

Circular No.: NSDL/POLICY/DDP/2024/0003

May 13, 2024

**Subject: SEBI Master Circular for Custodians.**

Attention of Participants who are registered with SEBI as Designated Depository Participants (DDPs) / Custodian of Securities (Custodians) is invited to SEBI Circular no. **SEBI/ HO/ AFD/ AFD – PoD-2/ P/ CIR/ 2024/40** dated **May 10,2024** in respect of “Master Circular for Custodians” (copy enclosed).

DDPs/Custodians are requested to take note of the same and ensure compliance.

For any information/clarifications, DDPs/Custodians are requested to email at [fpimonitor@nsdl.com](mailto:fpimonitor@nsdl.com)

**For and on behalf of  
National Securities Depository Limited**

**Arockiaraj  
Manager**

Enclosure: One

**FORTHCOMING COMPLIANCE**

Particulars	Deadline	Manner of sending	Reference
Investor Grievance Report (Monthly)	By 10 <sup>th</sup> of the following month	Through e-PASS	1. Para 20 of NSDL Master Circular for Participants on 'Grievance Redressal' chapter. 2. Circular No.: NSDL/POLICY/2023/0161 dated November 13, 2023
Artificial Intelligence /Machine Learning Reporting Form (if offering or using such technologies as defined) (Annually)	Within three months of the end of the financial year	Through e-PASS	Circular No.: NSDL/POLICY/2024/0003 dated January 05, 2024
Internal/ Concurrent Audit Report (Half yearly)	By May 15 <sup>th</sup>	Through e-PASS	Para 20.4 of NSDL Master Circular for Participants on 'Internal Controls/Reporting to NSDL/SEBI' chapter and Circular No.: NSDL/POLICY/2024/0042 dated April 08, 2024

**National Securities Depository Limited**

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Corporate Identity Number: U74120MH2012PLC230380

## MASTER CIRCULAR

SEBI/ HO/ AFD/ AFD – PoD-2/ P/ CIR/ 2024/40  
May 10,2024

To,  
All Registered Custodians

Dear Sir / Madam,

### Subject: Master Circular for Custodians

1. Securities and Exchange Board of India (SEBI), from time to time, has been issuing various circulars/directions to Custodians. In order to enable the stakeholders to have access to the applicable requirements specified in these circulars at one place, the provisions of the said circulars have been consolidated in this Master Circular. The terms not defined in this Master Circular shall have the same meaning as provided under the act or the regulations, as the case maybe.
2. In addition to the requirements specified under this Master Circular, the custodians shall be required to independently comply with the other requirements specified by SEBI for market intermediaries such as the 'Levy of Goods & Services Tax (GST) on the fees payable to SEBI', 'Approach to securities market data access and terms of usage of data provided by data sources in Indian securities market', 'Digital mode of payment', 'Information regarding Grievance Redressal Mechanism' and 'Guidelines on Outsourcing of Activities by Intermediaries', etc.
3. With respect to any other directions or guidance issued by SEBI, as specifically applicable to Custodians, the same shall continue to remain in force in addition to the provisions of this Master Circular or any other law for the time being in force.
4. This Master Circular shall come into force from the date of its issue. The circulars mentioned in **Annexure A** of the Master Circular shall stand rescinded with effect from the date of issuance of this Master Circular.
5. Notwithstanding such rescission,
  - a. anything done or any action taken or purported to have been done or taken under the rescinded circulars, including registrations or approvals granted, fees collected, registration or approval suspended or cancelled, any inspection or investigation or enquiry or adjudication commenced or show-cause notice issued, prior to such rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular;

- b. any application made to SEBI under the rescinded circulars, prior to such rescission, and pending before it shall be deemed to have been made under the corresponding provisions of this Master Circular;
  - c. the previous operation of the rescinded circulars or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded circulars, any penalty, incurred in respect of any violation committed against the rescinded circulars, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded circulars have never been rescinded.
6. This Master Circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
7. This Master Circular is available on the SEBI website at <https://www.sebi.gov.in/> under the category “Legal→Master Circulars”.

**Yours faithfully**

Vikash Narnoli  
Deputy General Manager  
Tel No.: 022 –26449161  
E-mail: vikashn@sebi.gov.in

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## CHAPTER I

### ONLINE REGISTRATION MECHANISM FOR CUSTODIAN

For online registration, applicant can access SEBI Intermediary Portal (<https://siportal.sebi.gov.in>) to submit the applications for registration as a Custodian under the provisions of Securities and Exchange Board of India (Custodian) Regulations, 1996 (“**Custodian Regulations**”). Link for SEBI Intermediary Portal is also available on SEBI website - [www.sebi.gov.in](http://www.sebi.gov.in).

All applicants desirous of seeking registration as a Custodian are now required to submit their applications online only, through SEBI Intermediary Portal at <https://siportal.sebi.gov.in>. The Custodian seeking approval as Designated Depository Participant (DDP) in terms of Regulation 10 of Securities and Exchange Board of India ([Foreign Portfolio Investors](#)) Regulations, 2019 (“**FPI Regulations**”) shall also apply through this portal.

In case of any queries and clarifications with regard to the SEBI Intermediary Portal, intermediaries may contact SEBI portal helpline on 022-26449364 or may write at [portalhelp@sebi.gov.in](mailto:portalhelp@sebi.gov.in).

#### Uniform Norms and Practices for Custodians

- Custodians are an integral part of the securities market and have an important role to play in the institutional segment of the market. Their role is crucial in the effective functioning of the securities clearing and settlement system. It is therefore, important that the custodians follow uniform norms and practices in their dealing with their clients, brokers, stock exchanges and depositories.
- Custodians must function as an integral part of the system and integrate with the system. Therefore, no custodians shall have such norms and practices as would result in their functioning in isolation of clearing and settlement systems.
- Custodians must be a member of the clearing houses/ clearing corporations of the stock exchange(s) and participate in the clearing and settlement process through the clearing house/clearing corporation for all securities of their clients.
- Custodians shall comply with the applicable rules of the exchanges where they have become members of the clearing house/clearing corporation. This would facilitate the operations of the clients, and also result in reduction of cost of service for the client.

