



Central Depository Services (India) Limited

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COMMUNIQUE TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/1574

May 12, 2009

COMPULSORY REGISTRATION FOR THE SMS ALERT FACILITY FOR DEMAT ACCOUNTS WITH REGISTERED POWER-OF-ATTORNEY

CDSL had introduced the SMS Alert Facility [**SMART : SMS Alerts Related to Transactions**] with effect from October 01, 2007 wherein an SMS alert would be sent by CDSL to BOs for all types of debits to their demat account, subject to a maximum of four ISINs, and for credits into the account due to IPO and corporate actions.

CDSL has decided that, as ***an investor protection measure***, BOs who have given Power of Attorney [**POA**] should mandatorily register for the SMS Alert facility. Debits to the demat account would be intimated to the BO directly by CDSL.

To implement the above decision, amendments to **CDSL's DP Operating Instructions – Chapter 3: Account Administration & Maintenance, point 3.4.4** have been effected (in *track changes* mode) and is attached [see **Annexure-A**].

DPs are advised to:

- ✓ inform such existing BOs of the mandatory requirement of registering for the SMS alert facility, and request them to submit their mobile numbers (for the purpose of registration for the SMS Alert facility), latest by Monday, August 31, 2009.
- ✓ note that for all POA registrations (new or modification) submitted on or after Monday, June 15, 2009, the registration of the mobile number of the BO, for the SMS Alert facility, shall be mandatory.

Queries regarding this communiqué may be addressed to **CDSL-Helpdesk** on telephone no. (022) 2272-3333 (extn. 8642, 8427, 8663, 8624, 8693, 8625, 8639), direct (022) 2272-1261, (022) 32462767, (022) 2272-2075 or email ID: helpdesk@cdslindia.com.

sd/-

Ramkumar K.
Vice President – Operations

3 ACCOUNT ADMINISTRATION AND MAINTENANCE

3.1 Objectives

- 3.1.1 The main objective of Account Administration and Maintenance is to allow DPs to make additions, modifications/deletions to the details submitted by the BO at the time of account opening. Additions, Deletions and Modifications should be done only against written instructions from the BO.

3.2 Reference to Law

3.2.1 Depositories Act, 1996-

- Section 5 : Services of depository
- Section 10 : Rights of depositories and beneficial owner
- Section 11 : Register of Beneficial Owner

3.2.2 SEBI (Depositories and Participants) Regulations, 1996 -

- Regulation 41 : Agreement by Participant
- Regulation 47 : Reconciliation.
- Regulation 49 : Record of Services.
- Regulation 50 : Manner of keeping records.
- Regulation 51 : Records to be maintained Depository-wise.

3.2.3 CDSL Bye Laws-

- Bye Law 5.3 : Rights and Obligations of Participants in relation to CDSL
- Bye Law 5.4 : Rights and Obligations of Participants in relation to Beneficial Owners
- Bye Law 6 : Rights and Obligation of Beneficial Owner
- Bye Laws 13.9 : Transmission
- Bye Law 16.1.2 : Reconciliation

3.2.4 DP-BO Agreement:

- Clause 4: Beneficial Owner to intimate change of particulars
- Clause 6: Authorized Representatives

3.2.5 Prevention of Money Laundering Act 2002.

- Rule 6 : Retention of records

3.3 Annexures

- Annexure 3.1: Account Modification/Deletion Request Form.
- Annexure 3.2: Nomination form.

3.4 Procedure

- DP should perform Account Administration and Maintenance only on receiving written instructions duly signed by all the holders of the BO Account on the Account Modification Form (Annexure 3.1) or letter containing all the details as specified in the Account Modification Form. Any Addition, Modification, Deletion to any BO account details has to be supported by a written authorisation duly signed by all the account holders. All holders cannot individually make a request for any account modification.
- The DP should exercise sufficient controls in the internal working of their office to check that no unauthorized person is able to access a BO Account either for addition/modification/deletion or inquiry by implementation of variable access rights.
- DPs should verify the signatures of the BO on the Account Modification Form with the signatures of the BO captured in the CDSL system . The requested modifications can be entered into the CDSL system only if the Account Status is neither "Closed" nor "Pending for Activation".
- The DP cannot modify the names of any of the holders either the Main Holder, or Joint Holders of an account except in case of a CM / Corporate account. If a name change is desired, a new account has to be opened by the BOs in the new names, except in case of Corporate Account / CM, etc.
- Only those fields can be modified under a given BO status, which are predefined as modifiable. The modified data is updated and stored at CDSL.
- The DP should maintain proper records of all documents verified against original.
- DP can also Add/ Modify details of name and address in respect of guardian / nominee.
- DP can also modify details of name and address in respect of Power of attorney holder.

