Circular No.: NSDL/POLICY/2022/071 May 16, 2022

Subject: Amendments to Bye Laws and Business Rules of NSDL.

Attention of participants are invited to SEBI circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 regarding handling of clients' securities by Trading Members (TM)/Clearing Members (CM) wherein as per point no. 4.2 *with regard to securities that have not been paid in full by the clients (unpaid securities), a separate client account titled - "Client Unpaid Securities Account" shall be opened by TM/CM*. Further, as per SEBI Surveillance meeting held on June 27, 2019, it was decided to provide SEBI registered portfolio managers (PMS) a facility to open pool accounts.

In this regards, Participants are hereby informed that the amendments have been made in the Bye Laws and Business Rules of NSDL w.r.t. below:

1. Amendment to Bye Laws and Business Rules regarding imposition of penalty on Trading member / Clearing Member / Portfolio Manager for not operating its CM, TM or Portfolio Manager Account in the specified manner.
2. Amendment to Bye Laws and Business Rules regarding Trading Member and Portfolio Manager.

The amended NSDL Bye Laws and Business Rules are enclosed at **Annexure A** and **Annexure B** (in track changes mode) respectively 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

Enclosures: Two

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
Annual System Audit Report (y early)	June 30	Through e-PASS	Circular No.: NSDL/POLICY/2022/068 dated May 13, 2022

Digitally signed by
Name : AROCKIARAJ
Date : 16-05-2022 16:38:53
Reason : Authentication

Annexure A

Amendment to Bye-Laws

8.5. RIGHTS AND OBLIGATIONS OF ISSUERS AND THEIR REGISTRAR & TRANSFER AGENTS

8.5.1. Each Issuer whose securities are admitted into the Depository shall at the time of transfer of securities into the Depository and thereafter represent and warrant in favour of the Depository that such securities exist and are validly issued and that it is entitled or has full authority to transfer such securities into the Depository.

8.5.2. Every Issuer in respect of securities admitted on the Depository shall decide in consultation with the Depository and accordingly provide timely information to the Depository about book closure, record dates, dates for payment of interest or dividend, dates for the annual general meeting, dates of redemption of securities, dates of conversion, dates of exercising warrants and such other information as may be specified by the Executive Committee from time to time.

8.5.3. The Issuer and its Registrar & Transfer Agent shall cooperate with the Depository to reconcile the records in respect of balances of eligible securities with Clients and confirm to the Depository, the total security balances both in physical as well as in electronic holdings in the books. Provided however that, in case where a State or the Central Government is the Issuer, the Depository shall, on a daily basis, reconcile the records of the dematerialised securities with the statement provided by the RBI.

8.5.4. Every Issuer or its Registrar and Transfer Agent shall issue the certificate of securities against receipt of the Rematerialisation Request Form from the Client through the Participant and on receipt of confirmed instructions from the Depository. Provided however that, in case of Government Securities, the procedure for opting out of the Depository shall be as per the provisions of Bye Laws 9.13.1 to 9.13.7.

8.5.5. The Issuer or its Registrar & Transfer Agent shall furnish to the Depository allotment details of all Clients ~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Manager, and Clearing Corporations, who have opted for securities to be credited in the electronic form.

8.5.6. The Depository shall electronically provide the details of the Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Manager, and Clearing Corporations to the Issuer or its Registrar & Transfer Agent every fortnight. Provided however that, this clause shall not apply to Government Securities.

9.8. CORPORATE BENEFITS

9.8.1. The Issuer or its Registrar & Transfer Agent shall intimate the Depository of the corporate actions which would herein mean and include any action taken by the Issuer relating to prescribing dates for book closures, record dates, dates for redemption or maturity of security, dates of conversion of debentures, warrants, call money dates and such other action from time to time.

9.8.2. On receiving the intimation as stated above, the details of the holdings of the Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers and Clearing Corporations shall be provided electronically by the Depository to the Issuer or its Registrar & Transfer Agent as of relevant cut-off date for the purpose of corporate actions and distribution of corporate benefits.

