



Central Depository Services (India) Limited

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COMMUNIQUÉ TO REGISTRAR & TRANSFER AGENTS

CDSL/OPS/RTA/POLCY/2018/48

April 23, 2018

SEBI CIRCULAR - STRENGTHENING THE GUIDELINES AND RAISING INDUSTRY STANDARDS FOR RTA, ISSUER COMPANIES AND BANKER TO AN ISSUE

Issuers/RTAs are advised to refer to SEBI Circular no. **SEBI/HO/MIRSD/DOP1/CIR/P/2018/73** dated April 20, 2018 wherein SEBI has informed regarding **Strengthening the Guidelines and Raising Industry standards for RTA, Issuer Companies and Banker to an Issue** [refer Annexure].

Issuers/RTAs are advised to take note of the same and ensure compliance.

Queries regarding this communiqué may be addressed to **CDSL – Helpdesk**: on telephone numbers (022) 2305-8624, 2305-8639, 2305-8642, 2305-8663, 2305-8640, 2300-2041 or 2300-2033. Emails may be sent to: helpdesk@cdslindia.com.

sd/-

Umesh Kambli
Asst. Vice President - Operations



भारतीय प्रतिभूती और विनिमय बोर्ड
Securities and Exchange Board of India
CIRCULAR

SEBI/HO/MIRSD/DOP1/CIR/P/2018/73

April 20, 2018

To,

All Listed entities (Through Stock Exchanges)

All Registered Bankers to an Issue (BTIs),

All Registrars to an Issue / Share Transfer Agents (RTAs) acting on behalf of listed entities

All Depositories

All Recognised Stock Exchanges

Dear Sir/Madam,

Subject: Strengthening the Guidelines and Raising Industry standards for RTA, Issuer Companies and Banker to an Issue

1. SEBI constituted a Committee on “Strengthening the Guidelines and Raising Industry Standards for RTAs”, which included representatives from RTAs, Issuer Companies, Depositories and Bankers to Issue. The objective of the Committee was to suggest guidelines to streamline and strengthen the procedures and processes with regard to handling and maintenance of records, transfer of securities and payment of dividend/interest/redemption by the RTAs, Issuer Companies and Bankers to Issue.
2. Based on recommendation of Committee, the guidelines as annexed to this Circular are being issued. These guidelines cover the following broad areas:
 - i. Provisions with respect to Payment of Dividend/interest/redemption/redemption

- ii. Provisions with respect to Transfer/Transmission/ Correction of errors etc.
 - iii. Compulsory internal audit of RTAs
3. Unless otherwise indicated in the annexure, , the records /documents described in annexure shall be maintained for period not less than eight years after completion of the relevant transactions by Bankers to issue, Issuer Companies, and/or by RTAs on behalf of Issuer Companies
4. RTAs, BTIs and Issuer Companies shall strictly comply with guidelines (annexed). Issuer companies shall strictly monitor the activities of their RTAs and ensure compliance of provision of this circular. It is clarified that where share transfer agent activities are carried out in-house by issuer companies, the issuer companies shall ensure that their in-house share transfer activities comply with the relevant norms as applicable to them.
5. RTAs, Bankers to issue, and the Issuer Companies can put in place more stringent internal checks and controls if they so desire.
6. These guidelines issued through this circular shall be effective with immediate effect except where a timeframe has been prescribed in the guidelines itself.
7. Stock Exchanges are advised to bring the contents of this circular to entities listed on their respective Exchange.
8. This circular is issued in exercise of the 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.

