this regard, it is proposed to appoint a share transfer agent for Electronic Transfer mode as well as physical share transfer activities and to obtain connectivity with the CDSL and NSDL.

The Company has received a proposal from M/s Ankit Consultancy Pvt. Ltd., Indore in this regard which was placed before the Board for consideration.

The Board after due consideration and discussion passed the following resolution unanimously:

**RESOLVED THAT** consent of the Board of directors be and is hereby accorded to appoint M/S Ankit Consultancy Pvt. Ltd., Indore, as Share Transfer Agents for the Electronic and Physical Share Transfer Activities of the Company, with effect from 1st July, 2006.

**RESOLVED FURTHER THAT** M/s Ankit Consultancy Pvt. Ltd., Indore be and is hereby authorised to commence the activities of Share Transfer Agents accordingly.

**FURTHER RESOLVED THAT** Shri RCM, the Managing Director of the Company be and is hereby authorised to sign Agreement with the Share Transfer Agent M/s Ankit Consultants Pvt. Ltd. on behalf of the Company to take suitable actions to implement the decision of the Board and to inform all the concern authorities as may be required for and on behalf of the Company.

### **III. Special resolution for alteration of Articles of Associations for insertion of Clause relating to Depository**

**RESOLVED THAT** pursuant to section 31 of the Companies Act, 1956 and all other applicable provisions if any, the articles of the Company be and is hereby amended and altered by inserting the following definition and short titles after the existing Clause No. 1 of the Articles of Association:

'Beneficial Owner' means a person or persons whose name is recorded as such with the depository.

'SEBI' means the Securities and Exchange Board of India established under Securities and Exchange Board of India, Act, 1992.

'Depository' means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a Depository under the SEBI Act, 1992.

'Depositories Act' means the Depositories Act, 1996 or any statutory modification or re-enactment thereof.

'Registered Owner' means a Depository whose name is entered as such in the records of the Company.

'Security' means such security as may be specified by the SEBI from time to time.

'Register and Index of Beneficial Owners' means such Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act, 1996 shall be deemed to be the Register and index of members and other security holders for the purposes of these Articles.

**RESOLVED THAT** pursuant to section 31 of the Companies Act, 1956 and all other applicable provisions if any, the articles of the Company be and is hereby amended and altered by inserting the following new Sub Clauses after the Existing Clauses of the Articles of Association:

After existing Clause No. 5(c)

5(d). Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise/rematerialise its securities and to offer securities in the dematerialised form pursuant to the Depositories Act, 1996.

After existing Clause No. 6:

6(a). Notwithstanding anything contained in the Act or these Articles, where the securities are dealt with in or by a Depository, the Company shall intimate the details of allotment of relevant securities to the depository immediately on allotment of such securities.

6(b). Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for Securities issued by the Company shall apply to Securities held with a depository.

After existing Clause No. 16(iv)

16(v)(a) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the Securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, 1996 as may be amended from time to time and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of the securities.



(b) If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record, the name of the allottee as the beneficial owner of the security.

16(vi). All securities held by depository shall be dematerialised and shall be in fungible form. No certificates shall be issued for the securities held by the Depository. Nothing contained in sections 153, 153A, 153B, 187B, 187C and 372 of the Companies Act, 1956 shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

After existing Clause No. 38(ii):

38(iii). Nothing contained in section 108 of the Companies Act, 1956 or these Articles shall apply to a transfer of securities effected by the transferor and transferee, both of whom are entered as beneficial owners in the records of a depository.

38(iv). Notwithstanding anything to the contrary contained in the Companies Act, 1956 or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

After existing Clause No. 46:

46(i) Subject to the provisions of section 109 of the Companies Act, 1956 every shareholder or debenture holder of the Company, may at any time, nominate in the prescribed manner a person to whom his/her share in, or debentures of the Company shall vest in the event of his/her death.

46(ii) Where the shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall vest or as the case may be.

46(iii). Where the nominee is minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the Company, in the event of his/her death, during the minority shall vest in the event of the death of all the joint holders.

After existing Clause No. 48:

48 (i) A nominee, upon production of such evidence as may be required by the Board as per the relevant laws and subject to as hereinafter provided, elect either:

- (a) To be registered himself/herself as holder of the share or debenture, as the case may be; or
- (b) To make such transfer of the share or debenture, as the case may be, as the deceased share holder or debenture holder, could have made;

(ii) If the nominee elects to be registered as holder of the share or debenture, himself/herself, as the case may be, he/she shall deliver or send to the Company, a notice in writing signed by him/her stating that he/she so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debentureholder as the case may be;

(iii) A nominee shall be entitled to the same dividends and other advantage to which he/she would be entitled to if he/she were the registered holder of the share or debenture except that he/she shall not, before being registered as a member in respect of his/her share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided further that Board may, at any time, give notice requiring any such person to elect either to be registered himself/herself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of such share or debenture, until the requirements of the notice have been complied with.

After existing Clause No. 49:

49(i) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company where the nomination made in the prescribed manner purports to confer on any of the

right to vest the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or debenture holder, as the case may be, on the death of the joint holders, become entitled to all the rights in such shares or debentures or as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other person, unless the nomination is varied, canceled in the prescribed manner.

After existing Clause No. 86:

86(i) Save as otherwise provided in Article 86 above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the Securities held by it.

86(ii) Every person holding Securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be member of the Company. The beneficial owners of securities shall be entitled to all rights and benefits and be subject to all the liabilities in respect of their securities which are held by the Depository.

After existing Clause No. 162

162A. Notwithstanding anything contained in the Act or these Articles to the contrary where the Securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of Electronic mode or by delivery of floppies or discs.

### Appendix 3 Specimen of Corporate Action Report to be filed with CDSL on Preferential issue of shares

To,

Date: 10<sup>th</sup> Oct., 2006

The Vice-President – BD&O  
Central Depository Services (India) Limited.  
P. J. Towers,  
Dalal Street, Fort,  
Mumbai – 400 023.

Dear Sir,

We wish to inform you that the following securities are being issued by the company:-

#### Part A

1. Company Name : SYNCOM FORMULATIONS (INDIA) LTD.  
Type of Security : EQUITY  
Type of Corporate Action/Allotment : PREFERENTIAL ALLOTMENT  
ISIN : INE312C01017  
ISIN for Partly Paid securities (if any) : N.A.
2. Offer Price : Rs. 54 Per Share  
Face Value : Rs. 10 Per Share  
Premium : Rs. 44 Per Share  
Total : Rs. 54 Per Share
3. Details of Distinctive Numbers: (Entire Issued Capital before the present allotment/Corporate Action.).

| Distinctive Nos. |         | No. of Shares. | Whether Partly Paid/ Fully Paid. | Date of Allotment. |
|------------------|---------|----------------|----------------------------------|--------------------|
| From             | To      |                |                                  |                    |
| 0000001          | 5076966 | 50,76,966      | FULLY PAID                       | *                  |
| 5076967          | 5342000 | 2,65,034       | FULLY PAID                       | 23.03.2005         |
| 5342001          | 5620000 | 2,78,000       | FULLY PAID                       | 18.11.2005         |

\* Allotted on various dates, before admission of capital in the CDSL.

Details of Share Capital : (Before the present Corporate Action/Allotment).

| <i>Share Capital</i>                | <i>No. of Shares</i> | <i>Value (Rs.)</i> |
|-------------------------------------|----------------------|--------------------|
| Authorized                          | 60,00,000            | 6.000              |
| Issued                              | A: 56,20,000         | C: 5.620           |
| Paid Up                             | B: 56,20,000         | D:5.620            |
| Difference if any*                  | (A-B) NIL            | (C-D) NIL          |
| Listed Capital (on all Exchanges) @ | E: 56,20,000         | F:5.620            |
| Difference if any***                | (B-E): NIL           | (D-F): NIL         |
| Distinctive Nos.                    | From:0000001         | To: 5620000**      |

@ Excluding the capital for which in principal approval is received, application made but pending. In case permission of any exchange is pending the shares for which the said permission (listing/in-principal approval) should not be included in this figure.

