



Central Depository Services (India) Limited

Convenient + Dependable + Secure

COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/SYSTEM/2024/479

August 23, 2024

VALIDATION OF REASON CODES WHILE EXECUTION OF OFF MARKET TRANSACTIONS

DPs are advised to refer following CDSL Communiqués issued in the recent past including from those issued from time to time pertaining to validation of reason codes while execution off-market transactions:

- CDSL/OPS/DP/SYSTEM/2022/340 dated June 20, 2022
- CDSL/OPS/DP/SYSTEM/2023/346 dated June 13, 2023

In this context, pursuant to SEBI directives on 'Credit of AIF units in dematerialized form' & 'Maintenance of Aggregate Escrow Demat Account', representations received from stakeholders, and on reviewing the compliance and regulatory aspect of the said representations, following changes have been incorporated in the existing validation process which has been mentioned in **Annexure-A**.

In this regard, DPs are requested to take note of the following:

1. The existing account sub-status code 64 description has been changed and New Customer Type for AIF is updated as per the details given below:

Sub-status code	Old Sub-status description	Linked to Status Code	Status description	Linked to BO Category	BO Category description	Linked to Product code	Product description
64	Existing Description: Domestic Corporate-Unclaimed shares a/c	25	Corporate	1	Regular BO	2	Corporate
	New Description: Unclaimed Securities Suspense Escrow Account						
253	Aggregate Escrow Demat Account – AIF	36	AIF	1	Regular BO	67	AIF

2. The harmonized values for given codes are as below:

Particulars	CDSL Value	Harmonized Value
Sub Status Code	253	AGEAIF



Central Depository Services (India) Limited

Convenient ⊕ Dependable ⊕ Secure

COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

Particulars	CDSL Value	Harmonized Value
BO category	1	NHB
Product Code	67	AIF

3. The description of the existing off-market reason code – 42 viz. “Deposit of securities with Escrow Agent and its return” has been modified to mention “Deposit of securities with Escrow Agent / Account and its return”.
4. The reason code – 42 would be permitted if source demat account OR target demat account is of the following type,
 - a) Unclaimed Securities Suspense Escrow Account (Sub Status code – 64)
 - b) Escrow Corporate Account (Sub status code – 154) / Escrow Bank Account (Sub status code – 155)
 - c) Aggregate Escrow Demat Account – AIF (Sub status code – 253)
5. The updated list of reason codes and the respective validations has been enclosed in Annexure-A highlighted in yellow. The validations of all other off-market reason codes remain unchanged.
6. DPs are once again requested to take note of aforesaid points of the communique and validations elaborated in Annexure-A and ensure due diligence while executing off-market transactions.

DPs are advised to disseminate content of the said communique to their clients to enable them to take utmost care to avoid non-execution off-market instructions due to implementation of reason code validations.

DPs are further advised to take note of the aforesaid guidelines and initiate suitable back-office changes, if any.

Queries regarding this communiqué may be addressed to: CDSL – Settlement Desk on (022) 6234-3565, 6234-3566, 6234-3567, 6234-3571, 6234-3572 or 6234-3573.

Emails may be sent to: operations@cdslindia.com.

CDSL – Helpdesk Emails may be sent to: dprtasupport@cdslindia.com and telephone number (022) 6234-3333.

**For and on behalf of
Central Depository Services (India) Limited**

sd/-

**Shelton Joseph
Asst. Vice President - Operations**

Sr. No.	Reason Code	Reason Code Description	Allowed Securities Types	Source Account Validation	Target Account Validation	Remark / Additional Due Diligence by DP (If any)
1	1	Gift	All Sec types	From all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	To all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	None Consideration field shall not be mandatory for transfers made with this reason code.
2	16	Donation	All Sec types	From all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	To all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	None Consideration field shall not be mandatory for transfers made with this reason code.
3	2	Off-Market Sale	All Sec types	From all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2). Existing system validation of entering consideration & payment details, will continue to be mandatory for execution of transaction.	To all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	None Consideration field shall be mandatory for transfers made with this reason code.
4	5	Transfer to own account	All Sec types	From all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	From all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	In case target account is in other Depository, DP shall take CML of target account for validation. Consideration field shall not be mandatory for transfers made with this reason code.
5	10	Implementation of Govt./Regulatory Direction/Orders	All Sec types	<i>With this reason code, transfer from all type of accounts shall be permitted except with validation for following Stock Broker accounts:</i> <i>Transfer from Stock Broker Client Collateral account and Stock Broker Collateral account to be permitted to 'Stock Broker - Proprietary Account' with this reason code only as per SEBI Circular on Enhanced Supervision</i>	<i>Transfer to all type of account to be permitted except with validation for following Stock Broker accounts:</i> <i>Transfer from Stock Broker Client Collateral account and Stock Broker Collateral account to be permitted to 'Stock Broker - Proprietary Account' with this reason code only as per SEBI Circular on Enhanced Supervision</i>	Participant to process these types of transfers based on copy of Govt./Regulatory Direction/Orders only. 100% Concurrent Audit of documents relying upon which transfer carried out is to be done. Consideration field shall not be mandatory for transfers made with this reason code.