3.4.1 Modification of Address for BO

- DP can modify Address of BO on receipt of a Request Letter for change of address / account modification form duly signed by all the account holders.
- For modification of address, the DPs shall take a document as proof of address as specified in Chapter 2 – Account Opening, clause 2.3.1.b.
- An authorized official of the DP shall put the “verified with original” stamp on the copy after verification with the original documents and sign the same under stamp of the DP. In case of address change for a joint account all holders(s) should sign the modification request.
- After effecting modification of address, the DP should send the system-generated letter to the BO, confirming change of address at the old as well as the new addresses.

3.4.2 Addition of nomination

- This transaction allows the DP to setup a nomination request for a BO.
- The DP should mandatorily obtain a nomination form (Annexure 3.2) from the BO (Individual/NRI/Foreign National categories), duly filled and signed by all the holders.
- The DP shall ensure that the nomination is given by individuals only. Non-individuals including society, trust, corporate body, partnership firm, HUF, holder of POA, cannot appoint a nominee. A minor can nominate through a guardian. An NRI can nominate.
- The DP shall also ensure that the nominees appointed by the BO(s) are individuals. A body corporate, trust, society, partnership firm, HUF or a holder of a POA cannot be appointed as a nominee. An NRI can be appointed as a nominee subject to the Exchange Control Regulations in force from time to time. A minor can be appointed as a nominee represented by a guardian.
- The DPs should maintain a record of the nominees registered in a nomination register. The register can be in physical form or in electronic form. Each nomination entered in the register should be given a serial number. This serial number should be written on the nomination form along with date of entry of the nomination in the nomination register.
- If a BO does not wish to nominate, the **option: "I/WE DO NOT WISH TO NOMINATE" in the Nomination Form** should be selected. The DP should ensure that the nomination form is duly signed by all the account holders.

3.4.2.1 The DP shall, at all times, irrespective of subsequent variations and cancellations, maintain an updated "Register of Nominations" which shall contain the following information: -

- a) Nomination Registration Number.
- b) Date of Registration.
- c) BO Account Number for which nomination is being received.
- d) Name of nominee.
- e) Address of nominee.
- f) If Nominee is a minor, then schedule date of attaining majority.
- g) Name/address of the guardian, if nominee is a minor.
- h) Option "**not to nominate**", is submitted by the BO(s).
- i) Remarks.

3.4.2.2 After verification of the documents for adding/changing nomination, particulars of the nomination details should be recorded in the CDSL system.

3.4.2.3 In case the DP has not entered the details of nomination in the Nomination Register and in the CDSL system, the BO account will be considered as "without nomination".

- The modified data is updated and stored at CDSL.

3.4.3 Delete Name and Address

DP can delete the name and address of guardian/ nominee / holder of POA in respect of a BO account on receipts of account modification form / letter signed by the account holder(s). The name(s) of the account holder(s) cannot be modified or deleted.

3.4.4 Set up a POA for BO

- The DP shall ensure that all the joint holders sign the POA, if the POA is granted by all of them.
- The DP shall verify the signature of the holders with records.
- The POA should be duly stamped. Notarization thereof, is at the discretion of the DP. In case a copy of the POA document is submitted, the BO(s) should certify the same as a "TRUE COPY".
- The dates till which the POA is valid are captured. This date may be specified by the BO in the Account Modification form or mentioned in the POA.

- At the time of set up of a POA for a BO account, the DP shall, mandatorily, register the BO (or first holder of a joint account), for the SMART [SMS Alert] facility [see **Annexure 2.4 – SMS Alert Registration Form**]. All debits to the account, effected by the POA holder, will be intimated by CDSL to the BO directly through the SMS Alert facility.
- If the BO does not have a mobile phone, he/she may provide the mobile number of any person as per his/her discretion.
- The DP shall give a unique POA Identification number, which is stored along with the BO ID for which the POA is setup. A register of the POAs received should be maintained.
- All POA details are stored and linked to a BO.

3.4.4.1 The DP shall, at all times, irrespective of subsequent variations and cancellations, maintain an updated "Register of Power of Attorney", either in physical or electronic form which shall contain the following information:-

- a) Power of attorney Registration Number.
- b) Date of Registration.
- c) BO A/c Number for which Power of Attorney is being received.
- d) Name of Power of Attorney.
- e) Address of Power of Attorney.
- f) Remarks.

3.4.4.2 After verification of the documents for setup/modification/cancellation of Power of Attorney, particulars of the same should be recorded in the CDSL system within 7 days of receipt of the documents.

3.4.4.3 The powers and authorities conferred by the existing POA shall continue until the request for modification / cancellation is recorded in the CDSL system or 7 days of receipt of the same by the DP, whichever is earlier.

3.4.5 **Modify POA details for BO**

- Additional care should be taken by the DP to verify the authenticity of the BO authorising the change in the POA, at the time of accepting any request for modification in the POA details.
- All the holders should sign the account modification form.

