

# OPERATIONS MANUAL FOR PARTICIPANTS

## CONTENTS

<b>1. INTRODUCTION .....</b>	<b>2</b>
<b>2. THE NATIONAL SECURITIES DEPOSITORY LIMITED-AN OVERVIEW .....</b>	<b>3</b>
<b>3. PROCEDURES INVOLVED IN VARIOUS ACTIVITIES.....</b>	<b>4</b>
3.1 ACCOUNT OPENING.....	4
3.2 DEMATERIALISATION.....	7
3.3 TRANSFER OF SECURITIES.....	10
3.4 TRANSMISSION OF SECURITIES.....	17
3.5 PLEDGE AND HYPOTHECATION .....	18
3.6 CLIENT MASTER MAINTENANCE .....	23
3.7 CLIENT INITIATED FREEZING OF AN ACCOUNT .....	23
3.8 CLIENT INITIATED DEFREEZING OF AN ACCOUNT .....	24
3.9 SUSPENSION OF A CLIENT ACCOUNT .....	24
3.10 SUSPENSION OF A PARTICIPANT.....	26
3.11 REMATERIALISATION.....	27
3.12 ACCOUNT CLOSURE.....	29
3.13 CORPORATE ACTIONS.....	33
3.14 PUBLIC ISSUES .....	36
<b>4. QUERIES AND REPORTS .....</b>	<b>37</b>
4.1 BOD & EOD PROCESS :.....	37
4.2 CLIENT REPORTING.....	38
<b>5. RECORD MAINTENANCE .....</b>	<b>39</b>
5.1 CLIENT MAINTENANCE.....	39
5.2 DEMATERIALISATION.....	39
5.3 REMATERIALISATION.....	40
5.4 TRANSFER OF SECURITIES.....	40
5.5 PLEDGE AND HYPOTHECATION .....	40
<b>6. GLOSSARY .....</b>	<b>41</b>

## Annexures

## **1. INTRODUCTION**

*This manual describes the procedures to be followed by a Participant which has entered into an agreement with National Securities Depository Limited (NSDL). NSDL is providing this information solely as a reference guide for Participants. We request that each Participant follow the procedures described in this manual. This material is meant to supplement the Participant's internal operating procedures with respect to Participant services.*

*While every care has been taken to ensure accuracy and completeness of the procedures, NSDL shall not be responsible for any unintentional errors or omissions.*

## **2. THE NATIONAL SECURITIES DEPOSITORY LIMITED-AN OVERVIEW**

The National Securities Depository Limited (NSDL), promoted by Industrial Development Bank of India, Unit Trust of India and National Stock Exchange of India Limited, is a company established to provide electronic depository facilities for securities traded in the equity and debt markets.

The National Securities Depository Limited has been registered by SEBI on June 7, 1996, as India's first depository to facilitate settlement of securities in dematerialized form.

### **FUNCTIONS PERFORMED BY NSDL :**

NSDL renders the following services :

- Enable dematerialisation and rematerialisation of eligible securities.
- Provide for disbursement of Corporate Benefits to the Beneficial Owners.
- Effect settlement of securities traded on the exchanges as well as Off-market trades through book entry transfers.
- Provide for Pledging/Hypothecation of eligible securities.
- Provide for Securities Lending and Borrowing at a later stage.

The subsequent chapters describe the procedures in detail to be followed by the Participants for each of the services rendered by NSDL. We hope that this manual will meet your requirements for all the future interface with NSDL.

### **3. PROCEDURES INVOLVED IN VARIOUS ACTIVITIES**

#### **Basic Requirements**

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

#### **3.1 ACCOUNT OPENING**

An investor intending to hold securities in the electronic form in a depository system should open an account with a Participant. So also should all the clearing members who intend to provide settlement function in the depository system. There are four categories of accounts a participant will maintain. They are :

##### **Beneficiary account**

A beneficiary account is an account held with the Participant by a client for the purpose of holding its securities.

##### **House account**

A house account is the Participant's own beneficiary account held in its own system for the purpose of holding its own securities.

##### **Clearing account**

A Clearing account is an account held with the Participant by a clearing member of a clearing corporation for the purpose of carrying out clearing and settlement functions in respect of electronic trades. A Clearing account consists of pool account, delivery account and receipt account.

##### **Own Clearing account**

An own Clearing account is the Participant's own clearing account held in its own system in case where the Participant is also a clearing member of a clearing corporation. This account is held for the purpose of carrying out clearing and settlement functions in respect of electronic trades.

The electronic balances in the beneficiary accounts and the house account have to be maintained distinctly separate and the Participant is prohibited from commingling securities held in these two accounts.

By opening an account with the Participant the client will be able to avail of the following facilities :

- Dematerialise its existing holding in securities declared eligible by NSDL and receive credit in its account.
- Purchase any such securities in depository segment of the market and receive credit in its account.
- Receive credit in its account through bonus, rights, etc. or through a public issue.
- Sell its holding in depository segment of the market.
- Pledge or hypothecate its securities in electronic form for availing of credit facilities from a lender.

### **Procedure for opening an account**

- The Participant will make available the relevant account opening form vide **Business Rules Annexure J or K** (depending on whether the client is a retail investor or corporate client/clearing member) and specify the list of documents regarding references that should be submitted along with the form. It will also give a copy of the relevant agreement, (**Bye Laws Annexure B**) to be entered with the client, in duplicate.
- The client will submit the duly filled in account opening form. It should also furnish such documents regarding references, as specified by the Participant, along with the account opening form. After executing the agreement the client has to forward it to the Participant.
- The Participant will verify that the account opening form is duly filled in. It will also verify the enclosed documents, if any. Incomplete forms will be forwarded to the client for rectification.
- For Corporate Clients, the Participant will verify if the board resolution for the authorised signatories is enclosed.
- In case the documents are not proper, the Participant will reject the form and intimate the client of the same, stating the reasons for doing so. The copy of the agreement submitted by the client is destroyed.
- If the form is in order, the Participant will accept the same and give an acknowledgment slip duly signed and stamped, to the client. The Participant will execute the agreement and give a copy of it to the client.
- After completion of all documentation, the Participant will enter the client details as mentioned in the account opening form in the DPM (software provided by NSDL to the Participant) screen provided for the purpose. After entering client details in the system, a client account number will be generated by the DPM. The Participant will enter this in the account opening form.

- The Participant will record the client's signature (on the form) as specimen for authorisations in the future.
- The Participant will give a copy of the report listing the client details captured in the DPM database to the client. The report will be generated by the DPM.

The procedure for opening a Clearing account is same as above. In addition, since the Clearing Member is a Business Partner of NSDL, the Participant shall request NSDL to allot a CM-BP-Id to the Clearing Member.

**Procedure for allotment of CM-BP-Id to the Clearing Member.**

- A Clearing Member can open only one Clearing Account with any one of the Participant. The Participant should inquire in BP Master in the DPM system, whether the Clearing Member is already a Business Partner and has opened an account with some other Participant. If the Clearing Member is already a Business Partner, then the procedure given for closure and shifting of Clearing account in the subsequent chapters should be followed.
- The Clearing Member has to submit a letter from the Clearing Corporation regarding allotment of CM-Id to the Clearing Member. Such a letter is not required in case of BOI Shareholding Limited (BOISL).
- After the Participant is ready to open the account, it will send a copy of the account opening form, copy of a letter from the Clearing Corporation regarding allotment of CM-Id and a covering letter stating the Participant's willingness to open a clearing account for the Clearing Member (format given in **Annexure 1**) to NSDL.
- NSDL will allot the CM-BP-Id and electronically intimate the Participant.
- Clearing Members may issue a standing instruction for receiving credit of securities from the clients account. They have to specify the same and accordingly the Participant will have to mark the standing instruction indicator for credits as enabled against the Clearing account details in the DPM system.
- The Participant may then proceed with opening the Clearing Account and inform the Clearing Member.
- The Participant should also inform NSDL the following details immediately after the account is opened in the DPM system.
  - ⇒ Clearing Member name
  - ⇒ CM-BP-Id
  - ⇒ Client Id
  - ⇒ Date of opening of account in the DPM system.

### **3.2 DEMATERIALISATION**

Dematerialisation is the process by which a client can get physical certificates converted into electronic balances maintained in its account with the Participant in the depository system. Securities held in dematerialised form are fungible, i.e., they do not bear any distinguishing features.

An investor intending to dematerialise its securities needs to have an account with a Participant. The client has to deface and surrender the certificates registered in its name to the Participant. After intimating NSDL electronically, the Participant sends the securities to the concerned Issuer/R&T agent. NSDL in turn informs the Issuer/R&T agent electronically about the request for dematerialisation. If the Issuer/ R&T agent finds them in order, it registers NSDL as the holder of the securities and confirms to NSDL electronically. On receiving such confirmation, NSDL authorises credit to the relevant client account with the Participant.