**CHAPTER II**

**FEES FOR CUSTODIANS**

**Format of payment of annual fee at the end of the Financial Year (on or before 30<sup>th</sup> April)**

Payment of annual fee by Custodians to SEBI shall be made in terms of Second Schedule of Custodian Regulations. The payment of annual fee shall be accompanied by a statement of assets under custody as per below format and shall be certified to be true and complete by the functional head of the custody services of the custodian.

**Annual fee based on asset under management for previous financial year:**

Month	Market Value (in INR Crore)					Charge
	Equity	Debt	VRR	Hybrid	Total	
Apr						
May						
Jun						
Jul						
Aug						
Sep						
Oct						
Nov						
Dec						
Jan						
Feb						
Mar						
Total						

### CHAPTER III

#### SPECIFICATIONS OF VAULTS WITH CUSTODIANS

Custodians hold securities of considerable value on behalf of their clients. It is expected that they would take adequate measures to ensure safety of the assets held. Reserve Bank of India (RBI) specifications for construction of vaults can be referred as per the following notification: [Reserve Bank of India - Notification regarding Minimum Standards for a Currency Chest \(RBI/2018-19/166; DCM \(CC\) No. 2482/03.39.01/2018-19 dated April 8, 2019\)](#).

Adherence to other extant technical specifications issued by RBI vide DCM (CC) No G-18/03.39.01/2008-09 dated November 14, 2008 relating to construction, etc. can be found at **Annexure B**.

Custodians shall submit the specifications of their vaults along with their size as part of their quarterly report.

**SUBMISSION OF REPORTS BY CUSTODIANS**

Custodians are required to email the reports mentioned at points 1 to 8 below to [custodianreports@sebi.gov.in](mailto:custodianreports@sebi.gov.in) and upload them on the SEBI portal wherever applicable. The reports mentioned at point 9 shall be emailed to [ai\\_cust@sebi.gov.in](mailto:ai_cust@sebi.gov.in)

**1. Daily Trade details of FPI in equity, debt & Hybrid**

Custodians on a daily basis are required to report details of transactions entered into by the FPI. The daily investment reports shall be submitted to SEBI by 3:00 p.m. Custodians are advised to strictly adhere to the above deadline of 3.00 p.m. as SEBI shall be imposing penalty on defaulting custodians.

**Section A: General instructions:**

These are general instructions to be followed by the custodians while compiling and submitting daily reports to SEBI.

1. The date format to be used for all reports submitted to SEBI would be DD-MM-YYYY.
2. Custodians must ensure that the data submitted is accurate and complete and does not contain any blank or incomplete records.
3. All transactions will have a unique transaction identification number (ID) which would be given by the custodians at their end. Custodians are free to give any ID as per their own system. It should however be ensured that the ID is not repeated.
4. To avoid any confusion regarding the name of the security, International Securities Identification Number (ISIN) codes should be used. The appropriate ISINs for scrips as applicable for the physical and demat form, etc. are to be used. Some of the sites where list of ISIN codes are available are mentioned below:

[www.sebi.gov.in](http://www.sebi.gov.in)., [www.nsdl.co.in](http://www.nsdl.co.in), [www.rbi.org.in](http://www.rbi.org.in)

**Section B: Reporting of Equity Transactions**

**Daily Reports {DTR}:**

1. The FPI transactions are to be reported to SEBI through daily reports. Custodians would submit a Daily Transaction Report (DTR) along with the Daily Transaction Summary (DTS) in specified formats. The form and order of fields of DTR, DTS, field description and widths etc. are enclosed as **Annexure C and D** respectively. The format of DTR is given in **Annexure E**.
2. The DTR and DTS would be submitted in soft forms in xml format.
3. The registration number of FPI in the DTR should be the same as those given by SEBI.
4. Transactions in unlisted securities and securities which may not have ISIN codes may be reported by mentioning NO\_ISIN in the ISIN field. (The purpose of ISIN in the report is to identify the company and not any particular series of shares. Wherever an ISIN for a specific series of shares



is not available, a previously known and available ISIN for the same share may be used). However, every effort should be made to report the transaction with the ISIN code.