9.8.3. The Issuer or its Registrar & Transfer Agent shall, on the basis of the list provided by the Depository, distribute dividend, interest or other monetary benefits to the Clients and to the Clearing Members~~/~~, Trading Members, Portfolio Managers, and Clearing Corporations for onward distribution to the Clients. Provided however that the Issuer or its Registrar & Transfer Agent may opt to distribute the dividend, interest or other monetary benefits through the Depository with the concurrence of the Depository.

9.8.4. The Issuer or its Registrar & Transfer Agent may, if the benefits are in the form of securities, distribute such benefits to the Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers, and Clearing Corporations through the Depository provided that: -
i) the newly created security is an eligible security;
ii) the concerned entity has consented to receive the benefits through the Depository.

9.8.5. In such cases, the Issuer or its Registrar & Transfer Agent shall provide allotment details of all Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers, and Clearing Corporations to the Depository.

9.8.6. On receipt of the allotment details, the Depository shall cause necessary credit entries to be made in the accounts of the Clients and to the Clearing Members~~/~~, Trading Members, Portfolio Managers, and Clearing Corporations for onward distribution to the Clients. Corporate benefits availed by Clearing ~~Member~~Members, Trading Members, Portfolio Managers and Clearing Corporations shall be held in trust on behalf of beneficiary owners.

11.8. IMPOSITION OF PENALTIES

11.8.1. The Disciplinary Action Committee may pass an order suspending/expelling a Participant for such period or on such terms and conditions as the Disciplinary Action Committee deems fit.

11.8.2 Depository may impose penalty on a Clearing Member, Trading Member or Portfolio Manager for not operating its CM, TM or Portfolio Manager Account in the specified manner and such penalty amount may be collected from the Participant with whom the Clearing Member, Trading Member or Portfolio Manager has opened the said account.

Annexure-B

Amendment to Business Rules

3.1. Unless the context otherwise requires:-

3.1.1. BOD Processing means the Beginning-of-Day processing which is carried out before the start of business of each working day by the Depository and the Users. Such processing shall commence at such time as may be notified by the Depository;

3.1.2. Clearing Members are persons who have been admitted as members by a Clearing Corporation which has been admitted as a User by the Depository;

3.1.3. ~~CM Account means a Clearing Member account with a Participant, opened by a Clearing Member in accordance with Rule 13.3.1 of these Business Rules;~~Trading Members (TM) are persons who have been admitted as members by a Stock Exchange.

~~3.1.4.~~3.1.4. Portfolio Managers are persons registered with SEBI as Portfolio Management Services Providers.

3.1.5. CM, TM and Portfolio Manager Account means an account opened with a Participant, by a Clearing Member, Trading Member or Portfolio Manager, respectively in accordance with Rule 13.3 of these Business Rules;

3.1.6. Delivery Account means the account of a Clearing Member maintained with a Participant for receiving securities from the Pool account and transferring the same to the Clearing Corporation;

3.1.~~5~~7. Depository Module (DM) means the software installed at the Depository;

3.1.~~6~~8. Depository Participant Module (DPM) means the software(s) provided by the depository relating to the Depository operations deployed and/or accessed using the User hardware system. This shall be either the DPM (DP), DPM (CC) or the DPM (SHR).The DPM (DP) shall include the eDPM (DP) and the Local DPM (DP).

3.1.~~7~~9. Depository Participant Module (Depository Participant) - [DPM (DP)] means the software relating to the Depository operations installed on the hardware system of the Participant and Depository Participant Module (Clearing Corporation) - [(DPM (CC)] means the software relating to the Depository operations installed on the hardware system of the Participant which is a Clearing Corporation;

3.1.~~8~~10. Depository Participant Module (Issuers/Registrars) - [DPM (SHR)] means the software installed on the hardware system of the Issuer or its Registrar and Transfer Agent;

3.1.~~9~~11. Depository system means the hardware, software and telecommunication network established by the Depository to facilitate the operations of the Depository. This shall include the Depository Module, Depository Participant Module, User Hardware System and the hardware installed at the Depository;

