



Circular No.: NSDL/POLICY/2023/0084

July 10, 2023

Subject: Amendments to NSDL Bye-Laws and Business Rules regarding penalties on Issuers and RTAs.

All Participants are hereby informed that the amendments have been made to Bye-Laws and Business Rules regarding penalties on Issuers and RTAs.

The amendments w.r.t imposition of penalties as prescribed at Bye-Law 11.8 is enclosed as **Annexure-A** and amendments to penalty structure as prescribed at Chapter 18.2 of NSDL Business Rules is enclosed as **Annexure B** (in track change mode) and the same shall be effective with immediate effect.

Participants are requested to take note of the above.

For and on behalf of
National Securities Depository Limited

Arockiaraj
Manager

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
Artificial Intelligence /Machine Learning Reporting Form (if offering or using such technologies as defined) (Quarterly)	July 15	Through e-PASS	Circular No. NSDL/POLICY/2021/0102 dated October 04, 2021
Cyber Security & Cyber Resilience framework of Depository Participants (Quarterly)	July 15	Through e-PASS	1. Circular no. NSDL/POLICY/2020/0069 dated May 15, 2020. 2. Circular No. NSDL/POLICY/2021/0047 dated May 10, 2021
Reporting of status of the alerts generated by Participants- (Quarterly)	July 15	Through e-PASS	1. Circular No. NSDL/POLICY/2021/0072 dated July 15, 2021 2. Circular No.: NSDL/POLICY/2022/001 dated January 03, 2022
Compliance Certificate (half yearly)	July 31	Through e-PASS	Circular No.: NSDL/POLICY/2020/0152 dated November 19, 2020

National Securities Depository Limited

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11.8. IMPOSITION OF PENALTIES

11.8.3 Depository may impose penalty on Issuer and/ or its Registrar and Transfer Agent whose securities are admitted in the Depository system, in a specified manner for non-compliances with regulations, bye laws, business rules, circulars or directions issued from time to time by SEBI or Depository.

18.2.

18.2.1 The Depository may impose a penalty on the [R & T Agent Issuer/R&T Agent and/or Issuer having direct connectivity with NSDL for in-house registry division](#) -to the extent indicated for non-compliance as described below:

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
1.	Date of receipt of Demat Request Form (DRF) / Conversion Request Form / reconversion Request form / Remat Request Form (RRF) not entered / incorrectly entered in depository system.	<p>If Percentage of deviations to sample size is:</p> <p>Less than / equal to 5 % = 2 points</p> <p>More than 5% but less than / equal to 10 % = 5 points</p> <p>More than 10 but less than / equal to 20 % = 7 points</p> <p>More than 20 % = 10 points</p> <p>If the deviations are observed under same head in consecutive inspection, the penalty points indicated above will be doubled.</p>	<p>If Percentage of deviations to sample size is:</p> <p>Less than / equal to 5 % = Rs.500 per occasion</p> <p>More than 5 but less than / equal to 10 % = Rs. 500 per occasion</p> <p>More than 10 but less than / equal to 20 % = Rs.1000 per occasion</p> <p>More than 20 % = Rs. 1500 per occasion</p> <p>If the deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled.</p>

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
2.	Certificates / Statement of Account (SOA) and physical documents not sent to the concerned Depository Participants (DPs) within 5 working days of rejection of demat / conversion request	<p>If Percentage of deviations to sample size is:</p> <p>Less than / equal to 5 % = 2 points</p> <p>More than 5 but less than / equal to 10 % = 5 points</p> <p>More than 10 but less than / equal to 20 % = 7 points</p> <p>More than 20 % = 10 points</p> <p>If the deviations are observed under same head in consecutive inspection, the penalty points indicated above will be doubled.</p>	<p>If Percentage of deviations to sample size is:</p> <p>Less than / equal to 5 % = Rs. 500 per occasion</p> <p>More than 5 but less than / equal to 10 % = Rs. 500 per occasion</p> <p>More than 10 but less than / equal to 20 % = Rs.1000 per occasion</p> <p>More than 20 % = Rs.1500 per occasion</p> <p>If the deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled.</p>

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
3	Not sending printed certificates / SOA to the registered owner and Proof of dispatch of certificates / SOA not maintained in case of remat / reconversion.	<p>If Percentage of deviations to sample size is:</p> <p>Less than / equal to 5 % = 2 points</p> <p>More than 5 but less than / equal to 10 % = 5 points</p> <p>More than 10 but less than / equal to 20 % = 7 points</p> <p>More than 20 % = 10 points</p> <p>If the deviations are observed under same head in consecutive inspection, the penalty points indicated above will be doubled</p>	<p>If Percentage of deviations to sample size is:</p> <p>Less than / equal to 5 % = Rs. 500 per occasion</p> <p>More than 5 but less than / equal to 10 % = Rs. 500 per occasion</p> <p>More than 10 but less than / equal to 20 % = Rs. 1000 per occasion</p> <p>More than 20 % = Rs. 1500 per occasion</p> <p>If the deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled</p>
4.	System of maintaining documents pertaining to demat/ conversion /	<p>5 Points</p> <p>If deviations are observed under same head in consecutive</p>	<p>Rs. 500 per occasion</p>