Yours faithfully,

Debashis Bandyopadhyay

General Manager

Annexure

I. Provisions with regard to Payment of Dividend/Interest/Redemption :

1. The Issuer Company, RTA and the dividend/interest/redemption processing Bank shall ensure that the Dividend/Interest/redemption Master file (i.e. file containing detailed list of beneficiaries entitled for dividend/interest/redemption distribution by whatever name called on the record date) shall include Company Name, Folio No., DPID/Client ID, Name of the first securities holder, Dividend/interest/redemption payment date, Dividend/interest/redemption amount, Payee details, Bank name, Bank account, Bank branch of the holder of securities, MICR number, Dividend/Interest/Redemption Warrant number, details of payment made through electronic channels such as RTGS/NEFT. The said file shall be shared with the Banker through a secured process/procedure as per Banker's prescribed secured mechanism. Copy of the Dividend/Interest/Redemption Master data file containing details for each dividend/interest/redemption paid shall be maintained by the bank and the same shall be reconciled by the RTA and the Issuer Company.

2. In cases where bank account details of the securities holder is not available with RTA or there is change in bank account details, RTA shall obtain account details along with cancelled cheque to update the securities holder's data. The original cancelled cheque shall bear the name of the securities holder failing which securities holder shall submit copy of bank passbook /statement attested by the bank. RTA shall then update the bank details in its records after due verification. The unpaid dividend shall be paid via electronic bank transfer. In cases where either the bank details such as MICR (Magnetic Ink Character Recognition), IFSC (Indian Financial System Code), etc. that are required for making electronic payment are not available or the electronic payment instructions have failed or have been rejected by the bank, the issuer companies or their RTA may ask the banker to make payment through physical instrument such as banker's cheque or demand draft to such securities holder incorporating his bank account details.

3. The dividend/interest/redemption processing Bank shall ensure that any dividend/interest/redemption instrument (such as demand drafts, dividend/interest/redemption warrants etc.) lying unpaid beyond the validity period of the instrument shall be cancelled and the dividend/interest/redemption amount transferred earlier by issuer in the said account shall be credited back immediately to the relevant bank account of the Issuer Company. Banks should also provide the unpaid instrument details when reconciliation data is shared with Issuer Company / RTAs. This provision will come into effect after 30 days from the date of this circular.
4. Revalidation/Re-issue requests to the dividend/interest/redemption processing bank by the RTA should contain at least Name of the Company, DPID/Client ID/Folio No. (as applicable), Original Instrument Number, MICR No., Security holder's name, Payee's name, Payee's bank account Number, Bank name, reason for revalidation etc. RTA shall maintain records of the revalidation/re-issue requests.
5. The Issuer Company, RTA and the dividend/interest/redemption processing Bank shall ensure that the Banks provide reconciliation of the Paid and Unpaid details (including bank Transaction Reference Number, payee name etc.) of the Dividend/interest/redemption paid fortnightly during the initial validity of the instrument and after the expiry of validity period of the instrument, quarterly till transfer of funds to Investor Education and Protection Fund (hereinafter referred to as IEPF). Dividend/interest/redemption reconciliation data sent by banks to RTA/Issuer Companies shall contain details of all DDs/new instruments issued/ electronic instructions sent in lieu of original dividend/interest/redemption payment. Details of old as well as new dividend instruments shall be provided. RTA shall also do the reconciliation and inform the Bankers/Issuer Companies in case of any discrepancies. The reconciliation files sent by the Banker shall be maintained by all the three entities, RTA, the Issuer Company, and the dividend/interest/redemption payment processing Banker as its record for a period of eight years.
6. Details of the rejection of electronic remittance, dividend/interest/redemption instruments undelivered, dividend/interest/redemption instruments expired and

subsequent payment of dividend/interest/redemption made through new instruments including the status of payment of the same shall be linked to dividend/interest/redemption payment record of each of the specific folios by RTA and audit trail shall be kept in the system of the RTA.