#### **Procedure for dematerialisation**

- No requests for dematerialisation should be entertained for a person other than the registered shareholder in the books of the company.
- The client will submit a request to the Participant in the Dematerialisation Request Form (**Business Rules Annexure D**) for dematerialisation along with the certificates of securities to be dematerialised. Before submission, the client has to deface the certificates by writing "SURRENDERED FOR DEMATERIALISATION" as shown in **Business Rules Annexure E**.
- The Participant will verify that the form is duly filled in and the number of certificates, number of securities and the security type (equity, debenture etc.) are as given in the DRF. If the form and security count is in order, the Participant will issue an acknowledgment slip duly signed and stamped, to the client.
- The Participant will scrutinise the form and the certificates which involves the following:
  - ⇒ Verification of Client's signature on the dematerialisation request with the specimen signature (the signature on the account opening form). If the signature differs, the Participant should ensure himself of the identity of the client.
  - ⇒ Compare the order of holders' names on DRF and Certificates with the Client account. The pattern of holding at the time of dematerialisation is given in **Business Rules Annexure F**.
  - ⇒ Paid up status
  - ⇒ ISIN

- ⇒ Pari Passu Status
- ⇒ Lock - in status
- ⇒ Distinctive numbers

- In case the securities are not in order they are returned to the client and acknowledgment is obtained. The Participant will reject the request and return the DRF and certificates, if the ISIN of the certificates surrendered, pertaining to a single DRF, is not the same.
- In case the certificates are mutilated, or they are defaced in such a way that the material information is not readable, the Participant will reject the dematerialisation request. It may advise the client to send the certificates to the Issuer/R&T agent and get new securities issued in lieu thereof.
- The Participant must verify the nature of the security, its paripassu status with reference to the list of ISIN codes available with it. The allotment of ISIN must be verified at a second level. Wrong allocation may result in avoidable losses to the clients. The ISIN is entered in the space provided for it in the dematerialisation request form.
- If part of the certificates pertaining to a single DRF are partly paid-up, the Participant will reject the request and return the DRF along with the certificates. It may advise the client to send separate requests for the fully paid-up and partly paid-up securities.
- If part of the certificates pertaining to a single DRF are locked-in, the Participant will reject the request and return the DRF along with the certificates to the client. It may advise the client to send a separate request for the locked-in certificates. Also, certificates locked-in for different reasons should not be submitted together with a single DRF.
- In case the securities are found in order the details of the request as mentioned in the form are entered in the DPM and a Dematerialisation Request Number ( DRN ) will be generated by the system.
- The DRN so generated is entered in the space provided for the purpose in the dematerialisation request form.
- Details recorded for the DRN should be verified by a person other than the person who entered the data. The request is then released to DM (DM - Depository Module, NSDL's software system) by the Participant.
- The DM forwards the request to the Issuer/R&T agent electronically.
- The Participant will fill the relevant portion viz., the authorisation portion of the request form.
- The Participant will punch the certificates on the company name as shown in **Business Rules Annexure E** so that it does not destroy any material information on the certificate.



- The Participant will then despatch the certificates along with the request form and a covering letter (Annexure 2) to the Issuer/R&T agent.
- When the Issuer/R&T agent confirms acceptance of the request for dematerialisation, the DM will electronically authorise the creation of appropriate credit balances in the client's account.
- The DPM will credit the client's account automatically.
- The Participant must inform the client of the changes in the client's account following the confirmation of the request.

### **Objections by Issuer/R&T agent**

The Issuer/R&T agent, on receipt of physical certificates with the DRF, will first try to match the Dematerialisation Request Number given in the DRF with the electronic message it has received from DM. In case of a mismatch, the Issuer/R&T agent will send a letter/fax to the Participant intimating it of the mismatch.

The Participant will verify with the system and furnish the correct DRN to the Issuer/R&T agent.

- Subsequent to this, while processing the certificates, the Issuer/R&T agent may report some objections. Depending on the nature of objection, the Issuer/R&T agent may reject the request or process it partially, seeking rectification for the remaining, and send an objection memo to the Participant. The details of such objections are given in **Annexure 3**.
- If the Issuer/R&T agent rejects the dematerialisation requests, the Participant will intimate the client of rejection by letter/fax along with the rejection memo sent by the Issuer/R&T agent. This will happen if the securities sent to the Issuer/R&T agent happen to be stolen, forged, under court injunction, fake or originals against which duplicate certificates have been issued.
- If the Issuer/R&T agent sends an objection memo, the requests will be treated as pending at the Issuer/R&T agent's end. In such cases the Participant will issue a clarification either on its own or after clarifying the reasons stated in the Objection memo with the client. The Participant will issue such clarifications within a period of 15 days from the date on which the letter/fax was sent by the Issuer/R&T agent.
- In case of mismatch of number of securities between that mentioned in the DRF and the securities physically received, the Issuer/R&T agent will send a letter/fax intimating the difference along with a copy of the DRF to the Participant. The Participant will rectify the shortage by sending the correct certificates to the Issuer/R&T agent. The Participant will send the certificates within 15 days from the date on which the Issuer/R&T agent has sent the letter/fax intimating the mismatch.

- If the Issuer/R&T agent sends back the excess certificates, the Participant will forward them to the clients. The Participant may advise the client to send the defaced certificates for replacement to the Issuer/R&T agent.
- In case of signature difference between the DRF and the specimen signature in the Issuer/R&T agent's books, the Issuer/R&T agent will retain a copy of DRF and send the original DRF to the Participant for rectification along with an Objection memo. The Participant will forward the same to the Client and get it rectified. It will ask the client to get its signature attested by a first class Magistrate or Notary Public, Bank Manager or any other competent authority. The Participant will do this within 15 days from the date on which the DRF and Objection memo were sent by the Issuer/R&T agent.
- If the Participant gets the electronic rejection message before it rectifies the objection, it will treat the request as rejected and intimate the client accordingly.
- Where the Participant has rectified the objection within 15 days, but the Issuer/R&T agent has rejected the request before receipt of clarification or rectified certificates/DRF, the Issuer/R&T agent will send the certificates and DRF back to the Participant. The Participant will treat such requests as rejected and intimate the client accordingly.
- The Participant will not generate a fresh request in the system till such time it receives electronic intimation of rejection.

### **3.3 TRANSFER OF SECURITIES**

A client having an account with a Participant has the facility to receive credit for purchase of securities in electronic form. Similarly, a client can sell its securities held in electronic form. For doing this, the client has to authorise the Participant to transfer balances from or to its account. In case a client sells its dematerialised securities, it must give a debit authorisation to the Participant in the form of a delivery instruction form. In the market trades, the client will be required to transfer its securities to the Pool account of the clearing member (either broker or custodian or any other as the case maybe). In case a client purchases dematerialised securities it must give a credit authorisation to the Participant in a receipt instruction form. In the market trades the client will be receiving securities from the Pool account of the clearing member to its account.

The clients are required to mention the counterparty account details in the delivery/receipt instruction form. The source and target accounts may be with the same Participant (**intra DP**) or may be with two different Participants (**inter DP**).

Transfer of securities in a depository system can be done both for **market trades** as well as **off-market trades**.

#### **Intra-DP**

Transfers executed between accounts held with the same Participant are intra-DP transfers. For executing an intra-DP transfer, the Participant, after checking the validity of debit and credit instructions, needs to enter a single instruction in the DPM system.

### **Inter-DP**

Transfers executed between accounts held with two different Participants are Inter-DP transfers. For executing an inter-DP transfer, each of the Participant will enter the respective debit and credit instructions in their respective DPM systems after checking the completeness and validity of the instructions. An inter-DP transfer takes place only after the debit and credit requests are matched by DM.

### **3.3.1 MARKET TRADES**

Market trades are those trades which are executed on the stock exchange and are cleared and settled through the clearing corporation. For the purpose of NSDL operations, trades which are negotiated and subsequently reported for being cleared and settled through the clearing corporation, will also be treated as market trades. Market trades can be settled only through a clearing member. Every clearing member intending to participate in the depository segment of the market will open a special Clearing account with a Participant. If the clearing member is itself a Participant, the account can be opened in its own Participant set-up. When clients sell securities, the securities are moved from the clients' accounts to the Pool account of the clearing member, and at the time of pay-in, the securities are moved to the clearing corporation based on the net obligation of the clearing member. Invariably, the retail clients will use the services of the selling broker as a clearing member for settlement of their transactions. However, the facility for using a clearing member other than the broker who executes the order is available. In such cases the client will indicate the clearing member at the time of placing its order. If the trade is accepted by the clearing member, the clearing corporation will shift the responsibility for the settlement of the trade from the trading member who executed the transaction to the clearing member who has accepted the transaction. On the pay-in day, the clearing members transfer their net obligations to the clearing corporation. On the pay-out day, the clearing corporation will credit the Pool account of the clearing member with the net receivables for the clearing member. The clearing member will then give instructions for transferring the balances from the Pool account to the buying clients' accounts.