3.1.~~10~~12. EOD Processing means the processing which is carried out at the close of each working day by the Depository and the Participant. Such processing shall commence at such time as may be notified by the Depository;

3.1.~~11~~13. Market Trades are trades concluded on a stock exchange and cleared and settled through a Clearing Corporation which has been admitted as a User by the Depository. Trades which are negotiated privately and reported for clearing and settlement through a Clearing Corporation, which has been admitted as a User by the Depository, shall also be treated as market trades;

3.1.~~12~~14. Off Market Trades means trades that are not cleared and settled through a Clearing Corporation admitted as a User by the Depository;

3.1.~~13~~15. Pool Account means the account of a Clearing Member, Trading Member, or Portfolio Manager maintained with a Participant. In case of Clearing Member, the account which is used for the transfer of securities from the accounts of the Clients to the Clearing Corporation in the case of sale of securities and from the Clearing Corporation to the accounts of the Clients in the case of purchase of securities~~;~~. In case of Trading Member or

Portfolio Manager, the account which is used for the transfer of securities from the accounts of the Clients to the Clearing Member in case of sale of securities and from the Clearing Member to the accounts of the Clients in the case of purchase of securities;

3.1.~~14~~16. User Hardware System (UHS) means the hardware set up of the User based on the hardware specifications supplied by the Depository. This shall be either the UHS (DP), UHS (CC) or the UHS (SHR);

3.1.~~15~~17. User Hardware System (Depository Participant)-(DP) means the hardware set up of the Participant relating to Depository operations and User Hardware System (Clearing Corporation)-(CC) means the hardware set up of the Participant which is a Clearing Corporation relating to Depository operations. This shall consist of servers, workstations, router and the communication line linking them to the Depository;

3.1.~~16~~18. User Hardware System (Issuers/Registrars)-[UHS (SHR)] means the hardware set up of the Issuer or its Registrar and Transfer Agent relating to the operations of the Depository. This shall consist of servers, workstations, router and the communication line linking it to the Depository;

3.1.~~17~~19. Intermediary means a person registered with the Securities and Exchange Board of India as an "approved intermediary" under the guidelines/provisions of the Securities Lending Scheme, 1997.

3.1.~~18~~20. Inter-Depository Transfer means transfer of securities which are admitted for dematerialisation on both the depositories from an account held in one depository to an account held in the other depository.

3.1.~~19~~21. Words and expressions used but not defined in the Business Rules but defined under The Depositories Act, 1996, Companies Act, 1956, Securities Contract (Regulation) Act, 1956, Securities and Exchange Board of India Act 1992, Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and the Bye Laws of the Depository shall have the same meaning respectively assigned to them under the aforesaid Acts and Regulations.

3.1.~~20~~22 Transaction Statement means a statement giving the details of the security-wise transactions (credits and debits) and balances for a given period and is also referred as statement of account including transaction statement and holdings statement.

6. GUIDELINES GOVERNING RELATIONSHIP BETWEEN PARTICIPANT AND CLIENT

6.1. The Participants shall execute transactions on behalf of its Clients only on authorisations from their Clients.

6.2. A Participant may accept standing instructions from the Client for crediting the account of the Client without the Participant requiring separate authorisation for each credit.

6.3. The Participant shall not be required to receive authorisation for receiving credit in the accounts of the Clearing Member, in case of receipt of securities from the Clearing Corporation.

6.4. The Participant shall make available to the Client for his reference, the list of Clearing Members, Trading Member, and Portfolio Managers, who have opened an account with the Participant and the securities which have been admitted to the Depository to be in dematerialised form.

6.5. The Participant shall not be required to receive authorisation from the Clearing Member for the delivery-out instruction given by the Clearing Corporation in pursuance of Rule 13.7.5.

6.6 The Participant shall have a right to provide such information related to the Client's account as may be requested by the National Securities Depository Limited from time to time.