\* Reason for difference of shares, if applicable:

A-B & C-D:

NOT APPLICABLE

\*\* If the last distinctive No. is not equal to shares issued mention reason for the difference:

NOT APPLICABLE

\*\*\* Reason for difference of shares, if applicable:

B-E & D-F:

NOT APPLICABLE

Also mention distinctive No. range not listed in the exchanges:-

| From           | To | Exchange On Which Not Listed. |
|----------------|----|-------------------------------|
| NOT APPLICABLE |    |                               |

## Part B

Details of the Present Allotment/Corporate Action:

- Book Closure Date/Record Date : NOT APPLICABLE
- Date of Allotment : 09.10.2006
- The securities being issued/issued are unlisted. : NOT APPLICABLE  
The audited book value per share Rs. \_\_\_\_\_  
as on \_\_\_\_\_ (Auditors Certificate attached).
- Details of Allotment :

| <i>Particulars</i> | <i>No. of Securities Allotted</i> | <i>Number of Allottes</i> |
|--------------------|-----------------------------------|---------------------------|
| Electronic Form    |                                   |                           |
| At CDSL            | 0                                 | 0                         |
| At NSDL            | 2,95,000                          | 1                         |
| Physical Form      | 0                                 | 0                         |
| Total              | 2,95,000                          | 1                         |

Details of Allotment at CDSL:

| <i>Category</i>      | <i>No. of Securities Allotted</i> | <i>Number of Allottes</i> |
|----------------------|-----------------------------------|---------------------------|
| FII's                | 0                                 | 0                         |
| OCB's                | 0                                 | 0                         |
| NRI Repatriation     | 0                                 | 0                         |
| NRI Non Repatriation | 0                                 | 0                         |
| MF's/FI's            | 0                                 | 0                         |
| Others               | 0                                 | 0                         |
| Total                | 0                                 | 0                         |

- Lock in Security Details : No. of Securities 2,95,000  
Lock In Expiry Date. 08.10.2009

6. RBI Permission : NOT APPLICABLE  
7. Details of Share Capital : (Including the present Corporate Action/Allotment).  
(a) Authorized Capital (Rs.). : 6.000  
(b) Issued/Paid-up Capital (Rs.) : 5.915

|               | <i>Before Allotment/C.A.</i> |                        | <i>After Allotment/C.A.</i> |                        |
|---------------|------------------------------|------------------------|-----------------------------|------------------------|
|               | <i>Issued Capital</i>        | <i>Paid up Capital</i> | <i>Issued Capital</i>       | <i>Paid up Capital</i> |
| No. of Shares | 56,20,000                    | 56,20,000              | 59,15,000                   | 59,15,000              |
| Amount (Rs.)  | 5.620                        | 5.620                  | 5.915                       | 5.915                  |

8. Listing Details:

| <i>Distinctive Nos.</i> |           | <i>Name of the Exchanges where Securities are/ will be Listed</i> | <i>In-principle Approval Copy Attached (Y/N)</i> | <i>Exchange Details.</i> |
|-------------------------|-----------|-------------------------------------------------------------------|--------------------------------------------------|--------------------------|
| <i>From</i>             | <i>To</i> |                                                                   |                                                  |                          |
| 5620001                 | 5915000   | BOMBAY STOCK EXCHANGE LTD., MUMBAI                                | YES                                              | Regional                 |
| N.A.                    | N.A.      | N.A.                                                              | N.A.                                             | Other Exchanges          |

*Note.*—The existing 5620000 equity shares, distinctive No.1 to 5620000 equity shares were listed in the Bombay Stock Exchange Ltd., Mumbai. new 2,95,000 equity shares were proposed to be listed only at the stock exchange, mumbai, in view of the delisting application submitted with the M.P. Stock Exchange.

9. Delisting Details:

| <i>If delisted/proposed to be delisted then name/s of stock exchange/s</i> | <i>Name/s of Stock Exchange/s</i>         | <i>Delisting Approval No. and Date.</i>          |
|----------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------|
| M.P.Stock Exchange                                                         | M.P.Stock Exchange                        | Approval Awaited                                 |
| The Delhi Stock Exchange Association Ltd.                                  | The Delhi Stock Exchange Association Ltd. | DSE/LIST/NR/23 dated 2 <sup>nd</sup> Sept., 2004 |
| Ahmedabad Stock Exchange                                                   | Ahmedabad Stock Exchange                  | ASE/2004/1040 dated 2 <sup>nd</sup> July, 2004   |

- (a) We hereby certify that the above information is correct to the best of our knowledge.  
(b) We undertake that the shares issued in the physical form shall not be dematerialized till such time as listing and final trading permission is received from all exchanges where the shares are listed.

VIJAY BANKDA  
MANAGING DIRECTOR  
Authorized Signatory

Date: 10<sup>th</sup> Oct., 2006

Company Stamp

**Encl:**

1. Certified copy of Board Resolution authorizing issue of additional securities/Corporate Action.
2. Certified copy of Resolution for issue of additional securities/Corporate Action passed in the AGM/EGM.
3. Certified copies of the in-principle approvals from BSE & NSE.
4. (If not listed on BSE & NSE then from all the Stock Exchanges where the securities are listed).
5. (Ref: SEBI Circular No. 35 dated September 29, 2003).
6. Certified copy of Court/BIFR Order, if applicable.
7. In case of allotment under ESOP/ESPS, reconciliation statement showing in-principle approval received from the Stock Exchange(s) (plan wise), allotment excluding the present one and the balance to be allotted.

8. Offer Document/Letter of Offer/Red Herring Prospectus along with specimen of Application Form in case of IPO/Rights Issue/Conversion of GDRs/FCDs.
9. Certified copy of Basis of Allotment filed with Stock Exchange(s) in case of IPO/Rights Issue.
10. Certificate from Lead Manager to the issue confirming relevant SEBI guidelines complied with in case of IPO/Rights Issue.
11. Certified copy of RBI approval, if allotment is made to NRI/NRO/OCB.
12. Certified copy of the filing with ROC along with receipt, in case the Authorized Capital has been increased.
13. For unlisted company, certified copy of returns of allotment filed with ROC along with ROC receipt.
14. Payment towards Corporate Action charges (if applicable) Rs. 10 per record (minimum of Rs. 500) with 10.2% Service Tax.

#### Appendix 4

### Specimen of Corporate Action Report to be filed with NSDL on Corporate Action Information Form

(for shares)

1. Issuer Name : **SYNCOM FORMULATIONS (INDIA) LTD.**
2. Corporate Action Description : **PREFERENTIAL ISSUE OF EQUITY SHARES**  
(e.g. Preferential Offer, ESOP, Bonus, Rights, IPO, Sub-division, Amalgamation, etc.)
3. Ratio : **NOT APPLICABLE**  
(for bonus, sub-division, amalgamation, etc.)  
(e.g. 3 shares of A Ltd. for every 2 shares held in B Ltd.)
4. Security Type : **EQUITY SHARES OF RS.10 EACH**  
(e.g. Equity shares, Preference shares etc.)
5. ISIN : **INE312C01017**
6. Share price/value (new shares)
  - (a) Offer price per share : **Rs.54 Per Share**
  - (b) Face value per share : **Rs.10 Per Share**
  - (c) Paid-up value per share : **Rs.10 Per Share**
7. Date of Allotment : **09-10-2006**  
(dd-mm-yyyy)
8. Details of Allotment

| <i>Particulars</i>           | <i>No. of records (allottees)</i> | <i>No. of shares (Quantity)</i> |
|------------------------------|-----------------------------------|---------------------------------|
| <b>(A) Fully Paid</b>        |                                   |                                 |
| (a) Electronic form – NSDL   | 1                                 | 2,95,000                        |
| (b) Electronic form – CDSL   | 0                                 | 0                               |
| (c) Physical form            | 0                                 | 0                               |
| <b>Total (A)</b>             | 1                                 | 2,95,000                        |
| <b>(B) Partly Paid</b>       |                                   |                                 |
| (a) Electronic form – NSDL   | 0                                 | 0                               |
| (b) Electronic form – CDSL   | 0                                 | 0                               |
| (c) Physical form            | 0                                 | 0                               |
| <b>Total (B)</b>             | 0                                 | 0                               |
| <b>Grand Total (A) + (B)</b> | 1                                 | 2,95,000                        |

For partly paid shares, Rs. \_\_\_\_Not Applicable.\_\_\_\_ per share paid-up.