#### **Procedure for transfers in respect of market trades**

##### **Authorisation for debit (delivery)**

- The selling client will submit a request to the Participant in the form vide **Business Rules Annexure L** for transferring balances from its account to the Pool of the clearing member through whom the client intends to settle its trade. The client has to specify the market type and the settlement number of the trading period for the trade for which transfer is being executed as also the CM-BP-Id of the clearing member in the depository system.
- On receipt of the request, the Participant will verify that the form is duly filled in and that the signature as on the form tallies with the specimen signature available in its records.

- If the signatures are different the Participant will ensure the identity of the client.
- The Participant will check the target Participant's DP Id on the form.

### **Intra-DP transfer**

- If the target Participant's DP Id is the same as its own DP Id, the Participant will enter the request in the DPM as an intra-DP transfer.
  - ⇒ The Participant will enter the request in the DPM and the DPM will generate an instruction number for the request. The Participant will then verify and release the instruction.
  - ⇒ In case of a transfer from a beneficiary account to the Pool account of a clearing member, if the NSDL deadline date and time has passed at the time of verification / release, the DPM will disallow release of the instruction.
  - ⇒ Transfer takes place on the execution date entered as part of the instruction, provided there is sufficient free balance in the client account as at that time. In case the execution date entered happens to be a holiday the transfer will be executed on the business day following the holiday.
  - ⇒ If sufficient free balance is not available in the client account on the execution date, the request is marked as 'overdue' by the system. If there are not sufficient balances available in the account till the end of the regular operations for the business day, the order is rejected by the DPM. Part delivery, to the extent of free balance available, does not take place.
  - ⇒ In the event of such rejection, the Participant will intimate the client stating that sufficient free balance was not there in its account for executing the transfer.

### **Inter-DP transfer**

- While verifying the transfer request form if the Participant finds that the target Participant's DP Id is different from its own DP Id, then it has to initiate an inter-DP transfer.
  - ⇒ The Participant will enter the request in the DPM and the DPM will generate an instruction number for the request. The Participant will then verify and release the request.
  - ⇒ In case of a transfer from a beneficiary account to a clearing member Pool account, if the NSDL deadline date and time is past at the time of verify / release, the DPM will disallow release of the instruction.

- ⇒ Details of the request are released to the DM by the DPM on the execution date mentioned in the request. The client's free balance gets blocked to the extent of the transfer, when the request is released to the DM. In case the execution date entered happens to be a holiday, the transfer will be executed on the business day following the holiday.
- ⇒ Transfer is initiated by the DM if the debit instruction thus released to the DM is matched by a complementary credit instruction coming to the DM from the Participant of the client's clearing member. Alternately, the clearing member may have a standing instruction, in which case, the complementary instruction is generated by the DM and matched with the delivery instruction which is sent to the DPM of the Participant associated with the clearing member.
- ⇒ When the transfer is effected by the DM and intimated to the DPM, it will debit the client's concerned blocked holdings.
- ⇒ If the instruction is not matched by a complementary instruction at the DM, the request is rejected by the DM at the end of the business day and the status is intimated to the DPM. On receipt of the message, the DPM will unblock the holding of the client blocked for the purpose of transfer.
- ⇒ The Participant will accordingly intimate the client of the rejection.

#### **Authorisation for credit (receipt)**

- A client executing purchases in the depository segment will be required to give a credit authorisation to its Participant.
- The buying client will submit a request to the Participant in the form vide **Business Rules Annexure M** to transfer securities to its own account.
- On receipt of the request, the Participant will verify that the form is duly filled in and in case of signature difference the Participant will ensure the identity of the client.
- If the Target Participant's DP Id is same as its own DP Id, the Participant will enter the request as Intra-DP transfer. On the execution date, the corresponding client's account is credited.
- If the target Participant's DP Id on the form is different from its own DP Id, the Participant will enter the request in the DPM as an inter-DP transfer.
- Details of the request are released to the DM by the DPM on the execution date mentioned in the request.
- Transfer is initiated by the DM if the credit instruction thus released to the DM is matched by a complementary debit instruction coming to the DM from the Participant of the client's clearing member.

- When transfer is effected by the DM and intimated to the DPM, it will credit the account of the client to that extent.
- If the credit instruction is not matched by a corresponding debit instruction, the DM will reject the request at the end of the business day and the rejected status is intimated to the DPM.
- In the event of such rejection, the Participant will intimate the client.
- Status of the request is automatically updated in the DPM and may be checked by querying on the request details.

### **Procedure for settlement through Clearing Corporation**

- The clearing corporation gives the net obligation for each clearing member, security-wise, at the end of the trading period. The clearing member can transfer its net obligations from the Pool account to the Delivery account before NSDL deadline date and time.
- The Participant, where it is also a clearing member, will transfer its net delivery obligations in each security from its own Pool account to its Delivery account. The Participant can do this by entering the relevant details in the delivery-out instruction screen of the DPM.
- Other clearing members having their account with the Participant, will submit a request in the form vide **Business** Rules Annexure S to the Participant, for transferring net balances from their Pool accounts to their Delivery accounts.
- On receipt of the request from other clearing members, the Participant will verify that the form is duly filled in and verify the signature of the clearing member.
- If the form is not in order, the Participant will intimate the clearing member accordingly.
- If the form is in order, the Participant will enter the request in the DPM and the DPM will generate an instruction number for the request. The Participant will then verify and release the instruction.
- After the NSDL deadline time is past, the DM will send a delivery out statement to the clearing corporation containing details of the clearing member wise delivery account positions for the settlement for which pay-in is due.
- On the pay-out day the clearing corporation will give a receipt-in statement, containing details of credits to be given to the receiving clearing members. The DM credits the corresponding receipt accounts of the clearing members and then transfers the balances in the receipt account to the corresponding Pool account.
- In case the clearing member is a Participant, it will transfer the receipts from its Own Pool account to the buying clients' accounts.

- The Participant will intimate the non-Participant clearing members of all receipts into their Pool accounts from the clearing corporation after the Pay-out.
- The non-Participant clearing member will authorise the Participant to debit its Pool account and credit the buying clients' accounts by submitting a request in the form vide **Business Rules Annexure T**.
- The Participant will verify if the form is in order. In case of any discrepancy, the Participant will ask the clearing member to rectify the same. On rectification, the Participant will transfer the corresponding balances to the respective buying clients' accounts.

### **3.3.2 OFF- MARKET TRADES**

Off-market trades are deals, generally for bulk quantities, which are negotiated outside the trading system of a stock exchange between trading members directly. If these trades are subsequently reported to the stock exchange and cleared through the clearing corporation, they are not treated as off-market trades. Off-market trades result in transfers from one beneficiary account to another beneficiary account and between a beneficiary account and the house account of a Participant.

#### **Intra-DP Transfers :**

- The Selling client will submit a request to the Participant vide **Business Rules Annexure L** for transferring balances from its account to another account. The buying client will submit a request in the form vide **Business Rules Annexure M** for transferring balances to its own account.
- The Participant will check for the signature of the client in the forms. If there is a signature difference, the Participant will ensure the identity of the client.
- Where the requests pertain to intra-DP transfer, the Participant will match the requests manually.
- If, for a debit authorisation given by a selling client, there exists a corresponding credit authorisation given by a buying client, the Participant will enter the request in DPM as an intra-DP transfer and the DPM will generate an instruction number for the request.
- Transfer takes place automatically on the execution date entered as part of the instruction if the selling client's account has sufficient balance as on the execution date.
- If on the execution date the selling client's account does not have enough balance, the status of the instruction changes to 'overdue'. Such an instruction will get triggered if the account gets sufficient balance before the end of the business day, else it will be marked as closed at the end of the day.