12.4. [62] CORPORATE BENEFITS

12.4.3. All Participants must thereafter ensure that:

i) changes such as tax status, bank details, change of address, etc. in the Client~~/~~, Clearing Members~~/~~, Trading Members Portfolio Managers, and Clearing Corporations accounts are updated well in advance of the record date/book closure.

ii) there are no balances lying in the ~~CM~~Clearing Members, Trading Members, and Portfolio Manager Accounts on the EOD of the record date or the EOD of one business day prior to the commencement of book closure.

iii) they remain connected till the EOD of the record date or the EOD of one business day prior to the commencement of book closure.

12.4.4. The Depository shall provide the details of the holdings in the accounts of the Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers and Clearing Corporations electronically to the Issuer or its Registrar and Transfer Agent as of the relevant record date/book closure for the purpose of corporate actions and distribution of corporate benefits.

12.4.5. The Issuer or its Registrar and Transfer Agent may obtain the details of the tax status of Clients~~/~~, Clearing Members~~/~~, Trading Members Portfolio Managers and Clearing Corporations from the list of Clients~~/~~, Clearing Members~~/~~, Trading Member, Portfolio Managers and Clearing Corporations provided by the Depository.

12.4.6. The Issuer or its Registrar and Transfer Agent shall, on the basis of the list provided by the Depository distribute dividend, interest and other monetary benefits directly to the Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers, and Clearing Corporations for onward distribution to the Clients. Corporate benefits availed by Clearing ~~Member~~Members, Trading Members, Portfolio Managers, and Clearing Corporations shall be held in trust on behalf of beneficiary owners.

12.4.7. If the benefits are in form of eligible securities and the holders are holding the securities in electronic form, the Issuer or its Registrar & Transfer Agent shall credit the securities in electronic form to respective account unless otherwise opted by the holders. For those holders who hold the securities in certificate form, the Issuer or its Registrar & Transfer Agent may provide an option to such holders and if such holders desire to hold the eligible securities in electronic form, they shall do so by providing the details of their DP ID and the Client ID. Based on the option exercised by these holders, the Issuer or its Registrar and Transfer Agent shall credit the securities to the respective accounts.

Provided that if the security holder is holding physical securities, Issuer or its Registrar & Transfer Agent shall ensure that the Bonus securities against the physical folios shall mandatorily be issued in physical mode only.

12.4.8. In such a case, the Issuer or its Registrar and Transfer Agent shall provide to the Depository allotment details of the Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers, and Clearing Corporations in an electronic form.

12.4.9. On receipt of allotment details, the Depository shall cause necessary credit entries to be made in the accounts of Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers, and Clearing Corporations on a date requested by Issuer or its Registrar and Transfer Agent (hereinafter referred to as execution date).

12.13. INTER DEPOSITORY TRANSFER OF SECURITIES

12.13.1. Instruction in respect of inter-depository transfers shall be executed by the Participants on receipt of a duly filled in inter-depository transfer instruction forms from Clients ~~and~~, Clearing Members, Trading Members, and Portfolio Managers for delivery and receipt of securities. The specimen of these forms have been laid out in Form 15 and Form 17 respectively. However, for receiving credits to its account, a Client ~~and~~, Clearing Member, Trading Member, and Portfolio Manager may give standing instructions to its Participant.

12.13.2. The Participant should check for the completeness of the forms and validity of the signature of the Client ~~and~~, Clearing Member, Trading Member, and Portfolio Manager before the instructions are executed.

13. CONDUCT OF BUSINESS WITH THE CLEARING CORPORATION ~~AND~~ CLEARING MEMBERS, TRADING MEMBERS AND PORTFOLIO MANAGERS

13.3. CLEARING MEMBER, TRADING MEMBER, PORTFOLIO MANAGER ACCOUNT

13.3.1. A Clearing Member, Trading member, or Portfolio Manager may deal in the Depository system as a Clearing Member, Trading Member, or Portfolio Manager only through a special account it has opened with a Participant.

