Circular No.: NSDL/POLICY/2021/0122   December 15, 2021

Subject - Validation of reason codes while execution of off-market transactions.

Attention of Participants is invited to following NSDL Circulars regarding standardised reason codes for off-market transfers by depositories:

- NSDL/POLICY/2019/0041 dated July 15, 2019
- NSDL/POLICY/2019/0047 dated July 31, 2019
- NSDL/POLICY/2019/0048 dated August 02, 2019
- NSDL/POLICY/2019/0049 dated August 02, 2019
- NSDL/POLICY/2019/0050 dated August 06, 2019
- NSDL/POLICY/2019/0053 dated August 14, 2019
- NSDL/POLICY/2019/0057 dated August 28, 2019
- NSDL/POLICY/2019/0062 dated September 24, 2019
- NSDL/POLICY/2019/0077 dated November 15, 2019
- NSDL/POLICY/2019/0087 dated December 13, 2019
- NSDL/POLICY/2021/0003 dated January 25, 2021
- NSDL/POLICY/2021/0023 dated March 03, 2021

1. In order to ensure that the off-market transfer is indeed for the purported reason as declared by the account holder(s) at the time of off-market transfers, system level validation is being implemented by Depositories for off-market transfers. The list of reason code wise applicable system validation for off-market transfers is provided at enclosed as **Annexure-A**. Participants are requested to ensure that manual verification (wherever applicable) is performed as mentioned at Annexure-A.

2. In phase-I, the system level validation will be put in place for off-market transfers between accounts held within depository (i.e. source and target accounts are held with NSDL). The system level validation for Inter depository off-market transfers (where the target account is held with other depository) will be implemented in phase-II and date of implementation of the same shall be informed separately.

3. The system level validation for off-market transfer reason codes (mentioned at Annexure-A) for Phase-I (i.e. source and target accounts are held with NSDL) will be implemented with effect from **March 25, 2022.**

4. To incorporate validations for below mentioned reason codes, NSDL has made changes in its system details of which is provided below:

Sr. No.	Reason Code	Reason Code Description
1	23	Transfer of securities from/to account of PMS provider to/from the account of its various clients.
2	24	Margin to Custodian
3	25	Margin returned by Custodian
4	29	Deposit of securities with Escrow Agent and its return

a) **Introduction of following sub-types:**

Account Category	Client Type (Existing)	Client Type code (Existing)	New Client Sub-type description	New Client sub-type code
Corporates	Body Corporate	5	Client Collateral account-Custodian	39
		5	Escrow Account	40
Corporates	Bank	10	Client Collateral account-Custodian	12
		10	Escrow Account	13

Participants are requested to take note that new demat accounts for the aforesaid type of clients are opened as per the aforesaid account sub-types (refer NSDL circular no. NSDL/Policy/2021/0098 dated September 25, 2021). Participants shall be required to modify the account sub-type of applicable existing accounts to the aforesaid account sub-types based on internal records/ back-office system or account holder's request on or before March 25, 2022, so as to continue use of applicable Off-Market transfer reason codes. The facility to open new demat accounts and modify the existing accounts with the above mentioned Client sub-types will be made available to Participants/Custodian of securities (Custodians) in Local DPM version 7.50 which will be released on EOD of December 24, 2021.

b) **Introduction of flag to identify the demat account of PMS service provider:**

Participants are requested to take note that NSDL shall provide a facility to Participants to open new demat accounts to identify the demat account of PMS service provider and also allow to enable the flag for all existing accounts in order to facilitate the Off-Market transfers with reason code such as "*Transfer of securities from/to account of PMS provider to/from the account of its various clients*" in Client Maintenance Module of Local DPM system. This facility will be made available to

Participants/Custodian of securities (Custodians) in Local DPM version 7.50 which will be released on EOD of December 24, 2021. Participants are requested to verify and enable the flag in all applicable existing accounts in the local DPM system based on internal records/ back-office system or PMS account holder's request on or before March 25, 2022 to avoid non-execution of off-market instructions due to implementation of reason code validations.