5. The transactions should be reported at the exact transaction price and charges such as brokerage/service tax etc. should be excluded.
6. The data in the DTR and the DTS should be reconciled by the custodian before submission. In case the data does not tally, it would not be possible to load the same. The custodians are therefore advised to ensure proper supervision at their end while uploading the reports.
7. In case of transactions where the trades do not involve an exchange and broker, the exchange code and the broker code in the DTR should be 99 and 999999999999 respectively.
8. The nature of transaction for obligation square off would be same as the appropriate code for square off i.e. code 13 or 14.
9. **Subscription in public/preferential/rights issues:** Applications made for allotment of securities in a public/preferential/rights issue need not be reported. Such transactions are to be reported only on allotment and to the extent of actual allotment received. Similar procedure is to be followed in respect of lodgment of shares in open offers, buybacks etc. Custodians may devise appropriate internal procedures to record lodgment of applications / securities etc.
10. **Reporting of merger/amalgamation/splitting of shares:** The reporting should be done on the basis of credit of shares to the clients account.
11. **Debenture Conversion:** In case of debenture conversion into equity, the reduction in value of debenture should be shown as a sale transaction in debt report with transaction code (08). The acquisition of equity should be reported as a conversion transaction (which would be deemed as a purchase) in the equity report at conversion rate giving transaction code as (06). The net investment as on that date would generally be nil. Efforts should be made to report both legs of the transaction on the same day. However, in case any cash is either received or given, the same should be added to the rate field in sale and purchase trades appropriately.
12. **Merger/Amalgamation cases:** In a merger, the existing shares are exchanged for the shares of resulting entity after the merger. Thus, the first leg of the trade has to be a sale of the shares which have been surrendered to the company, where the price of shares would be nil, and the Nature of trade 16. In case cash is received by the client, the same should be incorporated in the price. The second leg of the trade would be the receipt of the new shares, again at a nil value and the Nature of Trade as 07. In case the client receives debt security also along with shares, then there would be another purchase transaction (with code 07 again) with price nil.
13. **Buyback of shares and Open Offers:** The shares accepted by the company are to be shown as sale with nature of transaction as 11 for buybacks and 09 for open offers. The rate of buyback / open offer may be appropriately incorporated. If fresh shares are also received along with the cash, then this receipt of shares is to be shown as a transaction with nature of transaction code as 07. In case the client receives debt security also along with shares/cash, the following may be followed: The equity shares lodged will be shown at full value received i.e. cash received plus the value of debt component. Then there would be another purchase transaction in the debt report (with code 06) with the acquisition rate.

*E.g.: if a company offers to buyback / make an open offer to buy securities @ INR 150/- per share comprising cash component of INR 50/- cash and a debt instrument of INR 100/- face value, then*

*the equity report will reflect full value received as INR 150/- and the debt report will show a purchase of debt instrument @ INR100/-.*

14. **Splitting of shares:** The quantity of shares which are getting split should be reported as sale with the nature of transaction code as 15. The quantity of shares which are received should be reported as purchase, with nature of transaction code as 07. The price field in both the records would be zero.
15. **Warrants:** Warrants when allotted shall be reported with the appropriate purchase code. At the time of sale in open market they have to be reported as sale with code 04 and stock exchange and broker code as 99 and 9999999999 respectively. In case the warrants are exercised, the transaction of warrants should be shown as a sale at code 08 with the rate as the original purchase value of the warrants. The shares or securities allotted pursuant to exercise of warrants may be reported as a purchase with code 05 with the total exercise price as the rate. In case, the warrants lapse/expire, the transaction should be shown under code 17.

*For example, suppose one warrant was purchased for INR 100. The purchase has to be reported appropriately. If the warrant is subsequently sold at INR 105, it has to be shown under code 04 and value INR 105. If the warrant is exercised to subscribe equity shares @INR 1000 each, the transaction of exercise of warrants should be reported under code 08 with value INR 100 and a corresponding purchase of equity shares @ INR 1000 under code 05. In case the warrant is not exercised and it lapses, it has to be reported under code 17 with zero value.*

### **Section C: Reporting of Debt transactions**

1. The format for the debt 'Daily Debt Transaction Report' (DDR) and 'Daily Debt Transaction Summary' (DDS) would be the same as the formats for the equity DTR and DTS.
2. The operational guidelines are as under:
  - a) Some instruments are traded just like equity i.e. price for each unit of debenture / bond is quoted. In such cases, the quantity may be quoted as "actual number of units" transacted.  
  
In such cases transactions may be reported in the same manner as in equity. The transaction quantity and transaction rate fields would contain the actual quantity and rate.
  - b) Some instruments like government dated securities, Treasury bills, government loans etc. are quoted on a base of "Rs. 100". Instruments like Treasury Bills, Dated Government securities, Government loans, certain types of corporate / institutional bonds etc. are generally traded on a Rs 100 basis. It is observed that an instrument which is quoted on a Rs. 100 basis is traded in all markets in such a manner.
3. For reporting transactions in these kind of securities, the transaction quantity may be quoted in terms of gross value of debt (i.e. face value of debt) that the seller is offering and not in "number" terms like equity. The transaction rate field would contain the actual market quote of the instrument (this quote will be for a INR 100 value of the security). The system would compute the transaction value in such cases as:

Transaction quantity \* Transaction rate/100

4. Custodians are advised to strictly follow the above methodology for reporting of transactions in such securities
  - i. The securities name in the debt report should encompass the entire details of the securities, i.e., coupon rate, issuer, maturity, series, other features, etc.
  - ii. The interest portion and any other charge/commission has to be excluded from the debt trade report.
  - iii. The nature of transaction for debt securities will be the same as that for equity as given in Annexure D.
  - iv. In case of nature of transaction where the trades may not involve an exchange and broker the exchange code and the broker code in the DTR should be 99 and 999999999999 respectively.
  - v. In case of any amendment of the transactions, the amended transaction is to be reported again with same Transaction Identity No. and Reporting Type as: Amendment (the appropriate codes as given in the annexure are to be used in the soft copy of the report). In case of deletion of a transaction, the transaction be reported with same Trade ID and Reporting Type as: Deletion.
  - vi. In case of debenture conversion into equity, the reduction in value of debenture to be shown with value as a sale transaction with transaction code (08) in the debt file. This transaction would be balanced with the acquisition of equity to be reported in the equity file as a conversion transaction (which would be deemed as a purchase) at conversion rate with transaction code (06). However, in case any cash is either received or given, the same should be added to the rate field in sale and purchase trades respectively.