9. Distinctive numbers

|                            | <i>From</i> | <i>To</i> | <i>No. of shares</i> |
|----------------------------|-------------|-----------|----------------------|
| Fully Paid                 | 5620001     | 5915000   | 2,95,000             |
| Partly Paid                | 0           | 0         | 0                    |
| <i>Total No. of shares</i> |             |           | 2,95,000             |

10. Details of Equity Share Capital

(A)

| <i>Particulars</i> | <i>Issued Capital</i> |                     |
|--------------------|-----------------------|---------------------|
|                    | <i>No. of shares</i>  | <i>Amount (Rs.)</i> |
| Before this issue  | 56,20,000             | 5,62,00,000         |
| After this issue   | 59,15,000             | 5,91,50,000         |

(B)

| <i>Particulars</i> | <i>Paid-up Capital</i> |                     |
|--------------------|------------------------|---------------------|
|                    | <i>No. of shares</i>   | <i>Amount (Rs.)</i> |
| Before this issue  | 56,20,000              | 5,62,00,000         |
| After this issue   | 59,15,000              | 5,91,50,000         |

11. Names of all stock exchanges where your existing shares are listed: Mumbai & MPSE (However, the Company has applied for voluntary delisting of shares from the MPSE)

12. Declaration

I, VIJAY BANKDA (person name), MANAGING DIRECTOR (designation) of SYNCOM FORMULATIONS (INDIA) LIMITED (company name) declare that the company has obtained all the necessary approvals for the aforesaid issue of shares.

Signature :

Date : 10.10-2006

(dd-mm-yyyy)

Notes.—

1. Ensure that the above details reach NSDL at least three days before execution of corporate action.
2. Print/type this form on your letterhead.
3. Use separate forms for different allotment dates.
4. The form must be complete in all respects and should be signed by the Company Secretary or Managing Director.

SYNCOM//SD/06/01 10<sup>th</sup> Oct., 2006

To,

The Managing Director

NATIONAL SECURITY DEPOSITORY LTD.

Trade World 4th Floor

Kamala Mills Compound,

Senapati Bapat Marg

LOWER PAREL

MUMBAI-400 013

ISIN NO. INE312C01017

**Sub: Submission of Corporate Action Form for admission of new 2,95,000 Equity Shares of Rs. 10 each allotted on 9<sup>th</sup> Oct., 2006 on preferential basis to promoters of the Company.**

Dear Sir,

We are pleased to inform that the Board of Directors of the Company at their meeting held on 9th Oct., 2006 has allotted 2,95,000 Equity Shares of Rs.10 each at a premium of Rs. 44 per share to the promoters and persons acting in concert on preferential basis.

We hereby submit the Corporate Action form for admission of 2,95,000 new Equity Shares of Rs.10 each by the NSDL. We also enclose herewith the following documents for your kind consideration and further needful.

1. Certified copy of the Board Resolution dated 9<sup>th</sup> Oct.,2006, authorising issue of additional securities/Corporate Action.
2. Certified copy of the Special Resolution for issue of additional securities/Corporate Action passed in the Annual General Meeting held on 25<sup>th</sup> Sept., 2006.
3. Certified Copy of the in-principle approval from the Bombay Stock Exchange, Ltd.
4. Cheque No.....dated...Oct., 2006 for Rs. 562 towards Corporate Action Charges.
5. Annexure for 2,95,000 shares to be credited in the beneficiary account and lock in details.
6. Confirmation by the Managing Director that the new shares are *pari passu* in all respect with the existing shares issued by the Company.

You are requested to please kindly give us necessary letter for admission of above said shares by the NSDL for our further needful.

Thanking you  
Yours faithfully  
For, SYNCOM FORMULATIONS (INDIA) LTD.

VIJAY BANKDA  
MANAGING DIRECTOR  
Encl: a/a

#### ANNEXURE

Details of the allottees for 2,95,000 Equity Shares of Rs. 10 each to be credited in the D-mat Form in the NSDL

| Name of the Allottees | D-mat A/C No.        | No. of Shares | Date of Lock –in |            |
|-----------------------|----------------------|---------------|------------------|------------|
|                       |                      |               | From             | To         |
| 1. KMB                | IN300601<br>10227122 | 2,95,000      | 09.10.2006       | 08.10.2009 |

For, SYNCOM FORMULATIONS (INDIA) LTD.

VIJAY BANKDA  
MANAGING DIRECTOR

#### CONFIRMATION

**I, Vijay Bankda**, the Managing Director of the Company do hereby state and confirm that the 2,95,000 Equity Shares of Rs.10 each allotted by the Company on 9<sup>th</sup> Oct., 2006 are *pari passu* in all respect with the existing equity shares of Rs.10 each as per SEBI Circular No. SMDRP/NSDL/3254/00 dated 18th Feb., 2000 and the Company shall obtain the Same ISIN INE312C01017 from the CDSL and NSDL for the new shares stated above.

For, SYNCOM FORMULATIONS (INDIA) LIMITED

VIJAY BANKDA  
MANAGING DIRECTOR

Mumbai  
10<sup>th</sup> Oct., 2006

Appendix 5  
**Application Form**

(For Bonds/Debentures/PTCs)

[To be printed on the issuing Company's letter head]

To  
Managing Director  
Central Depository Services (India) Ltd.  
28th Floor, P J Towers,  
Dalal Street, Fort  
Mumbai - 400023

Date:.....

We advise that at the Board meeting of our company held on \_\_\_\_\_ it has been decided to admit our \_\_\_\_\_ (description of security/ies) for dematerialisation with Central Depository Services (India) Ltd. (CDSL). We forward herewith our application in Master Creation form and request you to allot an International Securities Identification Number (ISIN) for the aforesaid security/ies.

In consideration of CDSL admitting the aforesaid security/ies into its system we hereby agree and undertake to indemnify and keep indemnified and saved harmless CDSL, its directors and employees from and against any claims, demands, penalties, suits, action, litigation, arbitration, prosecution and any proceedings whatsoever and all costs, charges and expenses relating thereto and any harm, loss, damage or injury suffered or may be incurred by CDSL and/or any of its participants by reason of or as a consequence of the company furnishing any false or incorrect information or failing to furnish relevant information along with the required document/s to CDSL or permitting dematerialisation or rematerialisation of securities in breach of any order, decree, injunction, covenant or law in force for the time being or permitting dematerialisation of securities on the strength of certificate/s or document/s which are found to be forged, counterfeit, fake or cancelled or in respect of which duplicates/replacements have been issued or the company or its executives or directors otherwise committing any action amounting to unauthorized dematerialisation including dematerialisation in excess of the listing approval/s or any default in observance of any obligations under the Companies Act, Listing Agreement with Stock Exchange/s, the Depositories Act, SEBI (Depository & Participants) Regulations, Bye-Laws, Operating Instructions, Communique/communication of/issued by CDSL from time to time.

Place .....

Date .....

.....

Signature of authorised signatory

Name:

Designation:

[Please put the initial and stamp on all pages of the MCF]

Annexure to Appendix 5

**Master Creation Form**

(Part A)

(Please read instructions at the end of this form)

(to be entered by CDSL only)

Issuer ID

ISINID

ISIN

1. Full name of the company
2. Previous name/s, if any, of the company
3. Registered office address together with tele/fax number and e-mail address
4. Date of incorporation

|  |
|--|
|  |
|  |
|  |



5. Administrative office address — if any, including tele/fax number and e-mail address (In case communication is required to be sent to office other than the registered office)

6. Name/s and address/es of promoters/  
principal, shareholders together with PAN

Name & address PAN

1.  
2.  
3.

7. Category of the company (√)

|        |                          |          |                          |
|--------|--------------------------|----------|--------------------------|
| Public | <input type="checkbox"/> | Private  | <input type="checkbox"/> |
| Listed | <input type="checkbox"/> | Unlisted | <input type="checkbox"/> |
| Indian | <input type="checkbox"/> | MNC      | <input type="checkbox"/> |
| PSU    | <input type="checkbox"/> | Others   | <input type="checkbox"/> |

8. Nature of business

9. Particulars of capital as on .....

(Amount in Rs. Cr.)

|            | <i>Equity Capital</i> | <i>Preference Capital</i> | <i>Others</i> |
|------------|-----------------------|---------------------------|---------------|
| Authorised |                       |                           |               |
| Issued     |                       |                           |               |
| Subscribed |                       |                           |               |
| Paid-up    |                       |                           |               |

10. Name/s & address/es of directors together with PAN

Name & address PAN

1.  
2.  
3.