A Clearing Member, Trading Member, or Portfolio Manager account shall consist of~~:~~

~~i)~~ a Pool account
~~ii)~~ . In case of Clearing Member , the special account would also consist of a Delivery account.

13.3.2. A ~~CM~~Clearing Member, Trading Member, Portfolio Manager account may be opened with the Participant only after the Clearing Member, Trading Member, and Portfolio Manager has registered with the Depository and has been allocated an identification number by the Depository (hereinafter referred to as the CM-BP Id in case of Clearing Member and BP-ID in case of Portfolio Managers and Trading Member).

13.3.3. A Clearing Member may open only one CM Account. However, a Clearing Member may open additional CM Account(s) with the Participant for the purpose of Futures & Options (F&O) and / or Securities Lending and Borrowing Mechanism (SLBM) transactions and the Clearing Corporation shall allot additional CC-CM-IDs to the Clearing Member for this purpose.

13.3.4. The opening of the CM account shall constitute a standing instruction to receive credits from the Clearing Corporation upon pay-out.

14.2. ISSUER OR ITS REGISTRAR AND TRANSFER AGENTS

14.2.1. The Depository shall electronically send all dematerialisation requests, rematerialisation requests and balance held with the Depository to the Issuer or its Registrar and Transfer Agent, on a daily basis.

14.2.2. The Issuer or its Registrar and Transfer Agent shall confirm the pending dematerialisation and rematerialisation requests to the Depository, on a daily basis.

14.2.3. The Depository shall electronically provide the Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers and Clearing Corporations details to Issuer or its Registrar and Transfer Agent on a fortnightly basis.

14.2.4. The Depository shall electronically provide the Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers and Clearing Corporations details as on the record date fixed for this purpose to the Issuer or its Registrar and Transfer Agent for corporate action purpose within 15 days from the date of making such request.

14.2.5. The Rules 14.2.1 to 14.2.4 shall not be applicable if the Issuer is a State Government or the Central Government.

15.1. RECONCILIATION BETWEEN THE PARTICIPANT AND THE DEPOSITORY

15.1.4. The Participant shall electronically provide to the Depository, the entire Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers and Clearing Corporations details on receiving such a request from the Depository for corporate actions or for any other purpose, as may be specified by the ~~Depository15~~Depository.

15.2. RECONCILIATION BETWEEN THE DEPOSITORY AND THE ISSUERS OR ITS REGISTRAR AND TRANSFER AGENTS

15.2.3. The Depository shall electronically provide the entire Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers and Clearing Corporations details to the Issuer or its Registrar and Transfer Agent, on receiving such a request from the Issuer or its Registrar and Transfer Agent for corporate actions or for facilitating internal reconciliation of records. Where the Clients~~/~~, Clearing Members~~/~~, Trading Members, Portfolio Managers and Clearing Corporations account details are required on a particular date, the same shall be provided within fifteen days of such date or fifteen days from the date of making such request whichever is later.

16.1. RECORDS TO BE MAINTAINED BY THE PARTICIPANTS

16.1.1. Every Participant of the Depository shall maintain the following records relating to its business for a period of five years:-

i) Delivery/Receipt Instructions given by its Clients.

ii) Forms submitted by the Clients to the Participant for: -

a) Opening of accounts with the Participant;

b) Closing of accounts with the Participant;

c) Freezing of accounts with the Participant;

d) Unfreezing of accounts with the Participant.

iii) Copies of correspondence from the Clients on the basis of which Clients details were updated in the DPM;

iv) Record of all actions taken on the exception reports, generated by the system;

v) A register showing details of grievances received from the Clients and their present status. The following details may be specified in this regard :-

a) name of the Client;

b) reference number of the Client;

c) date;

d) particulars of complaints;

e) actions taken by the Participant;

vi) if the matter is referred to arbitration, then the particulars including the present status thereof.