Sr. No.	Reason Code	Reason Code Description	Allowed Securities Types	Source Account Validation	Target Account Validation	Remark / Additional Due Diligence by DP (If any)
6	11	Erroneous Transfer pertaining to Client Securities	All Sec types	<i>With this reason code, transfer from all type of accounts shall be permitted. except with validation for following Stock Broker accounts:</i> <i>Transfer from Stock Broker Client Collateral account and Stock Broker Collateral account to be permitted to 'Stock Broker - Proprietary Account' with this reason code only as per SEBI Circular on Enhanced Supervision.</i>	Any Account	For these type of transfers, request and supporting documents from Source DP/ Client and Depository / Statutory Authority need to be collected and kept in record by Participant. 100% Concurrent Audit of documents relying upon which transfer carried out is to be done. Consideration field shall not be mandatory for transfers made with this reason code.
7	17	Buy-back	All Sec types	Any Account	Only to those accounts which are enabled to receive shares/bonds for open offer/buy-back for temporary period.	None Consideration field shall not be mandatory for transfers made with this reason code.
8	13	Open offer for Acquisition	All Sec types	Any Account	Only to those accounts which are enabled to receive shares/bonds for open offer/buy-back for temporary period.	None Consideration field shall not be mandatory for transfers made with this reason code.
9	18	Margin returned by stock broker/ PCM	All Sec types	Only from Stock Broker - Client Margin Trading Securities Account, Stock Broker - Client Collateral Account & PCM. Further, transfers are permitted only to the trading clients of the TM/CM based on the UCC data provided by Exchanges.	All accounts, except; Pool Account 1 (Refer note 1), Stock Broker - Client Collateral Account, Stock Broker - Client Margin Trading Securities Account and Stock Broker - Collateral Account.	None Consideration field shall not be mandatory for transfers made with this reason code.
10	15	Refund of securities by IEPF Authority	All Sec types	Only from account opened under Type - IEPF (as source account)	None	None Consideration field shall not be mandatory for transfers made with this reason code.
11	19	ESOP/Transfer to employee	1) Equity shares 2) Convertible Debentures, 3) Convertible Bonds 4) Convertible Preference shares 5) Convertible Warrants 6) Depository Receipts	Only from employee trust account enabled for it.	Any account	None Consideration field shall not be mandatory for transfers made with this reason code.

Sr. No.	Reason Code	Reason Code Description	Allowed Securities Types	Source Account Validation	Target Account Validation	Remark / Additional Due Diligence by DP (If any)
12	25	Conversion of Depository Receipt (DR) to underlying securities and vice versa	All sec types	Either source or target account should be opened under following category: DR -Depository Receipt category Overseas Depository - Underlying DR.	Either source or target account should be opened under following category: DR -Depository Receipt category Overseas Depository - Underlying DR.	To be used for transfer of underlying securities for issuance/cancellation of Depository Receipts In case source or target account is in other depository, source DP shall take CML of target account for ascertaining the account category. Consideration field shall not be mandatory for transfers made with this reason code.
13	28	Dissolution/Restructuring/Winding up of Partnership Firm/Trust	All Sec types	Except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	Except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	For these types of transfers, supporting documents needs to be provided by transferor/ account holder(s) to its Participants Consideration field shall not be mandatory for transfers made with this reason code.
14	27	Merger/ Demerger of corporate entity	All Sec types	Except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2) Source account should be opened under account "Type- Body Corporate" Bank, FPI, AIF, Mutual Fund, QIB only	Except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2) Target account should be opened under account "Type- Body Corporate" Bank, FPI, AIF, Mutual Fund, QIB only	For these types of transfers supporting documents needs to be provided by corporate entities to its Participants Consideration field shall not be mandatory for transfers made with this reason code.
15	24	Redemption of Mutual Fund Units	Mutual Fund Units	Except Pool Account 1 (Refer note 1) & Stock Broker Accounts (Refer note 2)	Target account should be opened under account "Type- Mutual Fund"	To be used for transfer of Mutual Fund Units from client BO account to AMC's BO account on account of redemption Consideration field shall not be mandatory for transfers made with this reason code.
16	30	Transfer between Minor Account and Guardian Account	All Sec types	Either Source or target account should have guardian details captured/ available	Either Source or target account should have guardian details captured/ available	To be used for transfer of securities between Minor Account and Guardian Account Consideration field shall not be mandatory for transfers made with this reason code.
17	32	Transfer between Partner and Firm, Director and Company	All Sec types	Except Pool Account 1 (Refer note 1) & Stock Broker Accounts (Refer note 2) Both source and target accounts cannot be Corporate Account.	Except Pool Account 1 (Refer note 1) & Stock Broker Accounts (Refer note 2) Both source and target accounts cannot be Corporate Account.	To be used for transfer of securities between Partner and Partnership Firm in which he/she is a partner or transfer of securities between Director and the Company in which he/she is a director. Consideration field shall not be mandatory for transfers made with this reason code.