**Inter-DP Transfer :**

- The selling client has to submit a request to the Participant in the form vide **Business Rules Annexure L** for transferring balances from its account to another account. Similarly the buying client has to submit a request to the Participant in the form vide **Business Rules Annexure M** for transfer of balances to its account.
- On receipt of the request, the Participant will verify that the form is duly filled in and that the signature of the client as on the form matches with the specimen available in its records.
- If the signatures are different the Participant will ensure the identity of the client.
- If the target Participant's DP Id is different from its own DP Id, the Participant will enter the request in the DPM as an inter-DP transfer and the DPM will generate an instruction number for the same.
- Details of the request are released to the DM by the DPM on the execution date mentioned in the request. The client's free holding is blocked to the extent of delivery at the time of release of instruction to the DM.
- If on the execution date the selling client's account does not have enough balance, the status of the instruction changes to 'overdue'. Such an instruction will get triggered if the account gets sufficient balance before the end of the business day, else it will be marked as closed at the end of the day.
- Transfer is initiated by the DM if the debit instruction thus released to the DM is matched by a complementary credit instruction coming to the DM from the counter-party's Participant.
- When the transfer is effected by the DM and intimated to the DPM, it will debit the selling clients concerned blocked holdings and update the status of the request.
- Status of the request is automatically updated in the DPM and may be checked by querying on the request details.
- The buying client will submit a request to the Participant in the form vide **Business Rules Annexure M** for transfer of balances from an account with another Participant to its own account.
- On receipt of the request, the Participant will verify that the form is duly filled in.
- The Participant will verify that the signature of the client as on the form matches with the specimen available in its records.
- If the signatures are different the Participant will ensure the identity of the client.



- The Participant will check the target Participant's identity on the form. If it is different from its own identity number, the Participant will enter the request in the DPM as an inter-DP transfer.
- Details of the request are released to the DM by the DPM on the execution date mentioned in the request.
- Transfer is initiated by the DM if the credit instruction thus released to the DM is matched by a complementary debit instruction coming to the DM from the counter-party's Participant.
- When transfer is effected by the DM and intimated to the DPM, it will credit the account of the client to that extent.
- In case of failure of transfer, the Participant will intimate the client accordingly.
- Status of the request is automatically updated in the DPM and may be checked by querying on the request details.

### **3.4 TRANSMISSION OF SECURITIES\***

Transmission of securities can be categorised into two parts :

- Transmission of securities - in the event of death of any of the joint holders, in which case, the other existing joint holders can get the securities transmitted in their favour by producing the death certificate. The existing joint holders have to open a new account with a Participant.
- Transmission of securities - in the event of death of the sole holder, in which case, the claimants/successors/legal heirs can get the securities transmitted in their favour by submitting the relevant legal documents to the Participant. The claimants/legal heirs/successors should open an account with a Participant to get the securities transmitted in their favour.

#### **Transmission of Securities of Sole Holder (deceased) :**

- Where the Sole Holder who has securities held in its name is deceased, any successor/claimant/legal heir shall be required to make a request for transmission in the form vide **Business Rules Annexure O** and furnish any of the following legal documents: viz., Probate of Will, Succession Certificate, Letter of Administration, or any other legal document which may be required along with an attested copy of the Death Certificate, to the Participant.
- The Participant will verify all the legal documents submitted by the legal heir/claimant/successor for their authenticity. If satisfied about the authenticity of the documents submitted, the Participant will transmit the securities to the respective clients.

#### **Transmission in case of death of one of the Joint Holder :**

---

\* For detailed procedure, refer to **NSDL Business Rules Chapter 12, Rule no. 12.6**

- In the event of any joint holder's demise, the other joint holders shall have the securities transmitted in their favour only on furnishing a copy of the death certificate (duly attested/or in original) through the Participant. They should also make a request for transmission in the form vide **Business Rules Annexure O**.
- The Participant will verify the documents and satisfy itself about the authenticity of the same.
- The securities will then be transmitted in the names of the other account holders.

### **3.5 PLEDGE AND HYPOTHECATION**

A client (pledgor) having a beneficiary account with a Participant can pledge or hypothecate securities in electronic form against loan/credit facilities extended by a pledgee, who too has a beneficiary account with a Participant. The creation of pledge/hypothecation will be initiated by the pledgor through its Participant and the pledgee will instruct its Participant to confirm the creation of the pledge. The pledge/hypothecation so created can either be closed on repayment of loan or invoked on default. After the pledgor repays the loan to the pledgee, the pledgor will initiate the closure of pledge/hypothecation through its Participant and the pledgee will instruct its Participant to confirm the closure of the pledge/hypothecation. In case of default by the pledgor in repaying the loan to the pledgee, the pledgee may initiate invocation of pledge/hypothecation, after taking such steps as may be necessary as per the terms of the underlying agreement with the pledgor and the Bye Laws & Business Rules of NSDL and SEBI Regulations. In case of hypothecation, the pledgor will instruct its Participant to confirm the invocation of the hypothecation in the DPM. However, in case of pledge, no such confirmation is required in the DPM of the pledgor's Participant for invocation.

#### **Procedure for creation of pledge/hypothecation by the pledgor :**

- The pledgor will submit an instruction to its Participant to initiate a pledge/hypothecation request in the DPM by indicating the option 'create a pledge/hypothecation' in the pledge/hypothecation form vide **Business Rules Annexure W**. The pledgor will indicate therein, the agreement number, closure date of the pledge/hypothecation (this date is indicative of the duration of pledge/hypothecation), pledgee's details, and the details of securities to be pledged.
- The Participant will check for the completeness of the form. The Participant has to ensure that symbols like '-', '{', '}', '[', ']', and ':' should not be the first character of the agreement number and that the securities requested to be pledged exist in the pledgor's account. If not so, the Participant will return the same to the pledgor for rectification.
- If the form is complete in all respects, the Participant will accept the form for processing and issue an acknowledgment for the same to the pledgor.
- The Participant will then enter the details of the request in the DPM and the DPM will generate a pledge/hypothecation instruction number for the request.

- The Participant will then verify/release the order to NSDL. Securities to the extent of the instruction are debited from the free or locked-in balances and credited as pledged balances of the pledgor. The Participant shall write the pledge/hypothecation instruction number on the pledge/hypothecation form and intimate the same to the pledgor.
- The details of the pledge/hypothecation are electronically communicated to the DPM of pledgor's Participant through the DM for confirmation.

**Procedure for confirmation of creation of pledge/hypothecation by the pledgor :**

- The pledge/hypothecation request will be displayed on the DPM of pledgor's Participant.
- The pledgor's Participant will furnish the details of the pledge/hypothecation requests received for confirmation to the pledgor through the report generated by the DPM.
- The pledgor will submit an instruction to its Participant to accept/reject the pledge/hypothecation request by indicating the option 'confirm the creation of pledge/hypothecation' in the pledge/hypothecation form vide **Business Rules Annexure W**.
- The Participant will check for the completeness of the form. If the form is incomplete, the Participant will return the same to the pledgor for rectification.
- If the form is complete in all respects, the Participant will accept the form for processing and issue an acknowledgment for the same to the pledgor.
- The Participant will compare the details on the form with that of the details as shown by the DPM against the pledge/hypothecation instruction number.
- The Participant will execute the order for accepting/rejecting the pledge/hypothecation request in the DPM as per the instructions given in the form.
- In case of rejection by the pledgor, the Participant will enter the rejection reason in the DPM as specified in the form.
- The acceptance/rejection of pledge/hypothecation confirmation is electronically communicated to the DPM of the pledgor's Participant through DM.
- Acceptance of the creation of pledge/hypothecation will appear in the DPM of the pledgor's Participant and pledgor's Participant as a status change. Status of the pledge/hypothecation instruction will change to "Pledged".
- In case of rejection by the pledgor, the bookings performed at the time of initiation of creation of the pledge/hypothecation instruction will be reversed and the securities will be debited from the pledged balances of the pledgor and credited to its free/locked-in balances. The reasons for rejection are displayed in the DPM of the pledgor's Participant.

- The pledgor's Participant cannot cancel the pledge/hypothecation order after confirmation of creation of the pledge/hypothecation by the pledgee.
- The pledgee's Participant cannot confirm the creation of pledge/hypothecation after the closure date.

**Procedure for closure of a pledge/hypothecation by the pledgor :**

- After the pledgor repays the loan to the pledgee, the pledgor will submit an instruction to its Participant to initiate the closure of pledge/hypothecation by indicating the option 'close the pledge/hypothecation' in the pledge/hypothecation form vide **Business Rules Annexure W**.
- The Participant will check for completeness of the form. If the form is incomplete, the Participant will return the same to the pledgor for rectification.
- If the form is complete in all respects, the Participant will accept the form for processing and issue an acknowledgment for the same to the pledgor.
- The Participant will compare the details on the form with that of the details as shown by the DPM against the pledge/hypothecation instruction number.
- The Participant will enter the closure request details in the DPM against the pledge/hypothecation instruction number as per the instructions given in the form and verify/release the instruction to NSDL.
- The details of the pledge/hypothecation closure request are electronically communicated to the DPM of pledgee's Participant through the DM for confirmation.

