



Central Depository Services (India) Limited

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COMMUNIQUE TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/POLCY/2023/745

December 22, 2023

FACILITY TO REMEDY ERRONEOUS TRANSFERS IN DEMAT ACCOUNTS

DPs are advised to refer CDSL communique no. **CDSL/OPS/DP/POLCY/2023/470** dated **August 9, 2023**, disseminating SEBI Circular **SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/139** dated August 08, 2023, regarding **facility to remedy erroneous transfers in demat accounts**.

To comply with the SEBI guidelines as stated in above-mentioned SEBI circular, DPs are advised to note that effective from December 30, 2023, off-market transactions will be considered for execution **ONLY IF**, Demat Account of Buyer (i.e. Transferee Account) is added as a Beneficiary under the Demat Account of Seller (i.e. Transferor Account). CDSL system (CDAS) will not allow execution of off-market transfers without the buyer account being added as a beneficiary under the seller account.

DPs are requested to take note of the below-mentioned operational modalities regarding the above-mentioned guidelines and initiate suitable changes in their back office, if any.

1. Registration / adding buyer account (s) as beneficiary under seller account (s) would be a mandatory requirement while executing intra-depository (i.e. within CDSL) or inter-depository (between the Depositories) off-market transactions.
2. Seller client will have options to register the buyer account as beneficiary either through his / her DP or through his / her Easi / Easiest Login.
3. **Seller client doing the registration through his / her DP:**
 - a) The seller client would submit a 'Registration Form' (RF) in pre-specified format (format is enclosed as Annexure-A).
 - b) While submitting the RF, the seller client would be required to provide details viz. seller demat account, buyer demat account, buyer PAN, buyer PAN exemption flag (if applicable), buyer account's depository flag i.e. CDSL / NSDL etc. in the registration form.
 - c) DPs, maintaining the seller account can initiate registration in CDAS through online mode using an option 'Add Beneficiary' provided under 'Settlement Module' or through Upload. **DPs initiating registration through upload, the file format for the same will be shared shortly.**



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- d) CDAS will check for the PAN (s) entered for buyer client is (are) the same with the PAN (s) captured in the demat account of buyer. Said checking will not be applicable for the buyer client whose demat account is maintained by the DP of other Depository i.e. NSDL. In the case of PAN exempted buyer client, appropriate value would be stored in CDAS.
- e) Post aforesaid checking, CDAS would send a link on the mobile number and email id registered in the demat account of seller client for the verification of buyer account details.
- f) By clicking the said link, the seller client would be prompted to enter his / her PAN and / or 16 digits BOID to confirm his / her identity. On successful identification, details of the buyer client (s) would be displayed for verification. On verification, the seller client would be given an option to 'OTP Authenticate' or 'Cancel' the registration. For OTP authentication, CDAS will generate and send an OTP on the mobile number and email id registered in the demat account of seller client.
- g) For every successful registration, buyer account details would be stored as 'Beneficiary' under the demat account of seller client. Registration of a buyer account under the seller account will be a ONE TIME ACTIVITY.
- h) DPs / Seller clients will also be provided an option to 'Delete' the already added 'Beneficiary' account (s).
- i) This pre-requisite of adding beneficiary details will be applicable to **ALL 'OFF-MARKET' REASON CODES** available in CDAS.
- j) Once the beneficiary (ies) is (are) registered under the seller account, at the time of execution off-market transfers, CDAS would consider the same for further processing **if and only if** the buyer demat is added as a 'Beneficiary' under the seller demat account. Off-market transfers would then further be processed as per the existing mechanism.
- k) In case of an inter-depository off-market transfers, on checking the existence of buyer account as a 'Beneficiary', source depository would exchange PAN (s) or PAN Exemption Flag with the target depository. Target depository will either,
 - ✓ confirm whether same PAN (s) is (are) captured in the buyer account or
 - ✓ confirm that buyer account is a PAN exempted client or
 - ✓ reject the source depository request due to mismatch in PAN or PAN Exemption Flag details.
- l) Source depository will process only those off-market transfers that are confirmed by the target depository.



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4. Seller client doing the registration through his / her Easi / Easiest Login:

- a) Alternatively, the seller client can also initiate a registration without any physical form to add 'Beneficiary' under his / her account through his / her Easi / Easiest Login.
- b) Once the registration is initiated, subsequent registration and off-market transfer execution process will remain the same as mentioned under point number 3 of this communique.
- c) In the case of seller client executing off-market transfers through his / her Easiest Login under the 'Trusted Account' option where buyer account is added in the list of trusted accounts **WILL ALSO BE** required to register the same buyer account as a 'Beneficiary' for successful off-market transfers.

5. DPs are requested to ensure that the appropriate buyer accounts are added as beneficiaries under the corresponding seller accounts to avoid the failure of execution of off-market transfers.

6. Reversal of 'Erroneously' transferred securities:

- a) DPs are advised to refer to CDSL communique CDSL/OPS/DP/SETTL/5872 dated April 13, 2016, giving the procedure for reversing the securities 'erroneously' transferred by the DP/CM/BO. However, if the BO where the securities were wrongly credited is reluctant to provide OTP for reversing the erroneously transferred securities, then such cases will be referred to the 'Internal Committee' and 'Joint Committee' constituted by respective depositories. The said 'Committee' will provide an opportunity to hearing to both the transferor and transferee client (i.e., Client and DP) in the interest of principles of natural justice. The committee shall, based on the documentary evidence and the hearing, take a decision based on the reasons that will be recorded in writing.
- b) Based on the decisions of the committee, action will be taken by the depository and the decision of the committee will be informed to the registered email ID of the transferee.

7. DPs may note that in addition to 'Add Beneficiary' directives, there is no change in the existing process of executing intra-depository and inter-depository off-market transfers.

8. DPs are requested to take note of following schedule of releases regarding the captioned functionality:

- a) CDSL has already completed the system development with respect to online provision to add beneficiary under the demat account of seller. The same is scheduled for live release on **December 22, 2023**, to make it effective from **December 23, 2023**.



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- b) The other part of the releases including adding beneficiary through upload mechanism and execution of off-market transfers where one of the pre-requisites of validating buyer account as 'Beneficiary' under the seller account is scheduled for live release **on December 29, 2023**, to make it **effective from December 30, 2023**.

Queries regarding this communiqué may be addressed to: **CDSL – Helpdesk** Emails may be sent to: helpdesk@cdslindia.com and telephone number 08069144800.

sd/-

Shelton Joseph
Asst. Vice President – Operations

Letter to Add / Delete Beneficiary details for executing 'OFF-MARKET' transaction.

To,

The Depository Participant Name

Address

Date	D	D	M	M	Y	Y	Y	Y
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DP ID										Client ID								
First/Sole Holder Name																		
Name of the Second joint Holder																		
Name of the Third joint Holder																		

I / We request you to add /delete the beneficiary details as given below -

Sr. No.	Buyer BO ID	Buyer PAN (First Holder)	Buyer PAN (Second Holder)	Buyer PAN (Third Holder)

	First/Sole Holder	Second Holder	Third Holder
Name			
Signature			

===== (Please Tear here) =====

Acknowledgement Receipt

Request from:

DP ID										Client ID								
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To add following beneficiary

Sr. No.	Buyer BO ID	Buyer PAN (First Holder)	Buyer PAN (Second Holder)	Buyer PAN (Third Holder)

Depository Participant Seal and Signature