**Section D: Amendment / deletion of transactions:**

1. In case of any amendment of the transactions, the amended transaction may be reported again with same Transaction Identity No. and Reporting Type as: Amendment (the appropriate codes as given in the annexure are to be used in the soft copy of the report).
2. In case of deletion of a transaction, the transaction be reported with same Trade ID and Reporting Type as: Deletion. A statement may be submitted in case of amendment / cancellation of transactions mentioning the reasons therefor.
3. All amendments / deletions should be reported on the day when information about the same is received by the custodian. Delay in reporting would be viewed seriously.

a. **Sub-division of contracts** is to be reported as two transactions as indicated below:

- i. First transaction would be amendment of original transaction, should generally contain the larger of the quantity divided and would contain A in the R\_Type field and R\_Change as 07
- ii. The second transaction would be reported with a new ID, with the remainder quantity with N as the R\_Type, but in the R\_Change field the code would not be 00 but 07 again.
- iii. Similarly, if there are three or more sub divisions, the same may be reported as per the above paras.

- b. Similarly, in case of **consolidation of contracts**, there would be two transactions as indicated below.
- i. First transaction would be amendment of the first original transaction and contain the consolidated quantity, would contain A in R-type and code 08 for consolidation in the R\_Change field.
  - ii. The second transaction would relate to the deletion of the second original transaction, rest of the details same as the original transaction and in the R\_type field it would contain D and the R\_Change as 08.
  - iii. Similarly, if there is third, fourth or more contracts which have been consolidated and reported as above, in 14(i), then all those are also be deleted the same may be reported as per the above paras.
- c. It has been observed that on many occasions, reports are received late or are incomplete or are submitted with different parameters than prescribed. This result in problems and delay in compilation of data. It is therefore suggested that all reports should be duly verified before submission. SEBI shall be monitoring the quality of reports being submitted and action may be taken against erring custodians.

#### **Section E: Hybrid Instruments and Voluntary Retention Route (VRR) investment:**

1. Custodians shall report transactions on a daily basis in hybrid instruments and under VRR in a separate excel file.
2. This excel file shall be sent as a separate email to custodianreports@sebi.gov.in with the subject "FPI investments in hybrid instruments". The file naming convention shall be "FPI-Hybrid-  
<date>.xlsx" where date is in dd-mm-yyyy format. Those custodians who do not have any transactions to report for the day need not send an email for nil reporting.

#### **Section F: Reporting of Trades on Holidays:**

There are occasions when SEBI is closed on account of holiday, but the exchanges being a nationwide trading network are open for trading. For such occasions, custodians are requested to submit separate reports - one would be the normal report and the other for the holiday. Care must be taken not to submit a consolidated report, but different reports with proper reporting dates.

#### **LIST OF ANNEXURES**

<b>ANNEXURE</b>	<b>DESCRIPTION</b>
<b>C</b>	Order and parameter of Fields for the Daily Transaction Report
<b>D</b>	Daily Transaction Summary
<b>E</b>	Daily Transaction Report
<b>F</b>	Nature of Transaction Codes
<b>G</b>	Stock Exchange Codes and Settlement Codes
<b>H</b>	Type of Instrument codes, Reason for Delay and Reporting Type
<b>I</b>	Reasons for Amendment / Deletion of Trades
<b>J</b>	Format for Issuance of ISIN for Unlisted Securities

2. ISIN wise Assets under Custody (AUC) report

Custodians shall report ISIN wise AUC details of FPIs, on a fortnightly basis by the 2<sup>nd</sup> working day of the end of each fortnight. Based on these reports, fortnightly Sector-wise FPI investment data is being disseminated on the websites of NSDL and CDSL. These reports are available on NSDL and CDSL on below weblink:

NSDL: [https://www.fpi.nsdl.co.in/web/Reports/FPI\\_Fortnightly\\_Selection.aspx](https://www.fpi.nsdl.co.in/web/Reports/FPI_Fortnightly_Selection.aspx)

CDSL : [Fortnightly Sector-wise FII Investment data \(cdslindia.com\)](https://www.cdslindia.com/fortnightly-sector-wise-fii-investment-data)

The format of the ISIN wise AUC report to be submitted by custodians is enclosed as **Annexure K**.

For fortnightly AUC for hybrid instruments and under VRR, custodians shall report as a separate excel file, via email only, to custodianreports@sebi.gov.in. The format for reporting AUC remains the same.

3. Fortnightly debt trades reporting

With a view to monitor the allocation and utilization of limits for Government and Corporate debt and Upper Tier II instruments, the custodians are advised to submit fortnightly reports to SEBI in the format enclosed in **Annexure L**.

4. Submission of Monthly Reports

Custodians should provide the market value of the securities held in custody with them along with other details on a monthly basis in the requisite format. The market value on the last day of each month may be submitted in the specified format. The custodians shall submit the following monthly reports latest by either the end of the third working day of the succeeding month or the 5th of the succeeding month, whichever is later, as per the reporting format at **Annexure M**.

Sl. No.	Monthly Reports
A	Category wise AUC data for all clients (FPI/FDI/MF etc.)
B	Category wise AUC data for FPIs
C	Country wise AUC data for FPIs
D	Report of short sales by FPIs for the Month #
E	ADR / GDR - Dual fungibility report
F	Change of Custodian details during the month

# The said report (i.e Report of short sales by FPIs for the Month) shall be uploaded within 15 calendar days from the end of each month. Custodians shall submit the report on SEBI Intermediary Portal (SI Portal).

The Assets Under Custody (AUC) is being disseminated on the websites of NSDL and CDSL as under:

NSDL: <https://www.fpi.nsdl.co.in/web/Reports/ReportsListing.aspx>

CDSL: [FPI Statistics \(cdslindia.com\)](https://www.cdslindia.com/fpi-statistics)

5. For monthly AUC for hybrid instruments and under VRR, custodians shall report as a separate excel file, via email only, to [custodianreports@sebi.gov.in](mailto:custodianreports@sebi.gov.in). The format for reporting AUC remains the same. Maturity-wise breakup of holdings in debt securities  
Custodians shall report details of original maturity wise breakup & residual maturity-wise breakup of FPI holdings in debt securities as on every month end to SEBI by the 5<sup>th</sup> day of the next month.