Participants are advised to disseminate contents of this circular to their concerned clients to enable them to take utmost care to avoid non-execution of off-market instructions due to implementation of reason code validations. Participants are also advised to take steps to educate their clients for selecting appropriate reason code while executing off-market transfer. Any deviation in selecting the reason code should be brought to the notice of clients to avoid failure of off-market transfers. Participants are further requested to take note of above and initiate suitable back-office changes.

For and on behalf of
National Securities Depository Limited

Gayak Jalan
Manager

Enclosed: One

FORTHCOMING COMPLIANCE

Particulars	Deadline	Manner of sending	Reference
Investor Grievance Report (Monthly)	By 10th of the following month.	Through e-PASS	Circular No. NSDL/POLICY/2015/0096 dated October 29, 2015

Annexure A

Sr. no.	Reason Code No.	Reason Code Description	System validation by Depository	Manual Verification by Participant (if any)
1	4	**Transfer to own account**	Transfers with this reason code would be permitted **from / to** all type of Beneficial Owner accounts like Resident, NRI,HUF, Body Corporates, etc. provided PAN and pattern of holding i.e. account holders is same in source and target demat account. E.g. if PAN in source account is 'A', 'B' & 'C', than First, Second & Third Holder PAN in target account should also be 'A', 'B' & 'C'. Exceptions to above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	In case target account is in other Depository (i.e. DP of CDSL), DP shall take Client Master List (CML) of target account for validation.
2	96	**Implementation of Govt./Regulatory Direction/Orders**	Transfers with this reason code would be permitted **from / to** all type of Beneficial Owner accounts like Resident, NRI,HUF, Body Corporates, etc. Exception on the above include validation for Transfer from Stock Broker Client Collateral account and Stock Broker Collateral account to be permitted only to 'Stock Broker - Proprietary Account' with this reason code as per SEBI Circular on Enhanced Supervision.	Participant to process these types of transfers based on copy of Govt./Regulatory Direction/Orders only.
3	97	**Erroneous Transfer pertaining to Client Securities**	Transfers with this reason code would be permitted **From / To** all type of Beneficial Owner accounts like Resident, NRI,HUF, Body Corporates, etc. Exception on the above include validation for Transfer from Stock Broker Client Collateral account and Stock Broker Collateral account to be permitted only to 'Stock Broker - Proprietary Account' with this reason code as per SEBI Circular on Enhanced Supervision.	For these type of transfers, request and supporting documents from Source DP / Client / Depository / Statutory Authority need to be collected and kept in record by Participant. 100% Concurrent Audit of documents relying upon which transfer carried out is to be done.

Sr. no.	Reason Code No.	Reason Code Description	System validation by Depository	Manual Verification by Participant (if any)
4	12	**Buy-back**	Transfers with this reason code would be permitted **From** all type of accounts like Resident, NRI,HUF, Body Corporates, etc. **To** only those accounts which are enabled to receive securities for buy-back as per the request and details received from concerned Issuer.	-
5	13	**Open offer for Acquisition**	Transfers with this reason code would be permitted **From** all type of accounts like Resident, NRI,HUF, Body Corporates, etc. **To** only those accounts which are enabled to receive securities for open offer as per the request and details received from concerned Issuer.	-

Sr. no.	Reason Code No.	Reason Code Description	System validation by Depository	Manual Verification by Participant (if any)
6	3	**Margin returned by stock broker / PCM**	Transfer with this reason code shall be permitted only **From** Stock Broker - Client Margin Trading Securities Account, Stock Broker - Client Collateral Account & PCM. **To** the concerned trading clients of the TM/CM based on the UCC data provided by Stock Exchanges. Exceptions include Pool Account (Note 1) & Stock Broker - Client Collateral Accounts, Stock Broker -Client Margin Trading Securities Account and Stock Broker - Collateral Account, where transfers with this reason code would not be permitted. *[Persuant to SEBI circular on margin pledge, system is implemented for margin pledge directly from client accounts to TM/CM. Thus, this reason code will be kept active till the time respective Stock Broker related Accounts gets closed].*	-
7	94	**Refund of securities by IEPF Authority**	Transfer with this reason code shall be permitted only **From** dedicated demat account of IEPF i.e. demat account Type - Investor Education Protection Fund (IEPF) **To** All type of accounts.	-