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
	reconversion / remat requests not satisfactory	inspection, the penalty points indicated above will be doubled.	If deviations are observed under same head in consecutive inspection, the penalty <u>amount</u> indicated above will be doubled
5	Not adhering to SEBI prescribed procedure for demat confirmation for shares lost in transit from Participant to <u>R & T Agent Issuer / RTA and/ or Issuer having direct connectivity with NSDL for in-house registry division</u>	5 Points If deviations are observed under same head in consecutive inspection, the penalty points indicated above will be doubled.	<u>Rs. 500 per occasion</u> If deviations are observed under same head in consecutive inspection, the penalty <u>amount</u> indicated above will be doubled
6	Delay in confirmation of demat / conversion / reconversion / remat / redemption request within the prescribed time period where the delay is attributable to the <u>R & T</u>	Rs. 250 per request with a maximum cap of Rs. 25000 per occasion. If deviations are observed under same head in consecutive inspection, Rs. 500 per request	<u>Rs. 500</u> per request with a maximum cap of <u>Rs. 50000 per occasion</u> If deviations are observed under same head in consecutive inspection, <u>Rs. 1000</u> per request with a maximum cap of per <u>Rs. 50000 per occasion</u> .

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
	Agent and/or Issuer having direct connectivity with NSDL for in-house registry division RTA / Issuer connected to depository.	with a maximum cap of Rs. 25000 per occasion.	
7.	Dematerialisation of securities for which listing approval has not been received from the relevant stock exchange (s)	Rs. 1000 If deviations are observed under same head in consecutive inspection, the penalty amount points indicated above will be doubled.	Rs. 2,000 If deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled
8.	Reconciliation between depository control position and Register of Members (ROM) is not done on a daily basis	₹2,500 If deviations are observed under same head in consecutive inspection, the penalty amount Indicated above will be doubled.	The penalty imposed shall be ISIN wise (@ Rs.500 per ISIN) and will be applicable for those ISINs which form part of the inspection sample with a maximum cap of Rs.10,000/-

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
			If deviations are observed under same head in consecutive inspection, penalty amount indicated above will be doubled.
9.	Reconciliation between issued capital and summation Of shares held in Physical form, NSDL and CDSL system is not done on daily basis	₹ 2500 If deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled.	The penalty imposed shall be ISIN wise (@Rs. 500 per ISIN) and will be applicable for those ISINs which form part of the inspection sample with a maximum cap of Rs. 10,000/- If deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled.
10.	Physical access to client machine is easily available to unauthorised persons	3 Points If deviations are observed under same head in consecutive inspection, the penalty points indicated above will be doubled.	Rs. 500 per occasion If deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled.

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
11.	Scheme of Variable Access Rights not implemented	5 Points If deviations are observed under same head in consecutive inspection, the penalty points indicated above will be doubled.	Rs. 500 per occasion If deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled.
12	Not upgrading the software / hardware / network / IT infrastructure or not complying with pre-requisite or post-requisite of upgradation	5 Points If deviations are observed under same head in consecutive inspection, the penalty points indicated above will be doubled.	Rs. 500 per occasion If deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled
13.	Failure to establish connectivity with depository through alternate means of communication	5 Points If deviations are observed under same head in consecutive inspection, the penalty points	Rs. 500 per occasion If deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled.

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
		indicated above will be doubled.	
14.	Antivirus software not loaded / upgraded / enabled on client machine	10 points If deviations are observed under same head in consecutive inspection, the penalty points indicated above will be doubled.	Rs. 1,500 per occasion If deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled.
15	Change in office address and / or investor relations officers / compliance officers not intimated to the Depository.	5 Points If deviations are observed under same head in consecutive inspection, the penalty points indicated above will be doubled.	Rs. 500 per occasion If deviations are observed under same head in consecutive inspection, the penalty amount indicated above will be doubled
16	Compliance not reported by R & T Agent and/or Issuer having direct connectivity with NSDL for in-house	Matter to be reported to its clients companies (in case of RTA) as well as SEBI, for necessary action	Matter to be reported to its clients companies (in case of RTA) as well as SEBI, for necessary action

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
	<p>registry division Issuer / RTAs within 60 days from the date of communication by depository with respect to deviations observed during the inspections.</p>		
17	<p>Name & specimen signature of authorised signatories not obtained from companies having only electronic connectivity and not compared before confirmation of demat / remat requests</p>	<p>5 Points</p> <p>If deviations are observed under same head in consecutive inspection, the penalty points indicated above will be doubled.</p>	<p><u>Rs. 500 per occasion</u></p> <p>If deviations are observed under same head in consecutive inspection, the penalty <u>amount</u> indicated above will be doubled</p>
18.	<p>Internal Audit Report not submitted in the prescribed format within the stipulated time period.</p>	<p>Rs.1000 per occasion plus additional Rs. 500 for any delay per fortnight.</p> <p>Rs. 2000 per occasion plus additional Rs.1000 for any</p>	<p>Rs.<u>2000</u> per occasion plus additional Rs.<u>1000</u> for any delay per fortnight.</p> <p><u>Rs. 4000</u> per occasion plus additional <u>Rs. 2000</u> for any delay per fortnight if repeated delay found in consecutive period.</p>