The format of the reports to be submitted by custodians is enclosed as **Annexure N**.

#### 6. Custodian Quarterly Report

Custodians are required to submit below periodic information relating to their operations on quarterly basis.

- i. General Particulars including Name, Address, Custodian Registration No., Contact details
- ii. List of other registrations held with SEBI
- iii. List of other associate / subsidiary companies operating in the securities markets, their activities and registration numbers
- iv. Network of the Custodian
- v. Detail of changes in infrastructure facilities e.g. change / addition / reduction of office, computers, vault capacity, key employees etc.
- vi. Details of clients and corpus
- vii. Details of clients / accounts added / deleted during last 3 months
- viii. Trade statistics for the quarter
- ix. Specifications and size of the vault
- x. Compliance with respect to display of information related to grievance redressal mechanism, publishing of investor charter and disclosure of complaints on the website of the Custodian

The format of the quarterly reports to be submitted by custodians is enclosed as **Annexure O**. Custodians shall submit the reports on SEBI Intermediary Portal (SI Portal). The reports shall be uploaded within 15 calendar days from the end of each quarter.

#### 7. Net worth details

In order to monitor the fulfillment of capital requirements, all custodians are advised to submit a certified copy of their audited annual accounts / annual report along with a networth certificate signed by a practicing chartered accountant annually to SEBI within six months of close of each financial year. Custodians shall submit the report on SEBI Intermediary Portal (SI Portal).

#### 8. Annual Review Report

Regulation 14 of the Custodian Regulations stipulates an annual review of the systems, procedures & controls of the custodian by an expert. This review covers the systems and procedures being followed by the custodian to meet its obligations towards its clients, regulators and other relevant bodies.

A copy of the review report, in this regard, is required to be filed with SEBI annually. The report for a particular calendar year would be filed by 31<sup>st</sup> March of the following year along with 'Action Taken Report', if any. Custodians shall submit the report on SEBI Intermediary Portal (SI Portal).

Further, this review report should also cover the aspect of reporting of FPI transactions to SEBI and RBI as stipulated vide Regulation 25 of the FPI Regulations.

## 9. Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by DDPs/ Custodians

### Background

- i. There is increasing usage of AI (Artificial Intelligence) and ML (Machine Learning) as product offerings by DDPs/ Custodian of Securities (e.g.: “query processing”) in investor and consumer facing products. SEBI is creating an inventory of the AI/ ML landscape in the Indian financial markets to gain an in-depth understanding of the adoption of such technologies in the markets and to ensure preparedness for any AI/ ML policies that may arise in the future.
- ii. As most AI/ ML systems are black boxes and their behavior cannot be easily quantified, it is imperative to ensure that any advertised financial benefit owing to these technologies in investor facing financial products offered by intermediaries should not constitute to misrepresentation.

### Scope definition

- iii. Any set of applications/ software/ programs/ executable/ systems (computer systems) – cumulatively called application and systems,
  - a) that are offered to investors (individuals and institutions) by market intermediaries to facilitate investing and trading, OR
  - b) to disseminate investments strategies and advice, OR
  - c) to carry out compliance operations / activities,  
where AI/ ML is portrayed as a part of the public product offering or under usage for compliance or management purposes, is included in the scope of this circular. Here, “AI” / “ML” refers to the terms “Artificial Intelligence” and “Machine Learning” used as a part of the product offerings. In order to make the scope of this circular inclusive of various AI and ML technologies in use, the scope also covers Fin-Tech and Reg-Tech initiatives undertaken by market participants that involve AI and ML.
- iv. Technologies that are considered to be categorized as AI and ML technologies, are explained in Annexure O.

### Regulatory requirements

- v. All Custodians / Designated Depository Participants (‘DDPs’) offering or using applications or systems as defined in **Annexure P**, should participate in the reporting process by completing the AI / ML reporting form (see **Annexure Q**). Those Custodians /DDPs who are not using application or system as defined in Annexure P shall submit a 'NIL' report. The AI/ML report

shall be filed with SEBI on half yearly basis. Custodians /DDPs shall submit the report on SEBI Intermediary Portal (SI Portal).

- vi. Custodian/ DDPs using AI or ML based application or system as defined in Annexure P, are required to fill in the form (Annexure Q) and submit the same to the Board. The said report shall be submitted in soft copy only to SEBI at ai\_cust@sebi.gov.in (for Custodians) or ai\_ddp@sebi.gov.in (for DDPs).
- vii. Custodians/DDPs shall report data to depositories/market intermediaries for the purpose of monitoring/compilation as advised by SEBI from time to time.



CHAPTER V

**Publishing of Investor Charter and Disclosure of Complaints by Custodians on their websites**

- i. In order to facilitate awareness among investors about the details of activities carried and services provided by Custodians, SEBI after due consultation has developed Investor Charters for Custodians which inter-alia deals with services provided to investors with timelines and general guidance for Investors.
- ii. In this regard, all the registered Custodians shall take necessary steps to bring the Investor Charter, as provided in “**Annexure-R**”, to the notice of their clients and ensure that the Investor Charter is prominently displayed on their respective website for ease of accessibility of investors.
- iii. Additionally, in order to bring about transparency in the Investor Grievance Redressal Mechanism, it has been decided that all Custodians and DDPs shall disclose on their respective websites, the monthly data on complaints received and redressal thereof, latest by 7<sup>th</sup> of the succeeding month, as per the format provided in “**Annexure-S**”.

Compliance with the above, shall be reported in the Quarterly report submitted by the Custodians.