11. Particulars of Company Secretary

|                     |  |
|---------------------|--|
| Name                |  |
| Employee/Practicing |  |
| Tel No.             |  |
| Fax No.             |  |
| E-mail id           |  |
| PAN                 |  |

12. Particulars of Compliance officer

|             |  |
|-------------|--|
| Name        |  |
| Designation |  |
| Tel No.     |  |
| Fax No.     |  |
| E-mail id   |  |

13. PAN of the company

14. Who handles the R&T work of the company

Company

R&T agent

15. Particulars of share dept/R&T agent which

|                                            |  |
|--------------------------------------------|--|
| Share Dept./R & TA name & Address          |  |
| Tel No.                                    |  |
| Fax No.                                    |  |
| E-mail id                                  |  |
| Name of the Contact person and Designation |  |

|                        |  |
|------------------------|--|
| Date of reg.           |  |
| Date of expiry of reg. |  |

carries the share issue and transfer work

16. Where R&T work is handled by the who will establish electronic connectivity with CDSL? (✓) Company R&T agent

17. Where the company share dept/R&T

|                                            |  |
|--------------------------------------------|--|
| Name & Address                             |  |
| Tel No.                                    |  |
| Fax No.                                    |  |
| E-mail id                                  |  |
| Name of the Contact person and Designation |  |
| SEBI reg. no.                              |  |
| Date of reg.                               |  |
| Date of expiry of reg.                     |  |

agent handles transfer of physical securities and electronic connectivity is established through a different registrar, then particulars of such R & T agent.

18. Investor grievances handling during the preceding 12 months. No. of complaints received

.....  
No. of complaints resolved

No. of complaints pending for more than 15 days

19. Any other information the applicant may wish to furnish.

We certify that the particulars furnished hereinabove as also in the attached document are true and correct. We further undertake to inform CDSL of any change in the capital structure [in case of equity/preference shares] or change in the terms of the issuance of security/ies [in case of debt instruments/commercial papers/certificate/s of deposits] of which admission is being sought including the listing approval/s, registered office from time to time.

PlaceSignature of authorised signatory

Date

Name:

Designation:

#### Annexure to Appendix 5

#### Particulars of Debt security/ies (Bonds/Debentures/PTCs) to be admitted with CDSL (Part-B)

- Name of the issuing Company
- Name of the share dept/R&TA having electronic connectivity with CDSL
- Type of the security (✓)
  - Bonds
  - Bonds issued as promissory notes
  - Promissory notes
  - Pass through certificates
  - Units of mutual funds
  - Warrants
  - Others (please specify)
- Description of the security (including series, and option), if any
- Status of the security (✓)
  - Tax free
  - Infrastructure
  - Capital gains
  - Priority sector

SLR bonds  
Others (please specify)

6. Issue particulars In case the amount received is lesser or higher (due to green shoe option or otherwise) than the proposed issue, please note to furnish required particulars

| <i>No. of Securities</i> | <i>Face Value of security</i> | <i>Issue price per security</i> | <i>Total issue size (Rs. in Lacs)</i> | <i>Date of allotment</i> | <i>Maturity value per security</i> |
|--------------------------|-------------------------------|---------------------------------|---------------------------------------|--------------------------|------------------------------------|
|                          |                               |                                 |                                       |                          |                                    |

7. Mode of issuance (✓)

Public issue  
Private placement  
Others (please specify)

8. Form of issuance (✓)

Letter of allotment  
Debenture/promissory note  
Others (please specify)

9. Whether ISIN required for letter of allotment (✓)

Yes  
No

10. Nature (✓)

Secured  
(a) first charge  
(b) second charge  
Unsecured  
Government guarantee  
Others (please specify)

11. Interest terms (✓)

Fixed rate  
(a) rate  
(b) penal interest (if any)  
Floating rate  
(a) benchmark description  
(b) reset date  
Date/s of payment  
Non cumulative  
Cumulative option

12. Rating status (✓)

Both  
Rated  
Rating  
(a) at the time of issue  
(b) at the time of admission  
Name of rating agency

13. Listing Status (✓)

Unrated  
Listed  
Names/s of exchange/s  
Unlisted

14. Conversion status (✓)

Non convertible (NCD)  
Partially Convertible (PCD)  
Fully Convertible (FCD)  
Optionally Convertible (OCD)

15. Conversion terms

| <i>Date/s of conversion</i> | <i>Amount/s to be converted per security (Rs.)</i> |
|-----------------------------|----------------------------------------------------|
|                             |                                                    |

| 16. Put and Call option (√)                                                       | Put option/s                                                                                                                                                                                                                                                    | Date/s                               |                             |                                                   |                                      |  |  |  |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------|---------------------------------------------------|--------------------------------------|--|--|--|
| Call option/s Date/s                                                              |                                                                                                                                                                                                                                                                 |                                      |                             |                                                   |                                      |  |  |  |
| Put and call option Date/s                                                        |                                                                                                                                                                                                                                                                 |                                      |                             |                                                   |                                      |  |  |  |
| None                                                                              |                                                                                                                                                                                                                                                                 |                                      |                             |                                                   |                                      |  |  |  |
| 17. Put and Call option terms(√)                                                  | Discount                                                                                                                                                                                                                                                        | Rate %                               |                             |                                                   |                                      |  |  |  |
| Premium Rate %                                                                    |                                                                                                                                                                                                                                                                 |                                      |                             |                                                   |                                      |  |  |  |
| Notice Period                                                                     |                                                                                                                                                                                                                                                                 |                                      |                             |                                                   |                                      |  |  |  |
| 18. Name and address of trustees                                                  |                                                                                                                                                                                                                                                                 |                                      |                             |                                                   |                                      |  |  |  |
| 19. Redemption/Maturity details                                                   | <table border="1"> <thead> <tr> <th><i>Date/s of redemption</i></th> <th><i>Amount/s to be redeemed per security (Rs.)</i></th> <th><i>% to be redeemed per security</i></th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table> |                                      | <i>Date/s of redemption</i> | <i>Amount/s to be redeemed per security (Rs.)</i> | <i>% to be redeemed per security</i> |  |  |  |
| <i>Date/s of redemption</i>                                                       | <i>Amount/s to be redeemed per security (Rs.)</i>                                                                                                                                                                                                               | <i>% to be redeemed per security</i> |                             |                                                   |                                      |  |  |  |
|                                                                                   |                                                                                                                                                                                                                                                                 |                                      |                             |                                                   |                                      |  |  |  |
| 20. Name and address of sponsor/s in case of PTC only                             |                                                                                                                                                                                                                                                                 |                                      |                             |                                                   |                                      |  |  |  |
| 21. If equity shares of the company are admitted with CDSL indicate ISIN, thereof |                                                                                                                                                                                                                                                                 |                                      |                             |                                                   |                                      |  |  |  |
| 22. Any other information the applicant may wish to furnish                       |                                                                                                                                                                                                                                                                 |                                      |                             |                                                   |                                      |  |  |  |
| Place:                                                                            | Signature of authorised signatory                                                                                                                                                                                                                               |                                      |                             |                                                   |                                      |  |  |  |
| Date:                                                                             | Name:                                                                                                                                                                                                                                                           |                                      |                             |                                                   |                                      |  |  |  |
|                                                                                   | Designation:                                                                                                                                                                                                                                                    |                                      |                             |                                                   |                                      |  |  |  |

#### Instructions

1. Please ensure to submit all particulars.
2. Please tick (√) wherever applicable.
3. Write N.A. wherever not applicable.
4. Add annexures if required.
5. Each page should be stamped and initialed by authorised signatory.
6. If the information previously provided with regard to Part A of master creation form by the company for admission of its earlier securities with CDSL is not more than one year old and if there is no material change in the information, then the company may only provide the information required in Part B.
7. SEBI vide Circular No. D&CC/FITTC/CIR-15/2002, dated 27-12-2002 has clarified that work related to share registry in terms of physical and electronic modes should be maintained at a single point i.e. either in-house by the company or by SEBI registered R&T Agent.

#### Please submit with the application, the following documents, as applicable

1. Certified copy of Articles of Association & Memorandum of Association (duly updated with amendments, if any).
2. Certified copy of Certificate of Incorporation and Certificate of Commencement of business if this is the first security of the company being sought to be admitted with CDSL.
3. Certified copies of annual accounts of the company for the preceding 3 years.
4. Certified copy of offer document in case of debt instruments/mutual fund scheme.
5. Certified copy of Trust Deed, in case of admission of Pass Through Certificates.
6. Certified copy/ies of listing approval/s from all stock exchange/s where the security of the company is listed.

7. While uploading the allotment file the issuer may further note to intimate to CDSL the actual amount received and also the number of securities issued under each of the cumulative and non-cumulative option.
8. Certified copy of board resolution authorising issue of debt instruments.
9. Certified copy/ies of board resolution/s in support of decision to admit the concerned security/ies with the CDSL system and also for appointment of R & T agent/s. if any, and giving name of the company official/s or director/s who are authorised to sign necessary agreement on behalf of the company in this regard.