3.4.6 Delete POA details for BO

- When POA details are deleted, the associated name, address and signatures of the POA holder are also deleted.
- Written instruction, Account modification form / letter, should be obtained from the BO for deletion of POA, signed by all joint account holder(s).

3.4.7 Set up BO Signature

- In order to set up the BO signature, there are three pre-requisites namely: -
 1. BO should be set up before the signature is attached to the BO ID.
 2. POA should be setup before scanning the POA signature.
 3. Scanned data of signature should be available.
- All the signature data is stored along with BO details in the CDSL system.

3.4.8 Replace Signature

- For change of signature, the DP should obtain an account modification form or letter from the BO signed by all the account holders and stating the reason for change of signature.
- The BO should personally visit office of the DP with a valid proof of identity. The account holder(s) should affix the new signature in presence of a DP official.
- The DP should keep record of the proof of identity and name of the DP official in whose presence the new signature(s) was affixed.
- If the BO cannot come in person, the letter or account modification form containing the old and new signatures must be attested by the BO's Banker.
- The DP should exercise utmost precaution before replacing signatures of any BO. The DP should send a confirmatory letter generated by the system to the BO informing the BO that the change in signature has been recorded in the system.

3.4.9 Delete Signature

- When the BO account is closed, the signature for the BO is automatically dropped. Hence, signature cannot be deleted.

3.4.10 Updation of change in name of corporate / FII:

The DP shall forward the following documents to CDSL for updating the change in name in CDSL system -

- Letter from Corporate / FII requesting for change in name.
- Certified copy of the Board resolution where the change in name was approved.
- Certified copy of the Fresh Certificate of Incorporation from Registrar of Companies (ROC) / SEBI Registration Certificate in case of FII.
- List of authorized signatories along with specimen signature with due verification from Managing Director/Company Secretary.
- Covering letter of DP forwarding the above documents after verifying the signature(s) of the authorized signatories of corporate / FII, in the format specified by CDSL from time to time.

3.4.11 Updation of change in name of Clearing Member:

The DP shall forward the following documents to CDSL for updating the change in name in CDSL system:

- Letter from clearing member requesting for change in name.
- Certified copy of the Board resolution where the change in name was approved, if applicable.
- Certified copy of SEBI Registration Certificate with the change in name.
- Copy of the letter received from the Stock Exchange, where the clearing member is a member acknowledging change in name.
- List of authorized signatories along with specimen signature with due verification from Company Secretary/Whole-time Director.
- Covering letter of DP forwarding the above documents after verifying the signature(s) of the clearing member, in the format specified by CDSL from time to time.
- The DP shall retain the originals of the documents received from the BO and forward the copies, countersigned / attested by DP to CDSL.
- On receipt of information from CDSL of the rejection / updation of change in name, DP shall inform the CM accordingly.
- The above procedure is applicable only if CM ID remains unchanged.

3.4.12 Updation of change in address of Corporate / Clearing Member / Bank

- Request Letter for change of address / account modification form duly signed by the authorized signatory(ies), as per the Board Resolution, along with:
 - Certified true copy of Form 18 (change of address within the State);
 - Certified true copy of Form 23, if applicable (change of address from one State to another State).
- Latest transaction statement received from the DP.
- An authorized official of the DP shall put the “verified with original” stamp on the copy after verification with the original documents and sign the same. DPs are also requested to note that the proof of address of all the account holders must be obtained.
- In case of Banks, letter on the letterhead of the Bank, signed by the authorized signatory.

3.4.13 Updation of change in signature of Corporate / Clearing Member / Bank

- Certified true copy of Board Resolution for persons authorized by the Board to act as Authorized Signatory(ies).
- Fresh List of Authorized Signatories along with their photographs and signatures.
- In case of Banks, letter on the letterhead of the Bank, signed by the General Manager or higher authority.

3.4.14 Change of signature and address simultaneously

- Change in signature and change in address should not be accepted simultaneously. In the event of such an occurrence, abundant caution should be exercised in carrying out the request and the matter should be reported to CDSL.

3.4.15 Modification of Bank details: -

DPs should collect proof of bank details. Any one of the following documents can be collected: -

- (i) Photocopy of the cancelled cheque having the name of the account holder where the chequebook is issued.
- (ii) Photocopy of the Bank Statement having name and address of the BO and not more than 4 months old.
- (iii) Photocopy of the Passbook having name and address of the BO.
- (iv) Letter from the Bank.

In case of option (ii), (iii) and (iv) above, MICR code of the branch should be present/mentioned on the document and it should be self-certified by the BO.

3.5 Reconciliation

- 3.5.1 The DP should reconcile, on a daily basis, the total number of requests received for modification, addition, deletion to the total number of requests executed and total requests pending.