Sr. no.	Reason Code No.	Reason Code Description	System validation by Depository	Manual Verification by Participant (if any)
8	95	**ESOP/Transfer to employee**	Transfer with this reason code shall be permitted only **From** account Type - Trust account sub-type - Employee Stock Option / Employee Stock Purchase **To** All type of accounts	-
9	18	**Conversion of Depository Receipt (DR) to underlying securities and vice versa**	Transfer with this reason code shall be permitted only if either **From (source) /To (target)** account is opened under following account categories: DR -Depository Receipt category Overseas Depository - Underlying DR.	In case target account is in other depository (i.e. DP of CDSL), source DP shall take CML of target account for ascertaining the account category.
10	17	**Dissolution/Restructuring/Winding up of Partnership Firm/Trust**	Transfers with this reason code would be permitted **from / to** all type of Beneficial Owner accounts. Exceptions to above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	For these type of transfers, supporting documents needs to be provided by transferor/ account holder(s) to its Participants.
11	16	**Merger/ Demerger of corporate entity**	Transfer with this reason code shall be permitted **From / To** following type of accounts only: 1) Body Corporate 2) Bank 3) Foreign Portfolio Investor Corporate 4) Alternate Investment Fund 5) Mutual Fund 6) QIB Exceptions to above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	For these types of transfers supporting documents needs to be provided by corporate entity to its Participant.

Sr. no.	Reason Code No.	Reason Code Description	System validation by Depository	Manual Verification by Participant (if any)
12	14	**Redemption of Mutual Fund Units**	Transfer with this reason code shall be permitted **From** All type of accounts Exceptions to above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted. **To** Account type - 'Mutual Fund' only. Transfer with this reason code shall be permitted for Mutual Fund ISINs only.	-
13	88	**Transfer between Minor Account and Guardian Account**	Transfer with this reason code shall be permitted only when either **From (source) or To (target) account** has guardian details captured.	-
14	90	**Transfer between Partner and Firm, Director and Company**	Transfers with this reason code would be permitted **from / to** all type of Beneficial Owner accounts. Exceptions to above include: a) Both source and target account cannot be Corporate Account. b) Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	-
15	89	Transfer between specified family members	Transfer with this reason code shall be permitted only **From/To** Individual (Resident ordinary, NRI, Foreign national) and HUF accounts. Exceptions to above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	To be used for transfer of securities between specified family members: Participants should obtain the "relation" between the transferor and transferee & keep the same on record. Family members means relatives as given below: 1. Spouse, 2. Father (including step-father), 3. Mother (including step-mother), 4. Son (including step-son) 5. Son's wife, 6. Daughter, 7. Daughter's husband, 8. Brother (including step-brother), 9. Sister (including step-sister) 10. Members of same HUF.

Sr. no.	Reason Code No.	Reason Code Description	System validation by Depository	Manual Verification by Participant (if any)
16	15	**Transposition - Between joint account of same holders**	Transfer with this reason code shall be permitted From/To all type of accounts subject to following conditions: 1) Both Source and Target account should be Joint Account. 2). Number of account holders in source account should match with Number of account holders in target account 3) PANs of account holders in source account should match with PANs of account holders in target account (irrespective of sequence of account holder/PAN). Exceptions to above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	To be used for transfer of securities between joint account of same holders (order of holders may be different in both accounts). In case target account is in other Depository (i.e. DP of CDSL), DP shall take CML of target account for verification.
17	19	**Trust to Beneficiaries/On HUF dissolution to Karta & Coparceners**	Transfers with this reason code would be permitted **from / to** all type of Beneficial Owner accounts. Exceptions to above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	For these type of transfers, supporting documents/ Deeds needs to be provided by transferor/ account holder(s) to Participants.