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
		<p>delay per fortnight if repeated delay found in consecutive period.</p> <p>If delay in submission is observed for three consecutive periods, matter would be referred to Disciplinary Action Committee.</p>	<p>If delay in submission is observed for three consecutive periods, matter would be referred to <u>to Member Disciplinary Action</u> Committee.</p>
19.	Internal audit report submitted without inclusion of management comments for deviations noted by auditors or not providing compliance duly certified by auditors on the observations made by the Depository.	Rs.1000 per occasion plus additional Rs.500 for any delay per fortnight till the submission of revised report.	Rs. <u>2000</u> per occasion plus additional Rs. <u>1000</u> for any delay per fortnight till the submission of revised report
20.	Data submitted in Internal Audit Report is found to be false/ incorrect.	Rs.500 per occasion.	Rs. <u>1000</u> per occasion.

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
		<p>Rs.1000 per occasion, if same deviation is observed for consecutive period.</p> <p>If same deviation is observed for three consecutive periods, matter would be referred to Disciplinary Action Committee.</p>	<p><u>Rs. 2000</u> per occasion, if same deviation is observed for consecutive period.</p> <p>If same deviation is observed for three consecutive periods, matter would be referred to Member Disciplinary Action<u>Member</u> Committee.</p>
21.	<p>Quarterly Investor Grievance Report not submitted in the prescribed format within the stipulated time period.</p>	<p>Rs.500 per month or part of the month.</p> <p>Rs.1000 per month if repeated delay found in consecutive quarter.</p> <p>If delay in submission is observed for three consecutive quarters, matter would be referred to Disciplinary Action Committee</p>	<p>Rs. <u>1000</u> per month or part of the month.</p> <p>Rs. <u>2000</u> per month if repeated delay found in consecutive quarter</p> <p>If delay in submission is observed for three consecutive quarters, matter would be referred to Disciplinary Action<u>Member</u> Committee</p>

Sr. No.	Nature of Non-compliance	Penal Action in ₹ / Action (Present)	Revised Penal Action in ₹ / Action (Proposed)
22	<u>Half Yearly Compliance Certificate not submitted within the stipulated time</u>	<u>N.A</u>	<u>Rs.1000 per occasion plus additional Rs. 500 for any delay per fortnight.</u> <u>Rs. 2000 per occasion plus additional Rs. 1000 for any delay per fortnight if repeated delay found in consecutive period</u> <u>If delay in submission is observed for three consecutive periods, matter would be referred to Member Committee</u>

18.2.2 The Depository may impose a penalty on the Issuer to the extent indicated for non-compliance as described below:

<u>Sr. No</u>	<u>Nature of Non-Compliance</u>	<u>Proposed Penal Action in (Rs.)</u>
<u>5.1.</u>	<u>Delay in confirmation/rejection of pending demat/remat requests within prescribed time period where the delay is attributable to the Issuer.</u>	<u>Rs. 500 per request with a max cap of Rs. 50,000 per occasion.</u> <u>If deviations are observed under same head in consecutive RTA inspection, Rs. 1000 per request with a maximum cap of Rs. 100,000 per occasion.</u>
<u>6.2.</u>	<u>Issuer which are listed and not adhering to handling of share registry work at single point i.e. common agency requirement for share registry as prescribed by SEBI.</u>	<u>Rs. 10,000 per issuer identified during RTA inspection.</u> <u>If deviations are observed under same penalty head for the same issuer in consecutive RTA inspection Rs. 20,000.</u> <u>If the total penalty amount under this head exceeds Rs. 50,000 for an Issuer, the matter would be referred to SEBI.</u>

18.2.32. For non-compliances, where / monetary penalty are levied, same will be communicated to the Issuer/ RTAs and in addition, compliance will be sought from the Issuer/RTAs within the stipulated time frame. The Issuer / RTAs shall pay the monetary penalty within 30 days of the communication.

~~18.2.3 The penalty points imposed for the non-compliances observed during the inspection as per rule will be accumulated for a period of three years. At the beginning of the 4th year, the points accumulated in the first year will be dropped and the points levied in the second and third year will be considered as the opening balance for the fourth year.~~

~~18.2.4 If accumulated points exceed 25 points, all penalty points so accumulated will be converted into monetary penalty @ ₹ 100 per point.~~

18.2.45 In case Issuer/ RTA fails to make the payment of monetary penalty within one month from the due date, the matter will be reported to client companies (in case of RTA) and SEBI for necessary action as well as restriction to be imposed for undertaking new client companies.

18.2.56 The compliance reported by the Issuer/RTA will be verified during the subsequent inspection. In case the compliance reported by the Issuer/RTA is found to be false, materially incorrect or misleading, the matter will be reported to its client companies (in case of RTA) as well as SEBI, for necessary action.