**Annexure A - List of rescinded Circulars**

<b>Sr. No.</b>	<b>Date</b>	<b>Circular No.</b>	<b>Title</b>
1.	25-Jan-24	SEBI/HO/AFD/ AFD-SEC-2/P/CIR/2024/8	Streamlining of Regulatory Reporting by Designated Depository Participants (DDPs) and Custodians
2.	27-Apr-23	SEBI/HO/AFD/ AFD-PoD/P/CIR/2023/063	Master Circular for Custodians

[Annexure B](#)



Annexure B-RBI  
circular.pdf

**Annexure C: Order and parameter of Fields for the Daily Transaction Report**
**(DTR and DDR)**

Sr.No	CODE	EXPLANATION	FIELD DESCRIPTION	FIELD WIDTH
1	CUST_CODE	Custodian Code (this is the numeric code present in the SEBI Regn No)	NUMBER	3
2	REPORT_DT	Date of report(DD-MON-YYYY)	CHARACTER	11
3	ID	Unique Transaction Identification Number to be given by custodian	CHARACTER	12
4	FII_R_NO	FII Registration Number  CC-CC-CC-XXXX-YY	CHARACTER	16
5	FII_NAM	FII Name	CHARACTER	60
6	SA_CODE	Sub-account Code	NUMBER	7
7	BRK_R_NO	Broker Registration Number	CHARACTER	12
8	SCR_NAM	Scrip Name	CHARACTER	40
9	ISIN_CODE	ISIN Code	CHARACTER	12
10	TRN_DT	Transaction Date  DD-MON-YYYY	NUMBER	11
11	NAT_TRN	Nature of Transaction (Purchase, Sale, Bonus etc.)	NUMBER	2
12	EXCH_CODE	Exchange Code	CHARACTER	2
13	SETT_CODE	Settlement Code	CHARACTER	1
14	T_RATE	Transaction Price of each share(Rs.) – this is the market trade price and does not include brokerage or any other charges.	NUMBER	(15,4)
15	T_QTY	Transaction Quantity	NUMBER	(11,2)
16	VALUE	Transaction Value (Rs.)	NUMBER	(16,2)
17	INST_TYPE	Instrument Type	CHARACTER	2
18	R_DELAY	Reasons for Delay in Reporting	CHARACTER	1
19	R_TYPE	Reporting Type	CHARACTER	1
20	R_CHANGE	Reason for amendment / deletion of trade	NUMBER	2

C - Character N - Number

N (12,2) - Number with 10 integers and 2 decimal digits

### Annexure D: DAILY TRANSACTION SUMMARY

#### (DTS and DDS)

(This is the print format for the DTS, the soft copy would contain the values only as a single record in a flat txt file)

DETAILS OF TRANSACTIONS	VALUE
CUSTODIAN CODE	
TOTAL NO. OF PURCHASE TRANSACTIONS (a)	
TOTAL NO. OF SALE TRANSACTIONS (b)	
OTHERS IF ANY, (BONUS, CALL PAYMENT ETC.) (c)	
TOTAL NO. OF FRESH TRANSACTIONS (a+b+c)	
TOTAL NO. OF SHARES (PURCHASES)	
TOTAL NO. OF SHARES (SALES)	
TOTAL NO. OF SHARES (BONUS ETC.)	
VALUE OF PURCHASES (Rs.)	
VALUE OF SALES (Rs.)	
TOTAL NO. OF TRANSACTIONS DELETED	
TOTAL NO. OF SHARES UNDER DELETION	
VALUE OF TRANSACTIONS UNDER DELETION	
TOTAL NO. OF TRANSACTIONS AMENDED	
TOTAL NO. OF SHARES UNDER AMENDMENT	
VALUE OF TRANSACTIONS UNDER AMENDMENT	
REPORT DATE	DD-MON-YYYY

The field specifications of the value field for items 1-16 is: Numeric (16,2)

For the above entries the following transaction types would apply for calculation of the values:

Field	Transaction Code Types*
2, 6 and 9	01,02,03,05,06, 14,16
3, 7 and 10	04,08,09,10,11, 13
4 and 8	07, 12, 15

**\*The transaction codes are as identified in the Annexure C**

[Annexure E: Daily Transaction Report](#)



Annexure E -  
Format of Daily Tran

### Annexure F: Nature of transaction Codes

<b>Nature of transaction</b>	<b>Transaction code</b>
Purchase in secondary market	01
Purchase in primary market (net of refund)	02
Preferential allotment (net of refund)	03
Sale in secondary market	04
Purchase through rights issue (net of refund)	05
Receipt of equity shares after conversion of debentures (transactions where a debt instrument has been received on surrender of another security may also be reported under this code in the debt report)	06
Receipt of bonus shares, or shares in a buyback/merger/open offer/ securities in lieu of shares*	07
Redemption of debentures / units of mutual funds	08
Acceptance of shares lodged /offered under open offer (accepted quantity)	09
Repurchase of units by Mutual Fund	10
Acceptance of shares lodged /offered under buy back offer (accepted quantity)	11
Payment of allotment / call money	12
Square off – on account of short delivery received	13
Square off and auction – on account of short delivery given	14
Consolidation / Sub-division of securities	15
Surrendering shares after Merger/Takeover	16
Write-off of securities	17
Write-back of securities	18

\* this is to indicate any security other than equity share received in respect of dividend, bonus, open offer etc.