Annexure to Appendix 5

**Letter of Extension**

(On stamp paper of Rs. 100 only)

From:

Name of Issuer Company

Add: 1

Add: 2

City-PIN

To:

Central Depository Services (India) Limited

Phiroze Jeejeebhoy Towers,

28th Floor, Dalal Street, Mumbai - 400 023.

By an agreement-dated ..... executed by and between us, our equity shares bearing ISIN: ..... were admitted in your depository for holding and transfer in dematerialised form.

We are now desirous of extending the benefit of dematerialisation through CDSL to our investors in respect of debt instrument and other eligible securities.

We confirm that the debt instruments or other eligible securities issued by us or proposed to be issued that may be admitted to your depository, shall be subject to the terms and conditions as are applicable to the above mentioned equity shares.

We enclose herewith the Master Creation Form/s relating to the debt instruments/securities, which we wish to admit for dematerialisation with your depository.

Kindly let us have your acceptance and confirmation at the earliest.

Yours faithfully.

For Name of Issuer Company

(Authorised Signatory)

Place:

Dated:

Appendix 6

**SEBI (Central Data Base of Market Participants) Regulations, 2003**

In exercise of the powers conferred by section 30 read with sections 11, 11A, 12 and 19 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following Regulations, namely:—

Chapter I

**Preliminary**

**1. Short title and commencement.**—(1) These Regulations may be called the Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003.

(2) These Regulations shall come into force on such date as may be specified by the Board:

Provided that different dates may be specified for different provisions of these regulations and any reference in any such provision to the commencement of these regulations shall be construed as a reference to the commencement of that provision.

**2. Definitions.**—(1) In these Regulations, unless the context otherwise requires:—

- (a) 'Act' means the Securities and Exchange Board of India Act, 1992;
- (b) 'associate' in relation to an intermediary or a listed company means a person:—
  - (i) who, directly or indirectly, by himself or in combination with his relatives exercises control over the intermediary or listed company or has a holding of not less than 15% in the paid up equity capital of the intermediary or the listed company;
  - (ii) in respect of whom the intermediary or listed company directly or indirectly exercises control;
  - (iii) whose director or partner is also a director or partner of the intermediary or listed company.

*Explanation.*—For the purposes of this clause—

- (i) 'control' means control as defined in clause (c) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
  - (ii) 'director' does not include a nominee director;
  - (iii) 'person' means a natural person, a company registered under the Companies Act, 1956, a body corporate, a partnership concern, a trust or society registered under the Societies Registration Act, 1860 or any other legal entity;
- (c) 'Board' means the Securities and Exchange Board of India established under section 3 of the Act;
  - (d) 'Central Database' means the electronic representation and storage of information that may be created and maintained by a Designated Service Provider in respect of the persons who have been allotted unique identification numbers under these regulations;
  - (e) 'Central Listing Authority' means the Central Listing Authority established under regulation 3 of the Securities and Exchange Board of India (Central Listing Authority) Regulations, 2003;
  - (f) 'designated employee' in relation to a listed company or a company which intends to get its securities listed means a designated employee within the meaning of the *Explanation* to clause 1.2 of Part A of Schedule I to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (g) 'Designated Service Provider' means a person so designated by the Board to create and maintain the Central Database on such terms and conditions as may be agreed to between him and the Board and to perform such other functions under these regulations as may be delegated to him by the Board;
  - (h) 'intermediary' means any person who is registered with the Board under section 12 of the Act, but does not include Foreign Institutional Investors and Foreign Venture Capital Investors;
  - (i) 'investor' means an investor in securities and includes a Foreign Institutional Investor and a Foreign Venture Capital Investor;
  - (j) 'listed company' means a company whose securities are listed on a recognised stock exchange and includes a public company which intends to get its securities listed on a recognized stock exchange;
  - (l) 'market participants' means intermediaries, other entities, investors, listed companies and companies which intend to get their securities listed;
  - (m) 'other entity' means any recognised stock exchange, clearing corporation, approved intermediary under the Securities Lending Scheme, 1997, investor associations and includes any other person granted recognition by the Board, any person required to obtain any license or approval from any self-regulatory organization and any other person associated with the securities market in any manner as may be notified by the Board in the Official Gazette;

- (n) 'promoter' means —
- (1) any person or persons who are directly or indirectly in control of the company; or
  - (2) any person or persons named as "promoters" in the offer document or in the shareholding pattern disclosed by the Company under provisions of the Listing Agreement, whichever is later;
- and includes,—
- (A) where such person is an individual,—
    - (i) any company in which 26% or more of the equity share capital is held by him or any firm or Hindu Undivided Family in which he is a partner or member;
    - (ii) any company in which a company specified in sub-clause (ii) above, holds more than 50% of the equity share capital;
    - (iii) any firm in which his holding is more than 50%.
  - (B) where such person is a body corporate,—
    - (i) a subsidiary or holding company of that body corporate;
    - (ii) any company in which the said body corporate holds 26% or more of the equity share capital;
    - (iii) any company which holds 26% or more of the equity share capital of the said body corporate;
    - (iv) any company in which a group of persons holds 26% or more of the equity share capital and that group of persons also holds 26% or more of the equity share capital in such body corporate;
    - (v) any other body corporate under the same management as the said body corporate within the meaning of sub-section (1B) of section 370 of the Companies Act, 1956.
- Explanation I.*—A Financial Institution, Scheduled Commercial Bank, Foreign Institutional Investor or Mutual fund shall not be deemed to be a promoter merely by virtue of its shareholding.
- Explanation II.*—A Financial Institution, Scheduled Commercial Bank or Foreign Institutional Investor shall be deemed to be a promoter of its subsidiary and of the mutual funds sponsored by it;
- (o) 'recognised stock exchange' means a stock exchange which has been granted recognition under section 4 of the Securities Contracts (Regulation) Act, 1956;
  - (p) 'relative' in relation to a natural person means his spouse, dependant children and dependant parents;
  - (q) 'related persons' means the persons specified in clause (b) of sub-regulation (1) of regulation 4 in respect of an intermediary or other entity and persons specified in clause (b) of regulation 5 in respect of a listed company or a company intending to get its securities listed;
  - (r) 'Schedule' means a Schedule annexed to these regulations;
  - (s) 'securities' means securities as defined in clause (h) of the Securities Contracts (Regulation) Act, 1956;
  - (t) 'self-regulatory organization' means an organization of intermediaries which is representing a particular segment of the securities market and formed as a company duly recognized with the Board and excludes a stock exchange;
  - (u) 'specified intermediaries' mean such intermediaries or other entities as may be specified by the Board in the notification published in the Official Gazette pursuant to sub-regulation (1) of regulation 4;
  - (v) 'specified investors' mean such investors as may be specified by the Board in the notification published in the Official Gazette pursuant to sub-regulation (1), (2) or (3) of regulation 6;

- (w) 'specified listed company' means such companies as may be specified by the Board in the notification published in the Official Gazette pursuant to regulation 5; and
- (x) 'unique identification number' means the identification number generated in the Central Database for and allotted to each applicant under these regulations.

(2)(a) Words and expressions used and not defined in these regulations shall have the meanings, if any, respectively assigned to them under the Act.

(b) Words and expressions used and not defined either in these regulations or the Act, shall have the meanings, if any, respectively assigned to them in the Securities Contracts (Regulation) Act, 1956 or any statutory modification or re-enactment thereof.

(c) Words and expressions used and not defined either in these regulations, or in the Act or in the Securities Contracts (Regulation) Act, 1956 shall have the meanings, if any, respectively assigned to them under the Companies Act, 1956, or any statutory modification or re-enactment thereof.

## Chapter II

### Requirement of obtaining unique identification numbers

**3. Unique Identification Numbers for market participants.**—Every specified intermediary, other entity, specified listed company and specified investor shall make application for allotment of unique identification numbers for itself and for its related persons in accordance with these regulations.