3.6 Records

- 3.6.1 The DP will have to maintain all the written instructions with the enclosures received from the BO till the account is active and subsequently for a period of 10 years after the account is closed or any such period specified by SEBI from time to time.
- 3.6.2 The DP should maintain the copies of letters sent to BOs confirming modifications done along with proof of despatch of such letters.

Terms And Conditions-cum-Registration / Modification Form for receiving SMS Alerts from CDSL

Definitions:

In these Terms and Conditions the terms shall have following meaning unless indicated otherwise:

1. "Depository" means Central Depository Services (India) Limited a company incorporated in India under the Companies Act 1956 and having its registered office at 17th Floor, P.J. Towers, Dalal Street, Fort, Mumbai 400001 and all its branch offices and includes its successors and assigns.
2. 'DP' means Depository Participant of CDSL. The term covers all types of DPs who are allowed to open demat accounts for investors.
3. 'BO' means an entity that has opened a demat account with the depository. The term covers all types of demat accounts, which can be opened with a depository as specified by the depository from time to time.
4. SMS means "Short Messaging Service"
5. "Alerts" means a customized SMS sent to the BO over the said mobile phone number.
6. "Service Provider" means a cellular service provider(s) with whom the depository has entered / will be entering into an arrangement for providing the SMS alerts to the BO.
7. "Service" means the service of providing SMS alerts to the BO on best effort basis as per these terms and conditions.

Availability:

1. The service will be provided to the BO at his / her request and at the discretion of the depository. The service will be available to those accountholders who have provided their mobile numbers to the depository through their DP. The services may be discontinued for a specific period / indefinite period, with or without issuing any prior notice for the purpose of security reasons or system maintenance or for such other reasons as may be warranted. The depository may also discontinue the service at any time without giving prior notice for any reason whatsoever.
2. The service is currently available to the BOs who are residing in India.
3. The alerts will be provided to the BOs only if they remain within the range of the service provider's service area or within the range forming part of the roaming network of the service provider.
4. In case of joint accounts and non-individual accounts the service will be available, only to one mobile number i.e. to the mobile number as submitted at the time of registration / modification.
5. The BO is responsible for promptly intimating to the depository in the prescribed manner any change in mobile number, or loss of handset, on which the BO wants to receive the alerts from the depository. In case of change in mobile number not intimated to the depository, the SMS alerts will continue to be sent to the last registered mobile phone number. The BO agrees to indemnify the depository for any loss or damage suffered by it on account of SMS alerts sent on such mobile number.

Receiving Alerts:

1. The depository shall send the alerts to the mobile phone number provided by the BO while registering for the service or to any such number replaced and informed by the BO from time to time. Upon such registration / change, the depository shall make every effort to update the change in mobile number within a reasonable period of time. The depository shall not be responsible for any event of delay or loss of message in this regard.
2. The BO acknowledges that the alerts will be received only if the mobile phone is in 'ON' and in a mode to receive the SMS. If the mobile phone is in 'Off' mode i.e. unable to receive the alerts then the BO may not get / get after delay any alerts sent during such period.
3. The BO also acknowledges that the readability, accuracy and timeliness of providing the service depend on many factors including the infrastructure, connectivity of the service provider. The depository shall not be responsible for any non-delivery, delayed delivery or distortion of the alert in any way whatsoever.
4. The BO further acknowledges that the service provided to him is an additional facility provided for his convenience and is susceptible to error, omission and/ or inaccuracy. In case the BO observes any error in the information provided in the alert, the BO shall inform the depository and/ or the DP immediately in writing and the depository will make best possible efforts to rectify the error as early as possible. The BO shall not hold the depository liable for any loss, damages, etc. that may be incurred/ suffered by the BO on account of opting to avail SMS alerts facility.
5. The BO authorizes the depository to send any message such as promotional, greeting or any other message that the depository may consider appropriate, to the BO. The BO agrees to an ongoing confirmation for use of name, email address and mobile number for marketing offers between CDSL and any other entity.
6. **The BO agrees to inform the depository and DP in writing of any unauthorized debit to his BO account/ unauthorized transfer of securities from his BO account, immediately, which may come to his knowledge on receiving SMS alerts. The BO may send an email to CDSL at complaints@cdslindia.com. The BO is advised not to inform the service provider about any such unauthorized debit to/ transfer of securities from his BO account by sending a SMS back to the service provider as there is no reverse communication between the service provider and the depository.**
7. The information sent as an alert on the mobile phone number shall be deemed to have been received by the BO and the depository shall not be under any obligation to confirm the authenticity of the person(s) receiving the alert.
8. The depository will make best efforts to provide the service. The BO cannot hold the depository liable for non-availability of the service in any manner whatsoever.
9. If the BO finds that the information such as mobile number etc., has been changed with out proper authorization, the BO should immediately inform the DP in writing.