### Annexure G: Stock Exchange Code

<b>CODE</b>	<b>NAME OF STOCK EXCHANGE</b>
01	THE STOCK EXCHANGE, MUMBAI (BSE)
02	THE STOCK EXCHANGE, AHMEDABAD (ASE)
03	CALCUTTA STOCK EXCHANGE
04	MADRAS STOCK EXCHANGE
05	DELHI STOCK EXCHANGE
06	HYDERABAD STOCK EXCHANGE
07	MADHYA PRADESH STOCK EXCHANGE, INDORE
08	BANGALORE STOCK EXCHANGE
09	COCHIN STOCK EXCHANGE
10	UTTAR PRADESH STOCK EXCHANGE, KANPUR
11	PUNE STOCK EXCHANGE
12	LUDHIANA STOCK EXCHANGE
13	GAUHATI STOCK EXCHANGE
14	MANGALORE STOCK EXCHANGE
15	MAGADH STOCK EXCHANGE, PATNA
16	JAIPUR STOCK EXCHANGE
17	BHUBANESHWAR STOCK EXCHANGE
18	SAURASHTRA KUTCH STOCK EXCHANGE, RAJKOT
19	VADODARA STOCK EXCHANGE
20	OVER THE COUNTER EXCHANGE OF INDIA
21	COIMBATORE STOCK EXCHANGE
23	NATIONAL STOCK EXCHANGE OF INDIA (NSE)
24	INTER-CONNECTED STOCK EXCHANGE

### Settlement Code

#### C- Settlement through Clearing House

- A. Hand Delivery settlement not involving Clearing House
- B. Clearing house transactions settled through Hand Delivery due to non-receipt of client confirmation
- C. Other (Public issue, etc.)



#### Annexure H: Type of Security/ Instrument

Type of Instrument	Instrument code
Equity shares (listed)	EQ
Equity Shares (unlisted)	EU
Other equity instrument	OE
Preference shares	PS
Partly convertible debentures (quoted at unit price)	PC
Fully convertible debentures (quoted at unit price)	FC
Non-convertible debentures (quoted at unit price)	NC
Corporate / Institutional Debentures or bonds (quoted in units of Rs 100)	BR
Warrants	WR
Corporate Bonds (quoted at unit price)	CB
Secured Premium Notes	SP
Floating Rate Notes	FN
Mutual Fund Units	MD
Government Bonds (quoted in units of Rs 100)	GB
Treasury Bills (quoted in units of Rs 100)	TB
Commercial Paper (quoted in units of Rs 100)	CP
Right renunciations	RR
Other debt instrument (Quoted at unit price)	DU
Other debt instrument (quoted in units of Rs 100)	DR

#### 18. R-DELAY: Reasons for delay in reporting

1. P - Prompt reporting
2. D - Delay in receipt of contract from broker

S - System failure at custodian office

O - Other delay reasons

#### 19. R\_TYPE: Reporting Type N- New Transaction

A.

A. Amendment in earlier reported transaction

D- Deletion of earlier reported transaction

**Annexure I: REASONS FOR AMENDMENT / DELETION OF TRADES**

<b>DESCRIPTION</b>	<b>CODE</b>
New Transaction	00
Change in quantity of scrip	01
Change in name of scrip transacted	02
Change in price of scrip transacted	03
Change in date of contract	04
Change in name of FII/sub-accounts (with same custodian)	05
Change in name of FII/sub-accounts (with different custodian)	06
Sub division of the contract	07
Consolidation of two or more trades	08
Cancellation of trade by broker	09
Cancellation/non acceptance of trade by FII	10
Two contract notes received for same deal	11
Contract note wrongly delivered by broker to us (pertaining to ***another custodian)	12
Change of stock exchange	13
Change in the ISIN code	14
Change in mode of settlement of trade	15
Multiple amendments in same transaction	16
Others (please submit details)	17

For regular transactions, which are basically new transactions, the **R\_Change** field should contain the code '00'. In case of amendment due to change of two or more parameters, the same may be reported with the code 16 and not as separate amendments. Transactions with code 17 are to be reported in hard format also with details.

**Annexure J: FORMAT FOR ISSUANCE OF ISIN FOR UNLISTED SECURITIES**

<b>COMPANY / ISSUING ENTITY:</b>	<b>As per Registrar of Companies record</b>
COUNTRY:	
REGISTERED OFFICE:	
CORPORATE OFFICE:	
TELEPHONE NO:	
FAX NO:	
CONTACT PERSON:	
EMAIL ID	
SECURITIES DETAILS:	Equity/ Debenture/ Warrants/Bonds/etc.
SECURITY SUB TYPE:	Fully paid/ partly paid/etc.
ISSUER TYPE:	Company/Municipal Corporation/Trust/etc.
PAID UP / ISSUED CAPITAL:	
FACE VALUE OF SECURITY:	
NO OF SECURITIES ISSUED:	

I hereby agree and declare that the information provided above and the undertakings given above are complete and true.

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

Managing Director / Chief Executive Officer

Place:

Date:

Certified by Statutory Auditor of the Company

Place:

Date:

[Annexure K: Fortnightly basis ISIN wise AUC report](#)



Annexure K-  
Fortnightly basis ISI

[Annexure L: Fortnightly Debt trades report](#)



Annexure  
L-Fortnightly debt tr

[Annexure M: Monthly Reports](#)



Annexure M-  
Monthly reports.xlsx

**Annexure N: Maturity-wise break-up of holdings in debt securities ([Original Maturity](#) and [Residual Maturity](#)):**



Annexure N  
-Original Maturity-w



Annexure N  
-Residual Maturity-v

**Annexure O: Custodian Quarterly Report:**

**CUSTODIANS QUARTERLY REPORT FOR QUARTER ENDED \_\_\_\_\_**

**A. GENERAL PARTICULARS**

a.	NAME	
b.	ADDRESS	
c.	SEBI REGISTRATION NO.	
d.	Telephone Nos.	
e.	Fax Nos.	
f.	E-mail Id	
g.	Addresses of other offices, if any.	
h.	Name and designation of compliance officer	
i.	List of activities conducted	
j.	List of other registrations held with SEBI	
k.	List of other associate / subsidiary companies operating in the securities markets, their activities and registration numbers	
l.	Networth as on _____ (Rs. in crores)  (Please mention steps taken to fulfil the networth requirement, if inadequate)	
m.	Detail of changes in infrastructure facilities e.g. change / addition / reduction of office, computers, vault capacity, key employees etc. during the quarter:	