vii) instructions received from the Clearing Member to transfer balances from the Pool account to the Delivery account of the Clearing Member in order to enable it to meet its obligations to the Clearing Corporation;

viii) instructions from the ~~clearing member~~Clearing Member, Trading Member, or Portfolio Manager authorising the transfer of securities from the pool account of the ~~clearing member~~Clearing Member, Trading Member or Portfolio Manager to the accounts of its ~~clients~~Clients;

ix) The forms received in respect of pledge of securities;

x) The forms received in respect of transmission of securities;

xi) The forms received in respect of securities lending.

xii) Record of serial numbers of the instruction forms for debit or pledge or margin pledge or hold of securities in a Client account, issued to its Clients.

xiii) The Participant shall ensure that records of nomination are maintained properly and preserved for record purposes. These records shall form part of the records of the Participant.

xiv) The forms received in respect of hold of securities;

xv) The forms received in respect of margin pledge of securities.

18.1.6 Penalty to be collected through Participants

Sr. No.	Nature of Non-compliance	Penalty
1	Clients' securities kept in CM Account beyond specified time after payout	6 basis points per week on the value of securities
2.	Clients' securities kept in CM or TM Account for client unpaid securities account beyond specified time after pay-out	6 basis points per week on the value of securities
3.	Clients' securities kept in Portfolio Manager Account beyond one trading day after payout	6 basis points per week on the value of securities

21.1. FEE PAYABLE BY ISSUERS

21.1.4 If an Issuer fails to pay the fees mentioned in Rule 21.1.3 by the due date, the Depository may charge interest @ 12% p.a. on the amount, from the due date of payment till the payment is received by the Depository. Provided further that the Depository may stop providing details of ~~clients / clearing members / clearing corporation~~Clients, Clearing Members, Trading Members, Portfolio Managers and Clearing Corporations to the Issuer and / or its Registrar and Transfer Agent as mentioned in the Bye Laws and Business Rules. Provided further that the Depository may not permit the Issuer to use its infrastructure including for issue of further securities in electronic form.

21.1.6 Non extinguishment fee ~~With~~: with effect from February 1, 2008, a non extinguishment fee of ₹ 100 per ISIN per day shall be charged to the Issuer in case the debt securities are not extinguished by the Issuer by the end of the month following the month in which the redemption was due unless the Issuer has decided to restructure or defer the redemption of securities. Provided however that if an ~~issuer~~Issuer fails to pay the non-extinguishment fees by the due date, the Depository may stop providing details of ~~clients/clearing members/~~Clients, Clearing Members, Trading Members, Portfolio Managers and Clearing Corporation to the Issuer and / or its Register and Transfer Agent as mentioned in the Bye Laws and Business Rules. Provided further that the Depository may not permit the Issuer to use its infrastructure including for issue of further securities in electronic form.

21.2.2.1. Settlement fee:

(i) A settlement fee at the rate of ₹5.00 per debit instruction in a Client's account shall be charged to the Participant of the Client.

(ii) A settlement fee at the rate of Re. 1.00 per instruction in respect of securities received from the Clearing Corporation into the Pool account of each Clearing Member, Trading Member or Portfolio Managers maintained with the Participant subject to a minimum of ₹ 1500 and a maximum of ₹ 5,000 per quarter per CM, TM or Portfolio Manager Account shall be charged to the Participant.

(iii) A settlement fee at the rate of ₹5.00 per debit instruction for transfer of securities by way of inter-settlement transfers in the CM Account(s) shall be charged to the Participant.

(iv) A settlement fee at the rate of ₹5.00 per debit instruction for transfer of securities from the CM, TM, or Portfolio Manager account of a Clearing Member, Trading Member, or Portfolio Manager to the CM, TM, or Portfolio Manager account of another Clearing Member, Trading Member, or Portfolio Manager shall be charged to the Participant of the delivering Clearing Member, Trading Member, or Portfolio Manager.

Provided that no settlement fee shall be charged in case of:

(i) transfers necessitated by transmission on death of the Client; and

(ii) transfer of the accounts of Clients from one Participant to another as a consequence of expulsion or suspension of such Participant.

(iii) transfer in the client's account opened under any incentive scheme for the Participants as specified by the depository.