

CIRCULAR

SEBI/HO/MIRSD/RTAMB/CIR/P/2019/122

November 05, 2019

To

All Depositories

All Registrars to an Issue & Share Transfer Agents (RTA)

All Recognised Stock Exchanges

All Listed Companies (through Stock Exchanges)

Dear Sir/ Madam,

Sub: Enhanced Due Diligence for Dematerialization of Physical Securities

1. In terms of Regulation 40 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (IV Amendment) Regulations, 2018 (**LODR**), transfer of securities held in physical mode is not permitted w.e.f. April 01, 2019. Standardised norms with respect to documentation / procedure for transfer of physical securities were issued vide SEBI circular No. SEBI/HO/MIRSD/DOS3/CIR/P/2018/139 dated November 06, 2018.
2. To augment the integrity of the system in processing of dematerialization request in respect of the remaining physical shares, the Depositories and the listed companies / RTAs are directed to implement the following due diligence process:
 - I. All Listed companies or their RTAs shall provide data of their members holding shares in physical mode, viz the name of shareholders, folio numbers, certificate numbers, distinctive numbers and PAN etc. (hereinafter, **static database**) as on March 31, 2019, to the Depositories, latest by December 31, 2019. The common

format for this data shall be specified jointly by the Depositories and be communicated to Issuer companies / their RTAs.

- II. Depositories shall capture the relevant details from the static database as per clause I above and put in place systems to validate any dematerialization request received after December 31, 2019. Accordingly, the depository system shall retrieve the shareholder name(s) recorded against the folio number and certificate number in Static Data for each DRN request received after this date and validate the same against the demat account holder(s) name as available in the records of the Depositories.
- III. In case of mismatch of name on the share certificate(s) vis-à-vis name of the beneficial owner of demat account, the depository system shall generate flag / alert. In instances, where such flags / alerts have been generated, the following additional documents explaining the difference in name, as prescribed in paragraph 2 (b) of the cited SEBI circular of November 06, 2018, shall be sought, namely
 - i. Copy of Passport
 - ii. Copy of legally recognized marriage certificate
 - iii. Copy of gazette notification regarding change in name
 - iv. Copy of Aadhar Card
- IV. In the case of complete mismatch of name on the share certificate(s) vis-à-vis name of the beneficial owner of demat account, the applicant may approach the Issuer company / RTA for establishing his title / ownership.

3. Depositories shall;
 - a) make necessary amendments to the relevant byelaws, rules and regulations for the implementation of the above directions, as may be applicable
 - b) bring the provisions of this circular to the notice of their participants and also disseminate the same on their websites; and
 - c) communicate to SEBI, the status of implementation of the provisions of this circular in their Monthly Report.

4. 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 and to promote the development of, and to regulate the securities market.

5. The Stock Exchanges are advised to bring the provisions of this circular to the notice of Listed Entities and also to disseminate the same on their websites.

Yours faithfully

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