**Procedure for confirmation of pledge/hypothecation closure request by the pledgee :**

- The pledge/hypothecation closure request will be displayed on the DPM of the pledgee's Participant.
- The pledgee's Participant will furnish the details of the pledge/hypothecation closure requests received for confirmation to the pledgee through a report generated by the DPM.
- The pledgee will submit an instruction to its Participant to accept/reject the pledge/hypothecation closure request by indicating the option 'confirm the closure of pledge/hypothecation' in the pledge/hypothecation form vide **Business Rules Annexure W**.
- The Participant will check for the completeness of the form. If the form is incomplete, the Participant will return the same to the pledgee for rectification.

- If the form is complete in all respects, the Participant will accept the form for processing and issue an acknowledgment for the same to the pledgee.
- The Participant will compare the details on the form with that of the details as shown by the DPM against the pledge/hypothecation instruction number.
- The Participant will execute the order for accepting/rejecting the pledge/hypothecation closure request in the DPM as per the instructions given in the form.
- In case of rejection by the pledgee, the Participant will enter the rejection reason in the DPM as specified in the form.
- The acceptance/rejection of pledge/hypothecation closure confirmation is electronically communicated to the DPM of the pledgor's Participant through DM.
- Acceptance of the closure of pledge/hypothecation will appear in the DPM of the pledgor's Participant and the pledgee's Participant as a status change. Status of the pledge/hypothecation instruction will change to "Partially Closed" or "Closed, Settled" and the securities accepted for closure will be debited from the pledged balances of the pledgor and credited to its free/locked-in balances.
- In case of rejection by the pledgee, the securities will continue to remain as pledged balances in the pledgor's account. The reasons for rejection are displayed in the DPM of the pledgor's Participant.

**Procedure for invocation of pledge / hypothecation by the pledgee :**

- In case of default by the pledgor in repaying the loan to the pledgee, after taking such steps as may be necessary as per the terms of the underlying agreement with the pledgor and the Bye Laws & Business Rules of NSDL and SEBI Regulations, the pledgee will submit an instruction to its Participant to initiate a pledge/hypothecation invocation by indicating the option 'invoke the pledge/hypothecation' in the pledge/hypothecation form vide **Business Rules Annexure W**.
- The Participant will check for the completeness of the form. If the form is incomplete, the Participant will return the form to the pledgee for rectification.
- If the form is complete in all respects, the Participant will accept the form for processing and issue an acknowledgment for the same to the pledgee.
- The Participant will compare the details on the form with that of the details as shown by the DPM against the pledge/hypothecation instruction number.
- The Participant will enter the invocation request details in the DPM against the pledge/hypothecation instruction number as per the instructions given in the form and verify/release the instruction to NSDL.

- The details of the hypothecation invocation request are electronically communicated to the DPM of pledgor's Participant through the DM for confirmation.
- In the case of invocation of a pledge, the securities are transferred from the pledged balances of the pledgor to the pledgee's beneficial owner account. The intimation of the same travels to the pledgor's Participant through DM and the status of the pledge is changed to "closed, invoked".
- Locked-in securities cannot be invoked before the lock-in release date.

**Procedure for confirmation of hypothecation invocation request by the pledgor :**

- The hypothecation invocation request will be displayed on the DPM of the pledgor's Participant.
- The pledgor's Participant will furnish the details of the hypothecation invocation requests received for confirmation to the pledgor through a report generated by the DPM.
- The pledgor will instruct its Participant to accept/reject the hypothecation invocation request by indicating the option 'confirm the invocation of hypothecation' in the pledge/hypothecation form vide **Business Rules Annexure W**.
- The Participant will check for the completeness of the form. If the form is incomplete, the Participant will return the same to the pledgor for rectification.
- In case the form is complete in all respects, the Participant will accept the form for processing and issue an acknowledgment for the same to the pledgor.
- The Participant will compare the details on the form with that of the details as shown by the DPM against the hypothecation instruction number.
- The Participant will execute the order for accepting/rejecting the hypothecation invocation request in the DPM as per the instructions given in the form.
- In case of rejection by the pledgor, the Participant will enter the rejection reason in the DPM as specified in the form.
- The acceptance/rejection of hypothecation invocation confirmation is electronically communicated to the DPM of the pledgee's Participant through DM.
- Acceptance of invocation of hypothecation will appear in the DPM of the pledgee's Participant and the pledgor's Participant as a status change. Status of the hypothecation instruction will change to "Closed, Invoked" and the securities are transferred from the pledged balances of the pledgor to the pledgee's beneficial owner account.

- In case of rejection by the pledgor, the securities will continue to remain as pledged balances in the pledgor's account. The reasons for rejection will be displayed in the DPM of the pledgee's Participant.

### **3.6 CLIENT MASTER MAINTENANCE**

The Participant is required to store all details furnished by clients at the time of account opening in the client master database in the DPM. These details have to be updated when the client requests any changes therein. The Participant will ensure that such changes are done only by a person at a higher level in its organisation.

#### **Procedure**

- The client has to inform the Participant of any change in the personal details provided at the time of opening of the account, through a letter. If the Participant so requires, the client should supplement the letter with necessary documents.
- The Participant will verify the client's signature in the letter intimating the change with the specimen available in its records.
- If the signatures are different the Participant will ensure the identity of the client.
- The Participant will then update such client details in the DPM on the day it receives the intimation from the client or on the following day.
- The Participant will provide a statement of the revised details to the client.

### **3.7 CLIENT INITIATED FREEZING OF AN ACCOUNT**

A client may request that its account be frozen by deactivating it. The Participant has a facility in the DPM to freeze an account. The account is frozen for any transaction thereafter, until it is reactivated on a request from the client. An account may be frozen for debits or for both debits and credits depending on the choice of the account holder.

#### **Procedure**

- The client will submit a request to the Participant in the form vide **Business Rules Annexure P** for freezing its account.
- On receipt of the request form, the Participant will verify that the form is duly filled in and issue to the client an acknowledgment slip signed and stamped.
- The Participant will verify the signature of the client as on the form with the specimen available in its records.

- If the signatures are different the Participant will ensure the identity of the client.
- If the request form is in order, the Participant will change the status of the client's account from "ACTIVE" to "SUSPENDED FOR DEBIT" or "SUSPENDED FOR ALL" depending on the choice of the client, from the date mentioned by the client on the form. The Participant will enter the reason for change in status as "request from the client".
- The Participant will intimate the change in status to the client.

### **3.8 CLIENT INITIATED DEFREEZING OF AN ACCOUNT**

A client whose account is frozen may request its Participant to defreeze its account by reactivating it. The Participant has the facility in the DPM to defreeze an account. The account is reactivated and transactions are allowed on the account thereafter.

#### **Procedure**

- The client will submit a request to the Participant in the form vide **Business Rules Annexure P** for defreezing its account.
- On receipt of the request form, the Participant will verify that the form is duly filled in and issue to the client, an acknowledgment slip, signed and stamped.
- The Participant will verify the signature of the client as on the form with the specimen available in its records. In case of signature difference the Participant will ensure the identity of the client.
- If the request form is in order, the Participant will change the status of the client's account to "ACTIVE", on the date mentioned by the client on the form. The Participant will enter the reason for change in status as "request from the client".
- The Participant will intimate the change in status to the client.

### **3.9 SUSPENSION OF A CLIENT ACCOUNT**

A Participant has the facility in the DPM to suspend a client account in case it receives a directive/order to the effect from NSDL, Income-tax or judicial authorities. The frozen holdings cannot be moved out of the account by the client. The Participant will intimate the client of suspension of its account.

#### **Procedure for suspending an account**



- On receipt of a directive/order for suspending a client account, the Participant will change the account status in the DPM from "ACTIVE" to "SUSPENDED FOR DEBIT" or "SUSPENDED FOR ALL". It will record the reason for the status change as "directive/order of the concerned authority" e.g., "order of the High Court of Mumbai".
- The Participant will intimate the client about the suspension of its account. In case of clearing member client, the Participant will intimate the clearing corporation also of the suspension.

**Procedure for revoking suspension of account**

- The status will be changed to "ACTIVE" on receipt of a directive to revoke such suspension from NSDL or authorities mentioned above. The Participant records the reason for the status change as a directive from the concerned authority.
- The Participant will intimate the client about the revoking of the suspension.

### **3.10 SUSPENSION OF A PARTICIPANT**

NSDL may, as a measure of disciplinary action or under orders from an appropriate authority, suspend a Participant from carrying out its operations. In such a situation the clients of the Participant will be given the option to move their holdings to an account with another Participant or to rematerialise their holdings.

