

Fit and Proper Person

No person shall, directly or indirectly, acquire or hold equity shares or voting rights of a depository unless he is a fit and proper person.

Such a requirement to ensure that all its shareholders are fit and proper persons shall not be applicable to a depository for shareholding of a person who directly or indirectly, acquires or holds less than two percent equity shares or voting rights of such depository.

Any person holding two percent or more of the paid-up equity share capital in a depository shall file a declaration within fifteen days from the end of every financial year to the depository that he complies with the fit and proper criteria.

“Requirement and criteria of fit and proper”

The ‘fit and proper person’ criteria shall apply to the applicant, depository, its shareholders, directors and key management personnel at all times

For the purpose of determining whether an applicant, depository, its shareholder, director, key management personnel or a participant, is a ‘fit and proper person’ under these regulations, the criteria specified under regulation 23 (1) of **SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 2018**, shall be applicable:

- such person has a general reputation and record of fairness and integrity, including but not limited to—
 1. Financial integrity;
 2. good reputation and character; and
 3. honesty;
- such person has not incurred any of the following disqualifications—
 1. conviction of the person by a court for any economic offence or an offence of the securities laws;
 2. An order for winding up has been passed against the person;
 3. The person, or any of its whole time directors or managing partners, has been declared insolvent and has not been discharged;
 4. An order, restraining, prohibiting or debarring the person or any of its whole time directors or managing partners, from dealing in securities or from accessing the securities market, has been passed by the Board or any other

regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;

5. Any other order against the person, or any of its whole time directors or managing partners, which has a bearing on the securities market, has been passed by the Board or any other regulatory authority, and a period of three years from the date of the order has not elapsed;

Provided that for the purpose of sub-clauses (iv) and (v), any Order passed by the Board against a depository shall not affect the operation of such a depository unless expressly mentioned in the Order.

6. the Board has initiated recovery proceedings under the Act or the Securities and Exchange Board of India Act, 1992 (15 of 1992) that are pending;
7. the person is not financially sound or has been categorized as a willful defaulter; and;
8. any other disqualification as may be specified by the Board from time to time.

- For the purpose of these regulations, the shareholders, directors or key management personnel of the depository, shall be deemed to be fit and proper if,-
 - (a) they fulfil the criteria specified under sub-regulation (2) of this regulation; and
 - (b) they have not been found to be of unsound mind by a court of competent jurisdiction and have not been declared a fugitive economic offender; and
 - (c) they have not been convicted of an offence involving moral turpitude.

Eligibility for acquiring or holding shares in a Depository:

Regulation 22(3) of SEBI (Depositories and Participants) Regulations, 2018 inter alia states that:

Any person eligible to acquire or hold more than five percent of the paid up equity share capital under sub-regulation (1) and sub-regulation (2) of regulation 21 may acquire or hold more than five percent of the paid-up equity share capital of a depository only if the person has obtained **prior approval of the Board (SEBI)**.

In case the holding is likely to exceed 5% or there are purchases post holding 5% then prior approval of SEBI is required to be obtained in Form E of the First Schedule through the concerned depository.

In view of the above regulation, it is hereby informed that the shareholders who along with other shareholders fall under the category of 'Persons Acting In Concert' as defined under regulation 2(q) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations,

2011, should inform NDSL about the same along with PANs of all such shareholders who are acting in concert with them in order to enable NDSL to monitor their shareholdings as stipulated under regulation 22A of the SEBI (Depositories & Participants) Regulations, 2018.

Further, the shareholders are requested to refer the following statutory requirements w.r.t. acquiring shares in NDSL:

Sr. No.	Particulars	Limit on holding paid-up capital of NDSL	Manner of approval.
01	Person resident in India at any time, directly or indirectly, either individually or together with persons acting in concert	Not more than 5%	No approval is required for acquiring shares up to 5%.
02	Stock exchange; Depository; Banking company; Insurance company; and Public financial institution may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert	Up to 15%	In case the holding is likely to exceed 5% or there are purchases post holding 5% then prior approval of SEBI is required to be obtained in Form E of the First Schedule through the concerned depository.
03	Person resident outside India, directly or indirectly, either individually or together with persons acting in concert.	Not more than 5%	No approval is required for acquiring shares up to 5%.
04	Foreign stock exchange; Foreign depository; Foreign banking company; Foreign insurance company; Foreign commodity derivatives exchange; and Bilateral or multilateral financial institution approved by the Central Government, may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert,	Up to 15%	In case the holding is likely to exceed 5% or there are purchases post holding 5% then prior approval of SEBI is required to be taken in Form E of the First Schedule through the concerned depository.