

Circular No.: NSDL/POLICY/2024/0036

March 21, 2024

Subject: SEBI Circular on 'Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode'.

Attention of Participants is invited to SEBI circular no. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/18 dated March 20, 2024 regarding "Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode" (copy enclosed).

Participants are hereby informed that the "Para 1.12 of SEBI Master circular for Depositories dated October 06, 2023 prescribed guidelines to address the concerns arising out of transfer of securities from the Beneficial Owner (BO) Accounts without proper authorization by the concerned investor."

In this regard, to harmonize the classification of inactive/dormant accounts across Stock Exchanges & Depositories and to strengthen the measures to prevent fraud / misappropriation for inoperative demat accounts, based on consultation with depositories and the recommendations of Secondary Market Advisory Committee (SMAC), SEBI has amended the Para 1.12.

Participants are requested to take note of the same and ensure compliance.

**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 th 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



CIRCULAR

SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/18

March 20, 2024

To

All Depositories

Dear Sir/ Madam,

Sub: Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode

1. Para 1.12 of SEBI Master circular for Depositories dated October 06, 2023 prescribed guidelines to address the concerns arising out of transfer of securities from the Beneficial Owner (BO) Accounts without proper authorization by the concerned investor.
2. To harmonize the classification of inactive/dormant accounts across Stock Exchanges & Depositories and to strengthen the measures to prevent fraud / misappropriation for inoperative demat accounts, based on consultation with depositories and the recommendations of SMAC, it has been decided to amend Para 1.12 as under:

1.12. Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode

Following safeguards shall be put in place to address the concerns of the investors arising out of transfer of securities from the BO Accounts:

- 1.12.1. The depositories shall give more emphasis on investor education particularly with regard to careful preservation of Delivery Instruction Slip (DIS) by the BOs. The Depositories may advise the BOs not to leave "blank or signed" DIS with the Depository Participants (DPs) or any other person/entity.
- 1.12.2. The DPs shall not accept pre-signed DIS with blank columns from the BO(s).
- 1.12.3. If the DIS booklet is lost / stolen / not traceable by the BO, the same must be intimated to the DP immediately by the BO in writing. On receipt of such intimation, the DP shall cancel the unused DIS of the said booklet.

- 1.12.4. The DP shall also ensure that a new DIS booklet is issued only on the strength of the DIS instruction request slip (contained in the previous booklet) duly complete in all respects, unless the request for fresh booklet is due to loss, etc., as referred to in Para 1.12.3 above.

Further, in case the request for issuance of the DIS booklet is received in an inactive/dormant account, the DIS booklet shall be delivered at the registered address of the BO as per the DP records. This shall help ensure the genuineness of the BO's request for issuance of DIS. Such issuance of DIS shall be authorized by the Compliance Officer or any other designated senior official of the DP.

Explanation:

- 1. An inactive/dormant account refers to an account where no transaction has taken place for a continuous period of 12 months.*
- 2. Further, a credit in the demat account through purchase of securities and voluntary corporate action (such as subscribing to rights issues/systematic investment plans (SIPs) of mutual funds, etc.) may be considered as a transaction for assessing the dormancy. However, any credit due to involuntary corporate action (such as bonus, split, etc.) may not be considered as transaction for assessing the dormancy.*

- 1.12.5. The DPs shall not issue more than 10 loose DIS to one account holder in a financial year (April to March). The loose DIS can be issued only if the BO(s) come in person and sign the loose DIS in the presence of an authorised DP official.
- 1.12.6. The DPs shall put in place appropriate checks and balances with regard to the verification of signatures of the BOs while processing the DIS.
- 1.12.7. The DPs shall cross check with the BOs under exceptional circumstances before acting upon the DIS.
- 1.12.8. The DPs shall mandatorily verify with a BO before acting upon the DIS, in case of an inactive/dormant account, whenever any security in such account is transferred at a time. Such verification by DPs shall require a recorded phone call on registered number of BO by the authorized official of the DP and shall be additionally authorised by the Compliance officer or any other designated senior official of the DP. The authorized official of the DP verifying such transactions with the BO, shall record the details

of the process, date, time, etc., of the verification on the instruction slip under his/her signature.

However, in case of active accounts, such verification may be made mandatory only if the BO account has 5 or more International Securities Identification Number (ISINs) and all such ISIN balances are transferred at a time. The authorized official of the DP verifying such transactions with the BO, shall record the details of the process, date, time, etc., of the verification on the instruction slip under his signature. Such verifications shall be additionally authorized by the Compliance Officer or any other designated senior official of the DP.

3. This Circular amends Para 1.12 of SEBI Master circular for Depositories dated October 06, 2023.
4. The provisions of this circular shall come into effect from April 1, 2024.
5. The depositories are accordingly advised to:
 - a. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately, as may be necessary/applicable.
 - b. bring the provisions of this circular to the notice of the DPs of the Depository and to disseminate the same on their website as well as monitor compliance by DPs.
 - c. communicate to SEBI the status of implementation of the provisions of this circular in the Monthly Development Report.
6. This circular is being 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 market.

Yours faithfully,

Vishal Shukla
General Manager