#### **Procedure**

- On receipt of the suspension order from NSDL, the Participant will intimate all clients of the impending suspension and will give them sufficient time to move balances in their accounts to another Participant or rematerialise the same. The Participant will especially intimate those clients who have requested freezing of their accounts, to defreeze their accounts and transfer their balances to some other Participant.
- The Participant will intimate all clearing member clients to transfer balances from Pool accounts to concerned client accounts.
- The Participant should transfer all balances in its own Pool account to the clients' accounts.
- The Participant will accept and process all debit instructions such as for transfer of holdings and rematerialisation from the clients.
- Allocations lying in suspense will be reported to NSDL and through NSDL to the Issuer/R&T agent. The Issuer/R&T agent will rematerialise the securities and confirm to NSDL which will in turn reduce balances in the suspense account of the Participant to zero.
- No credit instructions and dematerialisation requests will be accepted.
- The holdings blocked for rematerialisation will remain in the DPM till such time the Issuer/R&T agent confirms.

### **3.11 REMATERIALISATION**

Rematerialisation is the process by which a client can get its electronic holdings converted into physical certificates. The client has to submit the rematerialisation request to the Participant with whom it has an account. The Participant enters the request in its system which debits the client's holdings to that extent automatically. The Participant releases the request to NSDL and sends the request form to the Issuer/R&T agent. The Issuer/R&T agent then prints the certificates, despatches the same to the client and simultaneously electronically confirms the acceptance of the request to NSDL.

#### **Procedure**

- The client will submit a request to the Participant in the form vide **Business Rules Annexure H** for rematerialisation of holdings in its account
- On receipt of the request form, the Participant will verify that the form is duly filled in and issue to the client, an acknowledgment slip, signed and stamped.
- The Participant will verify the signature of the client as on the form with the specimen available in its records.
- If the signatures are different the Participant will ensure the identity of the client.
- If the form is in order the Participant will enter the request details in its DPM. While entering the details, if it is found that the client's account does not have enough balance, the Participant will not entertain the request.
- The Participant will intimate the client that the request cannot be entertained since the client does not have sufficient balance.
- If there is sufficient balance in the client's account, the Participant will enter the request in the DPM and the DPM will generate a Rematerialisation Request Number (RRN).
- The RRN so generated is entered in the space provided for the purpose in the rematerialisation request form.
- Details recorded for the RRN should be verified by a person other than the person who entered the data. The request is then released to the DM by the Participant.
- The DM forwards the request to the Issuer/R&T agent electronically.
- The Participant will fill the authorisation portion of the request form.
- The Participant will then despatch the request form to the Issuer/R&T agent.

- The Issuer/R&T agent accepts the request for rematerialisation, prints and despatches the certificates to the client and sends electronic confirmation to the DM.
- The DM downloads this information to the DPM and the status of the rematerialisation request is updated in the DPM.
- The Participant must inform the client about the changes in the client account following the acceptance of the request.

### **Objections by Issuer/R&T agent**

The Issuer/R&T agent, on receipt of the remat request form will first try to match the Rematerialisation Request Number given in the RRF with the electronic message it has received from NSDL. In case of a mismatch, the Issuer/R&T agent will send a letter/fax to the Participant intimating it of the mismatch.

The Participant will verify with the system and furnish the correct RRN to the Issuer/R&T agent.

- Subsequent to this, while processing the request, the Issuer/R&T agent may report some objections. Depending on the nature of objection, the Issuer/R&T agent may reject the request or process it partially, seeking rectification for the remaining, and send an objection memo to the Participant .
- If the Issuer/R&T agent rejects the rematerialisation requests, the Participant will intimate the client of rejection by letter/fax along with the rejection memo sent by the Issuer/R&T agent.

In case of mismatch of number of securities between that mentioned in the RRF and the electronic intimation, the Issuer/R&T agent will send a letter/fax intimating the difference along with a copy of the RRF to the Participant. The Participant will rectify the shortage by indicating the correct quantity to the Issuer/R&T agent.

### **3.12 ACCOUNT CLOSURE**

A beneficial owner may close its account with the Participant at its option. Similarly, a clearing member may close its account with the Participant. The account closure can also be initiated by the Participant, if the client has defaulted in its obligations towards the Participant.

#### **Client initiated closure**

In order to close an account the client has to submit an account closure request form to the Participant. The client intending to close its account may opt for rematerialisation of its holdings or transfer of holdings to an account with another Participant.

#### **Procedure for closing a Beneficiary Account**

- The client will submit a request to the Participant in the form vide **Business Rules Annexure Q** for account closure.
- On receipt of the request form, the Participant will verify that the form is duly filled in and issue to the client, an acknowledgment slip, signed and stamped.
- The Participant will verify the signature of the client on the form with the specimen signature available in its records.
- If the signature is different, the Participant will ensure the identity of the client.
- The client is required to indicate whether it has opted for transferring the holding to another account or for rematerialisation.
- If the option is for transfer of holding to another account, procedure laid down for account transfer will be followed.
- If the option is for rematerialisation, procedure laid down for rematerialisation will be followed.
- After all the balances in the client account become zero, the Participant will change the status of the client account to "TO BE CLOSED".
- The Participant will issue a final statement of accounts to the client.

#### **Procedure for closing a Clearing account**

- The Clearing Member client will submit a request to the Participant in the form vide **Business Rules Annexure Q** for account closure.

- On receipt of the request form, the Participant will verify that the form is duly filled in and issue to the client, an acknowledgment slip, signed and stamped.
- The Participant will verify the signature of the Clearing Member on the form with the specimen signature available in its records.
- If the signature is different, the Participant will ensure the identity of the client.
- The Clearing Member has to authorise the Participant to move all balances from the Pool account to the Clearing Member's buying clients' accounts or to the Delivery-out account as delivery obligation to the clearing corporation. For this, the Participant will follow the procedure laid down for transfer of securities.
- When balances become zero, the Participant will intimate NSDL.
- NSDL will intimate the Participant to proceed with closure of the account. The Participant will remove the standing instruction indicator and change the account status to "TO BE CLOSED" and inform NSDL accordingly.
- On receipt of intimation from the Participant (old), the Depository will revoke the old Business Partner Id of the clearing member.
- The Participant will issue a final statement of accounts to the Clearing Member.

### **Participant initiated closure**

The Participant may initiate closure of a client account if the client has defaulted in its obligations towards the Participant. The Participant has to serve sufficient notice to the client before it takes such a step.

- The Participant will intimate the client of its intention to close the client's account specifying the reason for doing so.
- The client is required to indicate whether it has opted for transferring the holding to another account or for rematerialisation.
- If the option is for transfer of holding to another account, procedure laid down for account transfer will be followed.
- If the option is for rematerialisation, procedure laid down for rematerialisation will be followed.
- After all the balances in the client account become zero, the Participant will change the status of the client account to "TO BE CLOSED".
- The Participant will issue a final statement of accounts to the client.

### **3.12.1 Closure and shifting of clearing account**

The clearing member may close an existing clearing account and open a new clearing account with another Participant. The clearing member will have to submit an account closure form to its Participant and an account opening form along with other documents for shifting of the clearing account to the new Participant. The existing clearing account will be closed by the old Participant after balances are moved out by the clearing member. The clearing member will be assigned a new Business Partner Id ( CM-BP-Id ) by NSDL and a new clearing account will be opened by the new Participant. The new account will receive the Receipt-in by default.

#### **Procedure**

- The clearing member will submit the application for closing the clearing account to the Participant (old) in duplicate.
- The Participant (old) will verify that the application for closing the clearing account is duly filled and if in order issue an acknowledgment to the clearing member on the duplicate copy.
- If the application is not in order the Participant will return the application to the clearing member client for rectification.
- The clearing member will submit the following documents to the Participant (new):
  - ⇒ Application for opening a clearing account
  - ⇒ Letter from Clearing Corporation regarding allotment of CM- Id. Such a letter is not required in case of BOISL.
  - ⇒ Application for shifting of clearing account in the prescribed format as given in **Annexure 4**
  - ⇒ Acknowledgment copy of the application for closure of the account from the previous Participant.
- The Participant (new) will verify that the application for opening the account supported by the above-mentioned documents is duly filled.
- If the application is not in order the Participant will return the application to the clearing member client for rectification.
- If the application is in order, the Participant (new) will execute the agreement and give a copy of it to the clearing member.
- The Participant (new) will forward the copy of the account opening form along with the above mentioned documents to NSDL.
- NSDL will allot the clearing member a new CM-BP Id.