II. Provisions with regard to Transfer/Transmission/Correction of Errors etc. :

1. RTAs and Issuer Companies shall ensure that a folio once allotted to a person should never be re-allotted to any other person under any circumstances. Ceased folios numbers i.e. folios having nil balance should not be re-allotted to any other person.
2. RTAs and Issuer Companies shall ensure that history of all transactions in a folio (w.r.t securities held or dividend/interest/redemption issued in that folio, certificates issued or any other change) are linked to a particular folio for easy retrieval.
3. RTAs shall follow the “Maker-Checker” concept in all of its activities to ensure that accuracy of data and a mechanism to check unauthorised transaction and record shall be maintained.
4. RTAs and Issuer Companies shall ensure that all updation in the folio records shall be enabled only through front end modules. No back-end entry/updation /correction should be permitted. RTAs and Issuer Companies shall ensure that “System Log” having complete details for any change (viz. nature of change, user access history, user identification, date/time of change etc.) must be maintained. This provision will come into effect after 90 days from the date of this circular.
5. For any correction of errors, RTAs must take prior approval from the Company similar to cases of transfers, transmissions etc.
6. RTAs shall provide to the Issuer Company a soft copy of Members data (having details inter alia Name, Address, Folio No, Number of Shares, Distinctive numbers, Certificate numbers, etc.) under due certification at the end of each quarter of a financial year. This data should also contain transaction in the physical folio during

the period. The copy of these databases shall be maintained by Issuer Companies and the RTAs independently as permanent record.

7. RTAs shall provide to the Issuer Company a copy of the Register of debenture holders under due certification at the end of each quarter of a financial year. The register should contain information relating to name, father's /husband's name; address and occupation, if any, of each debenture holder; date of allotment; date of registration with the Registrar of Companies; the debentures held by each holder distinguishing each debenture by its number except where such debentures are held with a depository; distinctive number and certificate number of debentures; the amount paid or agreed to be considered as paid on those debentures; date of payment; date on which the name of each person was entered in the register as a debenture holder; date on which any person ceased to be a debenture holder; date of transfer of debentures; serial number of instrument of transfer; transferor's name and folio number; transferee's name and folio number, transfer number, number of debentures transferred and their distinctive numbers; date of transfer; and instructions, if any, for payment of interest. The copy of that Register of debenture holder shall be maintained by Issuer Companies and the RTAs independently as permanent record.
8. Any returns filed with Registrar of Companies (ROC) or any other documents relating to company's securities processed and compiled by the RTAs will also be maintained by the RTAs and a copy of the return shall be forwarded to the Issuer Company. The Issuer Companies will also independently preserve these data as filed with the ROC at their end.
9. RTAs and Issuer Companies shall frame a written policy and shall maintain strict control on stationery including blank certificates, dividend/interest/redemption warrants and shall periodically check by physical verification. The reconciliation report shall be maintained by the RTAs and concerned Issuer Company.
10. In addition to maintaining details of securities certificates issued or re-issued data in respective folios, RTAs shall maintain a certificate printing register/records

containing, inter alia, details such as Date of Printing/issue, Folio No, Name in which printed, Certificate No, Distinctive Nos, Old Certificate No (in case is reprinting), Reason of printing etc.

11. If the security holder is holding physical securities, RTAs, Issuer Companies and Depositories shall ensure that the Bonus securities against these folios shall mandatorily be issued in physical mode only. In other words, Bonus securities cannot be allotted in demat form with respect to folios where physical securities certificates are maintained.
12. Issuer Companies through their RTAs shall take special efforts to collect copy of PAN, and bank account details of all securities holders holding securities in physical form as mentioned below. While collecting details, RTAs shall ensure that
 - i. They preserve a verifiable record as on the date of this circular regarding the folios which do not have PAN/bank account details.
 - ii. They send a letter under registered/Speed post seeking PAN and bank details (a copy of the PAN card and original cancelled cheque leaf /attested bank passbook showing name of account holder) within 90 days of the circular and two reminders thereof after the gap of 30 days. All the 3 letters will have 21 days' notice period to provide the details.
 - iii. In case of residents of Sikkim, the requirement of PAN Card be substituted with a valid Identity proof issued by Government.
 - iv. Records of all communications sent, replies received and decisions taken in the matter shall be properly maintained. The same information shall also be linked to and available in each such folio.
 - v. Securities holders who are unable to respond to RTA call and provide PAN and bank details within 180 days of the circular or have informed that the securities available in their name as per the records of RTA does not belong to them, shall be subject to enhanced due diligence by Issuer Company.