**4. Specified intermediary and other entity to obtain unique identification numbers.**—(1) On and from such date as may be notified by the Board in the Official Gazette, no specified intermediary or other entity shall act as such, unless—

- (a) it has obtained a unique identification number from the Designated Service Provider; and,
- (b) the following related persons have been allotted unique identification numbers by the Designated Service Provider:
  - (i) its principal officer and personnel engaged in the operational activities of the intermediary for which a certificate of registration is required or taken from the Board;
  - (ii) its promoters, other than the Central or State Government or any statutory authority;
  - (iii) its directors, in case it is a body corporate;
  - (iv) its partners, in case it is a partnership firm;
  - (v) in case of a stock broker, any approved user of the terminals allotted to him by the stock exchange, including terminals installed through Computer to Computer Link (CTCL) connectivity or any other means of connectivity approved by the stock exchange, which facilitates access to trading system of the exchange, except his sub-broker;
  - (vi) the sponsors, trustees, asset management companies and asset managers, where applicable;
  - (via) the directors and personnel engaged in the operational activities of asset management companies; and
  - (vii) its proprietor, where applicable;

*Explanation.*—For the purposes of sub-clauses (i) and (via), the words 'personnel engaged in the operational activities' shall mean the employees comprising the top three tiers of management excluding the Board of Directors engaged in the operational activities of the specified intermediary and such other employees as may be identified by the intermediary:

Provided that such person may continue to act as an intermediary or other entity if it has made applications for allotment of unique identification number under regulation 7 before the notified date and where such application has been rejected by the Board, an appeal has been filed and such appeal is pending for disposal.

(2) Every certificate of registration issued to a specified intermediary by the Board after commencement of these regulations shall be subject to the condition that prior to commencement of its activities, the intermediary shall obtain a unique identification number for itself and for the persons mentioned in clause (b) of sub-regulation (1) in accordance with these regulations.



**5. Specified listed company to obtain unique identification number.**—On and from such date as may be notified by the Board in the Official Gazette, no specified listed company or a company which intends to get its securities listed shall issue any securities which are proposed to be listed on a recognized stock exchange, unless —

- (a) it has obtained a unique identification number from the Designated Service Provider; and
- (b) the following related persons have been allotted unique identification numbers by the Designated Service Provider:
  - (i) its promoters, other than the Central or State Government or any statutory authority;
  - (ii) its directors and officers;
  - (iii) its designated employees;
  - (iv) its subsidiaries, its holding company and the holding company's subsidiaries, if any;
  - (v) its associates and their directors; and
  - (vi) relatives of the natural persons mentioned in sub-clauses (i) to (iii) and (v) above:

Provided that a specified listed company may, make an issue of securities which are proposed to be listed in any recognized stock exchange if it has made an application for allotment of unique identification number before the notified date, till the disposal of the application and where an appeal has been filed, till such appeal is disposed of.

**5A. "Power of the Board to extend time in respect of related persons.**—(1) Where the Board is satisfied that it is necessary, in order to prevent genuine hardship, that the time for obtaining unique identification numbers has to be extended beyond the date notified under regulations 4 or 5, as the case may be, in respect of any class of related persons of specified intermediaries or specified listed companies, it may by notification in the Official Gazette, specify a date within which such class of related persons ought to obtain unique identification numbers.

(2) Where any person belonging to such class of related persons does not obtain unique identification number within the date notified under sub-regulation (1), the prohibitions contained in sub-regulation (1) of regulation 4 or regulation 5, as the case may be, shall apply to the concerned specified intermediary or specified listed company.

**6. Specified investors to obtain unique identification numbers.**—(1) On and from such date as may be notified by the Board in the Official Gazette, no specified investor, not being a body corporate, shall buy, sell or deal in any securities which are listed on any recognized stock exchange or in units of a mutual fund or a collective investment scheme or subscribe to securities which are proposed to be listed in any recognized stock exchange or units of a mutual fund or a collective investment scheme unless he has been allotted a unique identification number.

(2) On and from such date as may be notified by the Board in the Official Gazette, no specified investor being a body corporate shall buy, sell or deal in any securities which are listed on any recognized stock exchange or in units of a mutual fund or a collective investment scheme or subscribe to securities which are proposed to be listed in any recognized stock exchange or units of a mutual fund or a collective investment scheme unless such specified investor, its promoters and directors have been allotted unique identification numbers.

(3) On and from such date as may be notified by the Board in the Official Gazette, no specified investor, being a Foreign Institutional Investor, a sub-account or a Foreign Venture Capital Investor shall buy, sell or deal in any securities which are listed on any recognized stock exchange or in units of a mutual fund or a collective investment scheme or subscribe to securities which are proposed to be listed in any recognized stock exchange or units of a mutual fund or a collective investment scheme unless it has been allotted a unique identification number.

(4) No intermediary shall, after such specified date, deal in or allot such securities on behalf of or to a specified investor unless the investor has been allotted a unique identification number.

(5) Nothing in this regulation shall apply to any specified investor who has applied for allotment of a unique identification number under regulation 9 before the notified date, till the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be.

**7. Application by specified intermediary or other entity.**—Every specified intermediary or other entity shall make an application in accordance with sub-regulation (1) or sub-regulation (2), as the case may be, of regulation 12 to the Designated Service Provider for allotment of unique identification numbers for itself and for its related persons.

**8. Application by specified listed company.**—(1) Every specified listed company shall make an application to the Designated Service Provider in accordance with sub-regulation (1) or sub-regulation (2), as the case may be, of regulation 12 for allotment of unique identification numbers for itself and for its related persons.

(2) Every public company specified in the notification issued under regulation 5 and which intends to get its securities listed in a recognized stock exchange shall make an application to the Designated Service Provider for allotment of unique identification numbers for itself and for the related persons mentioned in clause (b) of regulation 5 simultaneously with the filing of the offer document with the Central Listing Authority.

**9. Application by specified investor.**—Every specified investor shall make an application to the Designated Service Provider in accordance with sub-regulation (1) or sub-regulation (2), as the case may be, of regulation 12 for allotment of a unique identification number.

**10. Person holding a unique identification number not required to obtain another unique identification number.**—Notwithstanding anything contained in these regulations, no person shall be obliged to apply for or be allotted another unique identification number, if he already holds a unique identification number allotted to him under these regulations in any other capacity:

Provided that where any person holding a unique identification number subsequently becomes an intermediary or a listed company or a related person of any of them, he shall disclose such fact to the Designated Service Provider.

**11. Maintenance of records.**—The Designated Service Provider shall maintain such books, records and documents, in such manner and for such period as may be specified by the Board.

### Chapter III

#### Grant and revocation of unique identification members

**12. Format of application.**—(1) Every application made by a specified investor or a related person of a specified intermediary or specified listed company being a natural person, under regulation 7, 8 or 9, as the case may be, shall be in Form A specified in the Schedule and shall be accompanied with a fee as specified in the notifications issued under regulation 4, 5 or 6, as the case may be.

(2) Every application made by a specified listed company, specified intermediary, a related person of any of the above or a specified investor, not being a natural person, under regulation 7, 8 or 9, as the case may be, shall be in Form B specified in the Schedule and shall be accompanied with a fee as specified in the notifications issued under regulation 4, 5 or 6, as the case may be.

**13. Procedure on receipt of application.**—(1) Upon receipt of an application for allotment of unique identification number under these regulations, the Designated Service Provider shall, if the application is not found defective, allot to the applicant a unique identification number within thirty days of receipt of the application.

(2) Where it is found that any such application is defective, the Designated Service Provider may intimate the defect to the applicant and give it an opportunity to rectify the defect within a period of fifteen days from the date of such intimation or within such further period which the Board may allow on a request made in this behalf.

(3) Where any defect in the application is intimated under sub-regulation (2) and the defect is not rectified by the applicant within the said period of fifteen days or, as the case may be, further period allowed under sub-regulation (2), then, notwithstanding anything contained in any other provision of this

Chapter, Designated Service Provider shall refer the application to the Board, which may either direct the Designated Service Provider to allot the unique identification number or reject the application after giving an opportunity to the applicant to make representations.

**14. Criteria to determine specified intermediaries, specified listed companies and specified investors.**—For the purposes of specifying the intermediaries, listed companies or investors under sub-regulation (1) of regulation 4 or regulation 5 or sub-regulation (1) of regulation 6, the Board may take into consideration the following factors:—

- (a) with regard to intermediaries or other entities — their kind and the nature of functions performed by them, their network and other similar factors;
- (b) with regard to listed companies or companies which intend to get their securities listed — their paid up capital, the number of their public shareholders, the volume of trading in their securities, the proposed issue size and other similar factors; and
- (c) with regard to investors — the quantum of investment made by them in the securities of any listed company or their volume of trading in securities in a particular financial year.

**15. Duty not to make false statements and revocation of unique identification number.**—(1) No person shall make a false statement or misrepresent any fact in any application made to the Designated Service Provider under these regulations.