Sr. no.	Reason Code No.	Reason Code Description	System validation by Depository	Manual Verification by Participant (if any)
18	21	**Transfer from Nominee/Surviving holder to beneficiary**	Transfers with this reason code would be permitted **From** Individual (Resident ordinary, NRI, Foreign national) accounts. **To** all types of BO accounts Exceptions (for both from / to) above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	For this type of transfers, Participant to verify whether securities intended to be transferred are received in source account through transmission.
19	26	**Change of nominee shareholder appointed under section 187(1) of Companies Act**	Transfers with this reason code would be permitted **From / To** all types of BO accounts for Equity ISINs only. Exceptions (for both from / to) above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	Copy of the Board resolution of the company effecting change of nominee shareholders (evidencing change/ appointment of nominee shareholder) to be provided by account holder to Participant.
20	27	**Off-Market Swap**	Transfers with this reason code would be permitted **From / To** Account Types - Body Corporate, Bank, FPI, AIF, Mutual Fund, QIB only. Exceptions (for both from / to) above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	Participant to obtain Declaration from the account holder/ transferor about the swap deal and a certified copy of the swap agreement.

Sr. no.	Reason Code No.	Reason Code Description	System validation by Depository	Manual Verification by Participant (if any)
21	28	**Delisting - Exit offer**	Transfers with this reason code would be permitted **From** All types of BO accounts. **To** Those accounts enabled to receive securities for exit offer for temporary period under account type - "Body Corporate", "Bank" as per the request and details received from concerned Issuer. Exceptions (for both from / to) above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	For these type of transfers, supporting documents like Copy of the delisting offer/ public notice (sent by the company to the shareholder, having target demat account details of the company) needs to be provided by transferor to Participants.
22	92	**Gift**	Transfers with this reason code would be permitted **from / to** all type of Beneficial Owner accounts like Resident, NRI,HUF, Body Corporates, etc. Exceptions to above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	-
23	93	**Donation**	Transfers with this reason code would be permitted **from / to** all type of Beneficial Owner accounts like Resident, NRI,HUF, Body Corporates, etc. Exceptions to above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	-

Sr. no.	Reason Code No.	Reason Code Description	System validation by Depository	Manual Verification by Participant (if any)
24	1	**Off-Market Sale**	Transfers with this reason code would be permitted **from / to** all type of Beneficial Owner accounts like Resident, NRI,HUF, Body Corporates, etc. Exceptions to above include Pool Accounts & Stock Broker accounts stated at Note 1 & 2 below, where transfers with this reason code would not be permitted.	-
25	23	**Transfer of securities from/to account of PMS provider to/from the account of its various clients**	Transfer with this reason code would be permitted if either **From (source)/ To (target)** account is tagged of a PMS service provider.	-
26	24	**Margin to Custodian**	Transfers with this reason code would be permitted **From** accounts tagged as 'Custodial Clients' **To** accounts tagged as 'Client collateral account-Custodian' This Reason code shall be enabled only for Custodian Participants.	-
27	25	**Margin returned by Custodian**	Transfers with this reason code would be permitted **From** accounts tagged as 'Client collateral account-Custodian' **To** accounts tagged as 'Custodial Clients' This Reason code shall be enabled only for Custodian Participants.	-

Sr. no.	Reason Code No.	Reason Code Description	System validation by Depository	Manual Verification by Participant (if any)
28	29	**Deposit of securities with Escrow Agent and its return**	Transfer with this reason code would be permitted on if either **from (source) / to (target)** account is an 'Escrow Account'.	
Notes:				
1		**Pool Account will means:** **CM Pool Account** **PMS Pool Account** **Client Unpaid Securities Account (CUSA).** **CH Account (In CDSL)**		
2		**Client collateral account** **Client Margin Trading Securities account** **Stock Broker – Collateral account** **Proprietary account** **Stock Broker – Client** **Client Securities Margin Pledge Account** **Client Securities under Margin Funding Account**		
3		* Section 187 (1) is reproduced below for reference purpose: 187. Investments of company to be held in its own name "(1) All investments made or held by a company in any property, security or other asset shall be made and held by it in its own name: Provided that the company may hold any shares in its subsidiary company in the name of any nominee or nominees of the company, if it is necessary to do so, to ensure that the number of members of the subsidiary company is not reduced below the statutory limit".		