- The Participant (new) will open the clearing account after the new CM BP Id is downloaded to its DPM and intimate NSDL.
- The new account will be marked to receive receipts-in due on pay-out after NSDL receives intimation of creation of the new clearing account.
- NSDL will intimate the old Participant to commence the procedure for closure of the account.
- On receipt of intimation from NSDL, the Participant (old) will disable the standing instruction (if any). After the completion of one BOD/EOD cycle, the Participant will verify the balances in the clearing account. If the balances happen to be zero and there are no outstanding instructions for the clearing account, the Participant will change the status of the account to "To be closed" and intimate NSDL accordingly.
- On receipt of intimation from the Participant (old), NSDL will revoke the old CM-BP Id of the clearing member.
- In case balances in the clearing account of the CM are not zero, the Participant (old) will inform the clearing member to move its balances out of the CM Pool account in a reasonable time.
- The Participant (old) will again verify the balances in the account. If the balances happen to be zero, the Participant will follow the procedure mentioned above.
- If the balance in the old clearing account has not been reduced to zero within two weeks of the opening of the new account, the Participant (old) shall inform NSDL and the Clearing Corporation forthwith that the balance has not been reduced to zero.



### **3.13 CORPORATE ACTIONS**

Corporate actions are benefits given by a company to its investors. The benefits arising to the investors out of the corporate actions may be either monetary benefits like dividend, interest or non-monetary benefits like bonus, rights, etc. NSDL facilitates distribution of corporate benefits. The Issuer announces a record date/book closure period for the purpose of entitlement of corporate benefits.

In case of monetary benefits, NSDL will give the beneficiary ownership details to the Issuer/R & T Agent. The Issuer/R & T Agent will carry out the necessary processing and the distribution of such benefits will be outside the system.

In case of non-monetary benefits, NSDL will give the beneficiary ownership details to the Issuer/ R & T Agent. The Issuer/R & T Agent will carry out the necessary processing and upload the beneficiary ownership details to NSDL. NSDL will then credit the beneficiary owners' accounts by downloading the data to the Participants.

#### **Corporate Actions in the form of monetary benefits :**

- NSDL will inform the Participants about the record date/book closure as announced by the Issuer for the corporate action. NSDL will also inform the Participants about the no-delivery period as announced by the Clearing Corporation and the procedure to be followed thereof by issuing a circular.
- On receipt of information about the book closure/record date, the Participant will take care :
  - ⇒ To update the changes in tax status, bank details, change of address etc. in the beneficial owners' accounts well in advance of the book closure/record date.
  - ⇒ To clear positions in all the clearing accounts by transferring the relevant securities to relevant beneficiary accounts well in advance of the book closure/record date. The balances lying in the Clearing Accounts are reported to Issuer/R&T agent as transit account position.
  - ⇒ Not to transfer the relevant securities to the Clearing Accounts till the EOD on the record date or the EOD on the business day prior to commencement of book closure in respect of such settlement periods as would be specified in the circular referred above.
  - ⇒ To mention in the DPM the settlement number in which the securities will ultimately be settled and not the settlement number in respect of which there is no-delivery, while transferring securities to the clearing accounts.
  - ⇒ To remain connected till EOD on the record date or the EOD on the business day prior to commencement of book closure.

- NSDL will provide the details of the beneficial owners and their holdings as on the EOD of the record date or the EOD on the business day prior to commencement of book closure to the Issuer/R&T agent.
- The Issuer/R&T agent will distribute dividend, interest and other monetary benefits directly to the beneficial owners on the basis of list provided by NSDL.
- In respect of the balances reported as transit account position, the Issuer/R&T agent will keep the corporate benefits in abeyance till the beneficial ownership is determined.

**Corporate Actions in the form of non-monetary benefits :**

- NSDL will inform the Participants about the record date/book closure as announced by the Issuers for the corporate actions. NSDL will also inform the no-delivery period as announced by the Clearing Corporation and the procedure to be followed thereof by issuing a circular.
- On receipt of information about the book closure/record date, the Participant will take care :
  - ⇒ To update the changes in tax status, bank details, change of address etc. in the beneficial owners accounts well in advance of the book closure/record date.
  - ⇒ To clear positions in all the clearing accounts by transferring the relevant securities to relevant beneficiary accounts well in advance of the book closure/record date. The balances lying in the Clearing Accounts will be reported to Issuer/R&T agent as transit account position.
  - ⇒ Not to transfer the relevant securities to the Clearing Accounts till the EOD on the record date or the EOD on the business day prior to commencement of book closure in respect of such settlement periods as would be specified in the circular referred above.
  - ⇒ To mention in the DPM the settlement number in which the securities will ultimately be settled and not the settlement number in respect of which there is no-delivery, while transferring securities to the clearing accounts.
  - ⇒ To remain connected till EOD on the record date or the EOD on the business day prior to commencement of book closure.
- NSDL will provide the details of the beneficial owners and their holdings as on the EOD of the record date or the EOD on the business day prior to commencement of book closure to the Issuer/R&T agent.
- The Issuer/R&T agent will provide an option to the shareholders to be allotted securities either in physical or electronic form.
- The beneficial owners who opt for electronic securities will indicate the DP Id and the beneficial owner account number in the form and send it to the Issuer/R&T agent.

- The Issuer/R&T agent will issue securities in physical form in respect of those beneficial owners who do not indicate any choice.
- The Issuer/R&T agent will provide allotment details and the date on which the necessary credit entries are to be made in the accounts of the beneficial owners (referred to as execution date) to NSDL.
- NSDL will perform the necessary bookings and the relevant credit entries are booked in the DPM on the execution date.
- The Participant will give the statement of holdings and transaction statement to the beneficial owners, giving the updated positions after the corporate action.

In respect of the balances reported as transit account position, the Issuer/R&T agent will keep the corporate benefit in abeyance till the beneficial ownership is determined.

### **3.14 PUBLIC ISSUES**

The Issuer/R&T agent may provide an option to all the beneficial owners to be allotted securities either in physical or electronic form. In respect of those investors who opt for electronic securities, the Issuer/R&T agent will obtain the DP Id and the beneficial owner account number to which the securities are to be credited. The Issuer/R & T Agent will carry out the necessary processing and upload the beneficiary ownership details to NSDL. NSDL will then credit the beneficiary owners' accounts by downloading the data to the Participant.

#### **Procedure**

- The Issuer provides an option to the beneficial owners to be allotted securities either in physical form or electronic form in the application form.
- The beneficial owners who opt for electronic securities will indicate the DP Id and the beneficial owner account number in the application form and send it to the Issuer/R&T agent.
- The Issuer/R&T agent will issue securities in physical form in respect of those beneficial owners who do not indicate any choice.
- The Issuer/R&T agent will provide allotment details and the date on which the necessary credit entries are to be made in the accounts of the beneficial owners (referred to as execution date) to NSDL.
- NSDL will perform the necessary bookings and the relevant credit entries are booked in the DPM on the execution date.
- The Participant will give the statement of holdings and transaction statement to the beneficial owners, giving the updated positions after the corporate action.

## **4. QUERIES AND REPORTS**

### **4.1 BOD & EOD Process :**

Every Business day starts with Beginning of Day processing initiated by NSDL. Only after this message is sent by NSDL, flow of messages between the DPM and DM is enabled. Subsequent to this the Participant can carry out regular activities. Reconciliation of positions takes place during end of day process. The DPM on receipt of the "end of the day" message will initiate internal reconciliation and also generate a reconciliation report to be sent to NSDL.

#### **Beginning Of Day (BOD)**

- DM will send all Participant systems the message through the electronic link to start the activities for the business day. The business date at the DPM of a Participant will be updated to the business date decided by NSDL.
- On receipt of the message the flow of messages from the DPM to the DM is enabled.
- The DM sends a number of messages to the DPM as part of BOD activity.
- The DPM will receive and act on these messages by performing the required bookings.
- The DPM then allows a DPM user to enter and release requests to the DM.
- The BOD message sent by the DM also includes the probable time for the EOD for the day.

#### **End Of Day ( EOD )**

- The DPM disallows the DPM user from releasing any request {demat /remat / transfer ( intra DP and inter DP)} "X" time before the probable time for EOD as given at BOD for the business day. The time period "X" is used by the DM for processing requests that came from the DPMs before "EOD-X" and waiting to be processed in their respective queues.
- Changes in master data, acceptance or rejections of requests pending in their respective queues etc. are intimated to all DPMs by the DM at this time. The EOD message is sent by the DM after it has processed requests pending for the DPM and sent all intimations to each DPM. The message states that it is the last message of the day and is sensed as such by the DPM.
- Once this message is received, the DPM initiates reconciliation of positions in the various accounts with the positions in the control accounts (accounts where bookings to any account is reflected through double entry). The suspense positions are reported as a part of the reconciliation statement.
- The DPM checks for the following mapping of positions for each ISIN:

Σ Client a/cs	= Client control account
Σ House a/cs	= House control account
Σ Pool a/cs	= Pool control account
Σ Delivery a/cs	= Delivery control account
Σ Receipt a/cs	= Receipt control account
Σ Remat a/cs	= Remat control account
Σ Demat a/cs	= Demat control account

- Once positions are reconciled the DPM will generate reconciliation statements and beneficiary positions details reports to be sent to DM. These reports are sent online.
- On receiving the reconciliation statements from the DPMs the DM will reconcile the positions mentioned by each DPM in its reconciliation statement with the positions in the Participant's positions maintained at its end.
- The positions should tally for successful reconciliation. The DM will process the Beneficiary reports coming from the DPM and update the record of beneficiary owners as well as positions it maintains for each ISIN.