(2) Every application made to the Designated Service Provider under these regulations and every intimation made under regulation 17 shall be certified to be true and correct:

- (a) in case of an intermediary, by its whole time director, managing partner, managing trustee or sole proprietor, as the case may be, and by its compliance officer;
- (b) in case of a listed company, by its whole time director and its company secretary or auditor; and
- (c) in case of an investor, by him.

**16. Revocation of unique identification number.**—(1) Where it is found that the unique identification number was obtained by a person through fraud or misrepresentation or was allotted to him under a mistake, the Board may, without prejudice to other action that it may take under any law for the time being in force and after giving him an opportunity of making representations, revoke the unique identification number allotted to him or to the related persons.

(2) Upon revocation of the unique identification number of a person, the provisions of these regulations shall apply from the date of revocation, as if no unique identification number was allotted to him.

(3) Every order passed by the Board under these regulations shall be in writing.

**16A. Power of the Board to issue clarifications.**—In order to remove any difficulties in the application or interpretation of these regulations, the Board may issue clarifications and guidelines in the form of circulars or notes.

## Chapter IV

### Continuing Obligations

**17. Duty to intimate changes.**—(1) Every person who has been allotted a unique identification number under these regulations shall intimate the changes if any, in the particulars submitted by him in the application, to the Designated Service Provider, in such electronic or other manner as may be specified by the Board, within thirty days of occurrence of the change.

(2) Every intermediary shall exercise due diligence to satisfy itself that its clients, being specified investors, have complied with sub-regulation (1).

**18. Duty to seek unique identification numbers for newly added related persons.**—(1) Every specified intermediary and other entity shall within thirty days of any person becoming a related person, ensure that such person has been allotted or has applied for a unique identification number.

(2) Every specified listed company shall within thirty days of any person becoming a related person, ensure that such person has been allotted or has applied for a unique identification number.

## Chapter V

### Action in case of violation

**19. Action for acting, dealing, etc. without obtaining unique identification number.**—Any person who issues any security or buys, sells or deals in any securities in contravention of these regulations shall be liable for —

- (a) action under sub-section (4) of section 11 of the Act;
- (b) delisting of securities;
- (c) being debarred from acting in any capacity in any security market related institution;
- (d) such other action as may be deemed appropriate by the Board in the facts and circumstances of the case:

Provided that no such action shall be taken without following the procedure laid down under the relevant rules or regulations.

**20. Action for giving false statement.**—Any person who makes any false statement or misrepresents any fact in any application or other document submitted to the Designated Service Provider shall, without prejudice to any action which may be taken under section 24 of the Act by the Board, be liable for action under section 15HB of the Act.

**21. Action for failure to intimate changes.**—Any person who being required to do so, fails to intimate changes as required in regulation 17 shall be liable for action under clause (b) of section 15A of the Act.

**22. Action for failure to make application for newly added related persons.**—Any intermediary or listed company who fails to ensure compliance with regulation 18 shall be liable for action under section 15HB of the Act.

## Appendix 7

### Extracts of Circulars and Notifications issued by SEBI related to MAPIN

#### I. Extracts of PR-48/2005 dated 24-02-2005

In terms of Notification issued by SEBI under sub regulations (1) and (3) of regulation 6 of the (Central Database of Market Participants) Regulations, 2003 on September 28, 2004, in the Gazette of India, Extraordinary, SEBI had inter alia notified "all resident investors not being bodies corporate who enter into any securities market transaction (including any transaction in units of mutual funds or collective investment schemes) of value of one lakh rupees or more" as "specified investors" under the relevant regulations and, as such will be required to obtain the UIN by March 31, 2005.

SEBI has received representations and feed back from the above "specified investors" on the difficulties faced by them in adhering to the time line of March 31, 2005. In order to alleviate their difficulties, it has been decided to give some more time to them to obtain the UIN. Accordingly the "notified date" is being extended from March 31, 2005 to December 31, 2005. The necessary notification to this effect is being issued by SEBI.

#### II. Cir – MAPIN/Cir.1/2005 dated 04-01-2005

1. The SEBI (Central Database of Market Participants) Regulations, 2003 were notified on Nov. 20, 2003. Pursuant to the notification dated July 30, 2004 issued under the captioned Regulations SEBI has, inter-alia, specified in terms of sub-regulation (2) of regulation 6 that "All investors being bodies corporate as 'specified investors', along with their promoters and directors are required to obtain a UIN before December 31, 2004".
2. However, it is clarified that "wherever the President of India/Central Government/State Government is a promoter, it is exempted from the requirement of obtaining a UIN under regulation 6(2) of SEBI (Central Database of Market Participants) Regulations, 2003".
3. This clarificatory circular is being issued in exercise of powers conferred under section 11(1) of the Securities and Exchange Board of India Act, 1992, read with Regulation 16A of the (Central

Database of Market Participants) Regulations, 2003 to protect the interest of investors in securities and to promote the development of and to regulate the securities market.

### **III. Cir – 37/2004 dated 27-10-2004**

1. The SEBI (Central Database of Market Participants) Regulations, 2003 were notified on November 20, 2003 and subsequently amended *vide* SEBI (Central Database of Market Participants) (Amendment) Regulations, 2004 notified on July 21, 2004.

2. Pursuant to clause (g) of sub regulation (1) of regulation 2 of the captioned Regulations, SEBI has appointed the National Securities Depositories Limited (NSDL), as the Designated Service Provider for the purpose of the said Regulations.

3. Further, under regulation 2(1)(v) read with Regulation 6 of the captioned Regulations, SEBI is empowered to notify 'specified investors'. SEBI *vide* notification, dated July 30, 2004 has already notified certain categories of investors as specified investors.

4. In continuation of the above, pursuant to the notification, dated September 28, 2004 issued under the captioned Regulations, SEBI has, *inter alia*, specified as under:

4.1. All resident investors not being bodies corporate who enter into any securities market transaction (including any transaction in the primary market or secondary market in any listed securities and any transaction in units of mutual funds or collective investment schemes) of value of one lakh rupees or more, as 'specified investors', who are required to obtain a UIN before March 31, 2005.

4.2. Foreign institutional investors, sub-accounts and foreign venture capital investors as 'specified investors' who are required to obtain a UIN before March 31, 2005.

5. The aforesaid specified investors, who are required to obtain a UIN under the said Regulations, may contact NSDL or any Point of Service (POS) mentioned in the Annexure for the purpose of making an application.

6. While making the application,

6.1. it is mandatory for the applicant who is a natural person to provide biometric impressions of the left thumb, left index finger, right thumb and right index finger and photograph electronically on the system of the Designated Service Provider.

6.2. an applicant shall ensure that he furnishes correct and true information.

Attention is invited to Regulation 15, which prohibits a person from making a false statement or misrepresentation of any fact in any application made to the Designated Service Provider and Regulation 20, which specify the action for false information.

7. Please note that with effect from April 1, 2005, according to the provisions of 7.1. sub-regulation (1) of regulation (6) of the captioned regulations, no specified investor not being a body corporate shall buy, sell or deal in any securities which are listed on any recognized stock exchange or in units of a mutual fund or a collective investment scheme or subscribe to securities which are proposed to be listed in any recognized stock exchange or units of a mutual fund or a collective investment scheme unless such specified investor has been allotted a UIN by March 31, 2005.

7.2. sub-regulation (3) of regulation 6 of the captioned regulations, no specified investor being a Foreign Institutional Investor, a sub-account or a Foreign Venture Capital Investor shall buy, sell or deal in any securities which are listed on any recognized stock exchange or in units of a mutual fund or a collective investment scheme or subscribe to securities which are proposed to be listed in any recognized stock exchange or units of a mutual fund or a collective investment scheme unless such specified investor, has been allotted a UIN by March 31, 2005.

8. It may also be noted that the specified investors after being allotted UIN have the continuing obligation to intimate changes, if any, in the particulars submitted to the MAPIN Database within 30 days.

9. Contravention of the above would invite action as specified in Regulation 19 of the captioned Regulations.

10. The SEBI Regulations, Notifications and application forms are available on the SEBI Website [www.sebi.gov.in](http://www.sebi.gov.in) as also on the NSDL website <http://mapin.nsdl.com>.

11. The stock exchanges are advised to,—

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

11.2. bring the provisions of this circular to the notice of the member brokers/clearing members/sub-brokers of the Exchange and also to disseminate the same on the website;

11.3. communicate to SEBI, the status of the implementation of the provisions of this circular in section II, item no. 13 of the Monthly Development Report for the month of October 2004.