**B. DETAILS OF CLIENTS & CORPUS VALUE**

Type of Client	No.	Corpus Value as on _____ (Rs. in Crores)
<b>TOTAL</b>		

**C. DETAILS OF CLIENTS / ACCOUNTS ADDED / DELETED DURING LAST 3 MONTHS**



Name	Category	Corpus

**D. DETAILS OF BUSINESS HANDLED**

	Details		Delayed Settlement		Not Settled	
	No of Trns.	Value Rs in Crs	No of Trns.	Value Rs in Crs	No of Trns.	Value Rs in Crs
B/F						
Purchase						
Sales						
Total						

**Note:**

1. Delayed Settlement – trades which were settled beyond the stipulated settlement date.
2. Not Settled – means trades for which the stipulated settlement date is over but the trade is yet to be settled.
3. The particulars of trades which have not been settled are to be carried forward to subsequent quarters.

**E. Specifications and size of the Vault:**

**F. Compliance with respect to display of information related to grievance redressal mechanism, publishing of investor charter and disclosure of complaints on the website of the Custodian**

**F1. Snapshot (with timestamp and geo-tagging) of basic information on grievance redressal mechanism displayed in the offices of Custodian**

**F2. Snapshot (with timestamp) of display of investor charter and disclosure of complaints on the website of the Custodian taken on the 8<sup>th</sup> date of each month**

**G. Additional information if any**

**Signature**  
**(Name and Designation)**

**DATE:**

Note:

1. Statement to be signed by authorised signatory of custodian
2. This statement is to be submitted on quarterly basis as at the end of March, June, September & December.
3. The statement is to be submitted so as to reach the Board within 15 days of end of quarter.

[Annexure P: Systems deemed to be based on AI & ML technology](#)



Annexure P.pdf

[Annexure Q: Report on AI & ML technology](#)



Annexure Q.pdf

**ANNEXURE- R**

**INVESTOR CHARTER - CUSTODIAN**

**VISION STATEMENT:**

“To make India an investor friendly country through efficient Regulations”.

**MISSION STATEMENT:**

“To serve all investors by promoting the highest standards of ethics, professional excellence and investor protection”.

**TIMELINES PERTAINING TO VARIOUS SERVICES PROVIDED BY CUSTODIAN**

Sr. No.	Type of Service	Expected Timelines*
1	<b>Account Opening</b>	
	(a) Opening Custody Accounts	Within 15 working days
2	<b>Trade Processing</b>	
	(a) Pre-matching, Confirmations, Margin / Funding verification	Within the Market timelines
	(b) Settlements	within 24 hours of receipt of Securities/ Cash
3	Safekeeping of Assets / Reports to Client	within 24 hours of receipt of Securities
4	Breach of Foreign Ownership Limit	within 24 hours
5	<b>Asset Servicing</b>	
	(a) Corporate action notification	Within 48 hours
	(b) Processing of client's instructions for the event	within Market timelines
	(c) Settlements	Within 48 hours
	(d) Proxy Voting / E-Voting / Postal Ballot	within Market timelines
6	Monthly Portfolio Report to client with list of Assets	Within 7 working days
7	Client Queries	Acknowledgment or Response within 48 hours
8	Grievance Redressal	Acknowledgment within 48 hours and redress within 30 days

\* above timelines will apply to cases where documents/information is complete in all respects

**General Guidance for Investors:**

Sr. No.	Guidance
1	Provide Complete, Accurate and Latest information for Account Opening.
2	Investors are solely responsible for any investment activity undertaken on the market.
3	Ensure all investments and investment related activities are in compliance with applicable rules and regulations
4	Investors have Right of Fair and Equitable Treatment and Confidentiality of Information as per SEBI (Custodian) Regulations, 1996
5	Investors have Right to expect Redressal of Grievances in a time bound manner and ensure to collect contact details of key personnel for Escalation and Resolution of grievances
6	Adhere to all the rules, regulations, investment limits / conditions prescribed by the Regulators and Government of India.

**Grievance Redressal Mechanism**

- Approach the Custodian at the designated Investor Grievance e-mail ID with complete details of complaints for redressal of investor grievances in a time bound manner.
- The complaint not redressed at Custodian level, may be lodged with SEBI on SCORES (a web based centralized investor grievance redressal mechanism at SEBI) @ <https://www.scores.gov.in/scores/Welcome.html>



**ANNEXURE- S**

**Format of Complaints against Custodians and DDPs to be displayed on their websites**

**A. Data for the Month ending -**

Sr. No	Received from	Pending at the End of the last month	Received during the month	Resolved during the month*	Total Pending at the end of month **	Complaints Pending > 1 month	Average Resolution time^ (in days)
1	Directly from Investors						
2	SEBI (SCORES)						
3	Stock Exchanges (if relevant)						
4	Other Sources (if any)						
5	<b>Grand Total</b>						

**B. Trend of Monthly disposal of complaints for the Financial Year-**

Sr. No	Month	Carried forward From previous month	Received during the month	Resolved during the month *	Pending at the end of the month **
1	April 2021				
2	May 2021				
	.....				
12	March 2022				
	<b>Grand Total</b>				

\* Inclusive of complaints of previous months resolved in the current month.

\*\* Inclusive of complaints pending as on the last day of the month.

^ Average Resolution time is the sum total of time taken to resolve each complaint in days, in the current month divided by total number of complaints resolved in the current month.

**C. Trend of Annual (FY) disposal of complaints (For 3 years on rolling basis)-**

Sr. No	Year	Carried forward from previous year	Received during the year	Resolved during the year	Pending at the end of the year
1	2019-20				
2	2020-21				
3	2021-22				
	<b>Grand Total</b>				