- vi. A list of all such accounts with complete details shall be shared by the RTAs with the Issuer Companies within 30 days of completion of notice period of the last reminder.

Thereafter any transaction in the physical securities should be done with enhanced supervision by company and RTAs.

13. The Issuer Company and RTAs shall exercise enhanced due diligence in following cases:

- i. Where dividend/interest/redemption remains unpaid for three years & above
- ii. PAN / bank account details not available in the folio.
- iii. Unclaimed suspense account constituted pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations.
- iv. IEPF suspense account set up pursuant to Companies Act 2013.
- v. Any other stringent criteria as decided by the Issuer Company and the RTAs.

RTAs shall maintain a list of such account folios and share with the Issuer Company at the end of every quarter of a financial year.

14. RTAs shall have system based alerts for processing of all transactions in such account folios referred above in para 13. In case any request for transactions is received from such folios, the Issuer Company and RTAs shall exercise enhanced due diligence. For the purpose of exercising enhanced due diligence, Issuer Companies and/or RTAs shall call for documents related to proof of identity/address, PAN and bank details, and such other additional procedures that would enable the Issuer Company/RTA to reasonably satisfy itself about the genuineness of the request.

15. RTAs shall maintain a register containing details of records and documents destroyed. The register shall inter alia contain the following particulars: description of the records and documents destroyed, name of authority authorising the destruction, date of authorization of destruction, destroyed in whose presence (with signature) and date of destruction. The authenticity of the register shall be verified during internal audit. The register shall be maintained till perpetuity.

III. Compulsory internal audit of RTAs

1. All RTAs are required to carry out internal audit on annual basis by independent qualified Chartered Accountants or Company Secretaries or Cost and Management Accountants and Certified Information Systems Auditor (CISA) who don't have any conflict of interest.
2. Eligibility of auditors for conducting the Internal Audit of the RTA
 - i. The audit firm shall have a minimum experience of three years in the financial sector.
 - ii. An auditor shall be appointed for a maximum term of five years, with a cooling-off period of two years.
3. The audit shall cover all aspects of RTA operations including investor grievance redressal mechanism and compliance with the requirements stipulated in the SEBI Act, Rules and Regulations made thereunder, and guidelines/circulars issued by SEBI from time to time. The scope of the audit shall cover all issues concerning the functioning of RTAs.
4. The report shall state the methodology adopted, deficiencies observed, and consideration of response of the management on the deficiencies.
5. The report shall include a summary of operations and of the audit, covering the size of operations, number of transactions audited and the number of instances where violations / deviations were observed while making observations on the compliance of any regulatory requirement.

- 6. The report shall comment on the adequacy of systems adopted by the RTAs for compliance with the requirements of regulations and guidelines issued by SEBI and investor grievance redressal.
- 7. The RTA shall submit a copy of report of the internal audit to Issuer Company within three months from the end of the financial year. Copy of the same shall also be preserved by the RTA.
- 8. The Governing Council (i.e. Board of Directors, Board of Partners, proprietor etc. as applicable) of the RTA shall consider the report of the internal auditor and take steps to rectify the deficiencies, if any. The RTA shall send the Action Taken Report to Issuer Company within next one month and a copy thereof shall be maintained by the RTA.
- 9. The Action Taken report shall be submitted in the following format:

Serial No	Audit period & name of Issuer Company	Observations of the Auditor	Comments of the Board of the RTA	Corrective actions taken

- 10. The audit observations along with the corrective steps taken by the RTA shall be placed before the Board of Directors of the Issuer Company.
- 11. The Issuer Companies shall satisfy themselves regarding the adequacy of the corrective measures taken by the concerned RTA. If not satisfied with the corrective measures, Issuer Company may ask RTA to take more stringent corrective measures.