12. The mutual funds are advised to,

12.1. report the status of compliance to the provisions of this circular to SEBI in all the Compliance Test Reports as well as the Half Yearly Trustee Reports;

12.2. bring the provisions of this circular to the notice of the investors of the mutual fund and also to disseminate the same on the website.

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

#### **IV. Notification S.O. No. 1077(E), dated 28-10-2004**

In exercise of the powers conferred by sub-regulations (1) and (3) of regulation 6 of the Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003 (hereinafter referred to as 'the said Regulations') and having considered the factors mentioned in clause (c) of regulation 14, the Board hereby specifies—

- (i) all resident investors not being bodies corporate who enter into any securities market transaction (including any transaction in the primary market or secondary market in any listed securities and any transaction in units of mutual funds or collective investment schemes) of value of one lakh rupees or more, as 'specified investors' for the purposes of clause (v) of sub-regulation (1) of regulation 2 of the said Regulations;
- (ii) the 31<sup>st</sup> day of March 2005 as the notified date for the purposes of sub-regulation (1) of regulation 6 of the said Regulations for the specified investors mentioned in clause (a) above;
- (iii) foreign institutional investors, sub-accounts and foreign venture capital investors as 'specified investors' for the purposes of clause (v) of sub-regulation (1) of regulation 2 of the said Regulations;
- (iv) the 31<sup>st</sup> day of March 2005 as the notified date for the purposes of sub-regulation (3) of regulation 6 of the said Regulations for specified investors mentioned in clause (c) above;

*Explanation.*—For the purposes of clause (a), 'resident investors' shall mean such investors as are 'persons resident in India' within the meaning of clause (v) of section 2 of the Foreign Exchange Management Act, 1999.

#### **VI. Notification S.O. No. 884(E), dated 30-7-2004**

In exercise of the powers conferred by sub-regulation (1) of regulation 4 and sub-regulations (1) and (2) of regulation 6 of the Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003 (hereinafter referred to as 'the said Regulations') and having considered the factors mentioned in clauses (a) and (c) of regulation 14, the Board hereby specifies—

- (a) sub-brokers within the meaning of rule 2(f) of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992 as 'specified intermediaries' for the purposes of clause (u) of sub-regulation (1) of regulation 2 of the said Regulations;
- (b) the 31<sup>st</sup> day of December 2004 as the notified date for the purposes of sub-regulation (1) of regulation 4 of the said Regulations for the sub-brokers specified in clause (a) above;

- (c) all investors being bodies corporate as 'specified investors' for the purposes of clause (v) of sub-regulation (1) of regulation 2 of the said Regulations;
- (d) the 31<sup>st</sup> day of December 2004 as the notified date for the purposes of sub-regulation (2) of regulation 6 of the said Regulations for specified investors being bodies corporate mentioned in clause (c) above;
- (e) all investors, whether bodies corporate or not, intending to avail of margin trading facility in terms of the requirements laid down by the Board, as 'specified investors' for the purposes of clause (v) of sub-regulation (1) of regulation 2 of the said Regulations; and,
- (f) the 31<sup>st</sup> day of August 2004 as the specified date for the purposes of sub-regulation (1) or sub-regulation (2), as the case may be, of regulation 6 of the said Regulations for specified investors mentioned in clause (e) above.

#### **VII. Circular No. MRD/DOP/MAPIN/Cir-26/2004, dated 16-8-2004**

SEBI (Central Database of Market Participants) Regulations, 2003 were notified on November 20, 2003 and subsequently amended *vide* SEBI (Central Database of Market Participants) (Amendment) Regulations, 2004 notified on July 21, 2004.

Pursuant to clause (g) of sub regulation (1) of Regulation 2 of the captioned Regulations, SEBI has appointed the National Securities Depositories Limited (NSDL), as the Designated Service Provider for the purpose of the said Regulations.

Pursuant to the notification dated July 30, 2004 issued under the captioned Regulations, SEBI has, *inter alia*, specified as under:

3.1. Sub-brokers within the meaning of rule 2(f) of the SEBI (Stock-Brokers and Sub-brokers) Rules, 1992 as specified Intermediaries, who along with their related persons are required to obtain Unique Identification Numbers (UIN) before December 31, 2004.

3.2. All investors being bodies corporate as 'specified investors', who along with their promoters and directors are required to obtain a UIN before December 31, 2004.

3.3. All investors, whether bodies corporate or not, intending to avail of the margin trading facility in terms of the requirements laid down by the Board, as 'specified investors', are required to obtain a UIN before August 31, 2004.

It is to be noted that with effect from January 1, 2005.

4.1. As per the provisions of sub-regulation (1) of regulation (4) of the captioned regulations, no sub-broker being a specified intermediary shall act as such, if the UIN has not been obtained for itself and its related persons by December 31, 2004.

4.2. As per the provisions of sub-regulation (2) of regulation 6 of the captioned regulations, no specified investor being a body corporate shall buy, sell or deal in any securities which are listed on any recognized stock exchange or in units of a mutual fund or a collective investment scheme or subscribe to securities which are proposed to be listed in any recognized stock exchange or units of a mutual fund or a collective investment scheme unless such specified investor, its promoters and directors have been allotted UIN by December 31, 2004.

It is also to be noted that from September 1, 2004, no specified investor whether body corporate or not, shall avail of the margin trading facility in terms of the requirements laid down by the Board, unless such investor has obtained a UIN by August 31, 2004.

The SEBI Regulations, Notifications and application forms are available on the SEBI Website [www.sebi.gov.in](http://www.sebi.gov.in) as also on the NSDL website <http://mapin.nsdl.com>.

The specified investors, specified intermediaries and their related persons, who are required to obtain a UIN under the said Regulations, may contact NSDL or any Point of Service (POS) mentioned in the Annexure for the purpose of making an application.

8. While making the application,

8.1. it is mandatory for the applicant who is a natural person to provide biometric impressions of the left thumb, left index finger, right thumb and right index finger and photograph electronically on the system of the Designated Service Provider.

8.2. an applicant shall ensure that he furnishes correct and true information. Attention is invited to regulation 15 which prohibits a person from making a false statement or misrepresentation of any fact in any application made to the Designated Service Provider and Regulation 20 which specifies the action for false information.

9. it may also be noted that the specified intermediary/related persons/specified investors have the following continuing obligations after being allotted UIN:

9.1. To intimate changes, if any, in the particulars submitted to the MAPIN Database within 30 days.

9.2. To ensure that within 30 days of any person becoming a related person he has been allotted or has applied for a UIN.

10. Contravention of the above would invite action as specified in Regulation 19 of the captioned Regulations.

11. The stock exchanges are advised to,—

11.1. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decisions immediately, as may be applicable and necessary.

11.2. bring the provisions of this circular to the notice of the member brokers/clearing members/sub-brokers of the Exchange and also to disseminate the same on the website.

11.3. communicate to SEBI, the status of the implementation of the provisions of this circular in Section II, item no. 13 of the Monthly Development Report for the month of August 2004.

12. the mutual funds are advised to,—

12.1. report the status of compliance to the provisions of this circular to SEBI in all the Compliance Test Reports as well as the Half Yearly Trustee Reports.

12.2. bring the provisions of this circular to the notice of the investors of the mutual fund and also to disseminate the same on the website.

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

## Appendix 8

### **Exemption of Depository Participants (DPs) from giving hard copies of Transactions Statements to Beneficiary Owners (BOs)<sup>1</sup>**

1. In terms of regulation 43 of SEBI (Depositories & Participants) Regulations, 1996, every DP is required to provide statements of account to the BO in such form and in such manner and at such time as provided in the agreement with the BO.

2. Based on various representations received from the Depository Participants, it has been decided to permit the DPs to provide transaction statements and other documents to the BOs under Digital signature, as governed under the Information Technology Act, 2000, subject to the DP entering into a legally enforceable arrangement with the BO for the said purpose. The providing of transaction statements and other documents in the aforesaid manner would be deemed to be in compliance of the provisions of the

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<sup>1</sup> Circular No. MRD/DoP/Dep/Cir-27/2004, dated 16-8-2004.



Regulation 43 of SEB (Depositories & Participants) Regulations, 1996. However if the BOs are still desirous of receiving statements in hard copy, the DPs shall be duty bound to provide the same.

3. The depositories are accordingly advised to;

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

3.2 Bring the provisions of this circular to the notice of the DPs of the depository and also to disseminate the same on the website.

3.3 Communicate to SEBI the status of the implementation.

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