#### **Failure during reconciliation**

The DPM will generate an exception report on failure of reconciliation.

Processing based on this report will be manual.

- Each transaction will be checked
- Corrections required to be carried out will be reported to the DM.

#### **4.2 Client Reporting**

The Participant will report the following information to the clients :

- statement of holdings at regular intervals
- transaction statement to be given atleast once in 15 days
- allotment details in case of primary market issues
- non-monetary benefits such as bonus, conversions etc.
- transfers executed
- transfer requests pending execution
- confirmed dematerialisation / rematerialisation requests
- rejected rematerialisation / dematerialisation/transfer requests
- suspension / freezing / defreezing of the account

## **5. RECORD MAINTENANCE**

Participants are required to maintain an efficient system of filing. Copies of all documents directly affecting operations will be preserved. All documents on the basis of which data is entered/updated in the system will be preserved. All correspondence between Participant and clients / Issuer / R&T agent / trading members / clearing members / companies will be preserved. All the records are to be maintained by the Participants for a period of five years.

### **5.1 Client Maintenance**

Copies of the following documents are to be preserved:

- Forms submitted by clients to the Participant for account opening / closing / freezing / defreezing
- Correspondence from clients etc., on the basis of which client details are updated in the DPM.
- The Participant will specifically ask for income tax status related information from the client, to be provided on an annual basis.

### **5.2 Dematerialisation**

Copies of the following documents pertaining to the dematerialisation process will be preserved by the Participant :

- copy of Dematerialisation Request Form (DRF) filled by the client
- certificate details of securities sent for dematerialisation
- courier receipts and proof of delivery (POD) of despatches
- objection memo + certificate details of rejected securities against the DRN

### **5.3 Rematerialisation**

Copies of the following documents pertaining to the rematerialisation process will be preserved by the Participant :

- copy of Rematerialisation Request Form (RRF) submitted by the client
- courier receipt and Proof of Delivery (POD) of despatches of RRF

### **5.4 Transfer of securities**

Copies of the following documents will be preserved:

- transfer request forms submitted by the clients
- copy of RBI approval wherever applicable.

### **5.5 Pledge and Hypothecation**

- forms submitted by clients for pledge creation, closure and invocation.
- forms submitted by clients for confirmation of pledge creation and closure.
- forms submitted by clients for hypothecation creation, closure and invocation.
- forms submitted by clients for confirmation of hypothecation creation, closure and invocation.

Filing will be such as to enable quick retrieval of all documents pertaining to a client account including all transactions requested by the client.

The Participants will take a daily backup of the system database. This will include all reports received from and sent to DM.

Record of all actions taken on the exception reports generated by the system has to be separately preserved along with the copy of the exception report.



## 6. GLOSSARY

1.	BO	:	Beneficial Owner means a person whose name is recorded as such with a Depository.
2.	BOD	:	Beginning of Day for the commencement of operations as defined by the system.
3.	BP	:	Business Partner. This refers to all external agencies interacting with NSDL (Share Registrars, Clearing Corporations, Clearing Members, Other Depositories and Participants).
4.	CA	:	Corporate Actions.
5.	CC	:	Clearing Corporation of a stock exchange responsible for clearing and settlement of funds and securities for the trades executed on the exchange.
6.	CLIENT ID	:	Client Identification (Account ) Number - being a unique number which is allotted to each Beneficial Owner opening an account with a Participant.
7.	CM	:	Clearing Member registered with a CC.
8.	CM-Id	:	Clearing Member Id allotted by a CC.
9.	CM-BP-Id	:	Id allotted by NSDL to the Clearing Member.
10.	DM	:	Depository Module which maintains the details about the Participants and handles requests from the Participants of the Depository system.
11.	Delivery Out	:	Delivery out order is an instruction to transfer securities from the clearing account of a CM to a CC. The CM can fulfill its delivery obligation for trades of electronic securities through delivery out order.
12.	DP ID	:	Participant Identification Number - a unique number which is allotted to each participant by the Depository on registration with it as a business partner. For a Participant, its BP-Id and DP-Id are the same.
13.	DPM	:	Depository Participants Module which maintains details about the clients and handles requests from clients of the Depository Participants.
14.	DRF	:	Dematerialisation Request Form which is filled by the client for the purpose of dematerialisation
15.	DRN	:	A unique number (system generated) for every Dematerialisation request.
16.	EOD	:	End of Day - a term used for the signal from the DM to DPMs to stop processing any transactions for the day. The term also denotes the batch processes like reconciliation that the DM and DPM process at the end of the day.
17.	ISIN	:	Refers to the International Securities Identification Number. This is a unique identification number for each security allotted by SEBI
18.	PARTICIPANT	:	Refers to the Depository Participant who has entered into an

			agreement with the Depository.
19.	RI Statement	:	Receipt -in Statement. This is given by the CC to NSDL.
20.	RRF	:	This is Rematerialisation Request Form which is to be filled by the client for the purpose of rematerialisation of securities.
21.	RRN	:	A unique number (system generated) for every Rematerialisation request.
22.	Standing Instruction	:	An instruction given by the CM to its Participant authorising receipt of all credits into its account.
23.	SWIFT	:	Refers to the Society for Worldwide Interbank Financial Telecommunication. Message formats for communication between DM and DPM is based on SWIFT standards.

**ANNEXURE 1**

***(Format of consent letter on the letter head of Participant)***

Ref No. :

Date :

Mr. Jayesh Sule  
Asst. Vice President  
National Securities Depository Ltd.  
Trade World, 4<sup>th</sup> Floor  
Kamla Mills Compound  
Senapati Bapat Marg  
Lower Parel  
Mumbai - 400 013.

Dear Sir,

**Sub : Opening of Clearing Account**

We wish to inform you that \_\_\_\_\_, Clearing Member of \_\_\_\_\_ (Stock Exchange) having CM Id \_\_\_\_\_ has applied for opening a Clearing Account with us. As we are willing to open the account, we request you to allot the CM BP ID to the Clearing Member. Our DP Id is \_\_\_\_\_.

A copy of the account opening form and the letter of allotment of CM Id by \_\_\_\_\_ (Stock Exchange) is enclosed for your information.

Yours faithfully,

**Authorised Signatory**

Encl : As above.

**ANNEXURE 2**  
**COVERING LETTER ACCOMPANYING DRF**  
(DP Letterhead)

REGISTRAR/ISSUER NAME :		
COMPANY NAME :		
ISIN :		
SR NO.	DRN NO.	NO. OF CERTIFICATES
TOTAL NO OF CERTIFICATES :		
SIGNATURE :		

## ANNEXURE 3

## DEMATERIALISATION REQUEST REJECTION REASONS

SR.NO	REASONS FOR REJECTION
1.	The quantity of shares mentioned in the DRF is more than the actual certificates sent
2.	The quantity of shares mentioned in the DRF is less than the actual certificates sent
3.	The certificates sent are fake
4.	The certificates sent are reported Stolen
5.	Original certificates present are those for which the duplicates have already been issued.
6.	Endorsements on the certificates are forged.
7.	Securities stand on a different name than those mentioned in the DRF.
8	The details mentioned on the certificates do not match with the details on the DRF, or the order of the holders name on the DRF is different from the names given on the certificates. The scrutiny by the DP is incomplete.
9	The securities attached/DRF does not pertain to the R&T Agent to whom the DRF is sent.
10.	Electronic request received but physical certificates are not received within 15 days.
11	Specimen Signature on the DRF differs from the signatures recorded with the Registrar/Transfer Agents.
12	The certificates sent have a court injunction against them.

**ANNEXURE 4**

**APPLICATION FOR SHIFTING OF CLEARING ACCOUNT**

To be forwarded through **Participant (new)**

Date:

National Securities Depository Limited  
Trade World 4<sup>th</sup> Floor  
Kamala Mills Compound  
Senapati Bapat Marg Lower Parel  
MUMBAI 400 013

Dear Sirs,

Sub: Shifting of Clearing Account

This is to inform you that we wish to shift our Clearing Account as per the details mentioned below:

Clearing Member	
Clearing Corporation	
CC - CM -Id	
CM- BP-Id (existing)	
Participant ( Old)	
Participant (New)	

We request you to please allot a new CM BP Id to facilitate shifting of the Clearing Account.

Yours faithfully,

(Clearing Member)