Sr. No.	Reason Code	Reason Code Description	Allowed Securities Types	Source Account Validation	Target Account Validation	Remark / Additional Due Diligence by DP (If any)
18	31	Transfer between specified family members	All Sec types	Not to be permitted to Pool Account 1 (Refer note 1) & Stock Broker Accounts (Refer note 2) Transfer to be permitted only from Individual (Resident ordinary, NRI, Foreign national) and HUF accounts.	Not to be permitted to Pool Account 1 (Refer note 1) & Stock Broker Accounts (Refer note 2) Transfer to be permitted only to Individual (Resident ordinary, NRI, Foreign national) and HUF accounts.	To be used for transfer of securities between specified family members: Participants should obtain the "relation" between the transferor and transferee & keep the same on record. Family members means relatives as given below: 1. Spouse 2. Father (including step-father) 3. Mother (including step-mother) 4. Son (including step-son) 5. Son's wife 6. Daughter 7. Daughter's husband 8. Brother (including step-brother) 9. Sister (including step-sister) 10. Members of same HUF. Consideration field shall not be mandatory for transfers made with this reason code.
19	26	Transposition - Between joint account of same holders	All Sec types	Except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2) Account should be joint account.	Except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2) Account should be joint account.	To be used for transfer of securities between joint account of same holders (order of holders different in both accounts). In case target account is in other Depository, DP shall take CML of target account for validation. Consideration field shall not be mandatory for transfers made with this reason code.
20	29	Trust to Beneficiaries/On HUF dissolution to Karta & Coparceners	All Sec types	Except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	Except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	For these types of transfers, supporting documents/ Deeds needs to be provided by transferor/ account holder(s) to Participants. For these types of transfers, Participants to ensure that the source account should be either a Trust or HUF account. Consideration field shall not be mandatory for transfers made with this reason code.
21	35	Transfer from Nominee/Surviving holder to beneficiary	All Sec types	Not to be permitted to Pool Account 1 (Refer note 1) & Stock Broker Accounts (Refer note 2) Transfer to be permitted only from Individual (Resident ordinary, NRI, Foreign national) accounts.	Not to be permitted to Pool Account 1 (Refer note 1) & Stock Broker Accounts (Refer note 2) Transfer to be permitted only to Individual (Resident ordinary, NRI, Foreign national) accounts.	For this type of transfers, Participant can verify whether the source account have received the securities through transmission (as nominee or surviving holder). Consideration field shall not be mandatory for transfers made with this reason code.

Sr. No.	Reason Code	Reason Code Description	Allowed Securities Types	Source Account Validation	Target Account Validation	Remark / Additional Due Diligence by DP (If any)
22	39	Change of nominee shareholder appointed under section 187(1) of Companies Act. (Refer note 3)	Equity ISINs only	From all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	To all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	Copy of the Board resolution of the company effecting change of nominee shareholders (evidencing change/ appointment of nominee shareholder) to be provided to Participant. Consideration field shall not be mandatory for transfers made with this reason code.
23	40	Off-Market Swap	All Sec types	From all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2). Source account should be opened under account "Type- Body Corporate" Bank, FPI, AIF, Mutual Fund, QIB only.	From all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2) Target account should be opened under account "Type- Body Corporate" Bank, FPI, AIF, Mutual Fund, QIB only	Participant to obtain Declaration from both the transferor & transferee giving details about the swap deal (details of shares swapped along with agreed valuation and reason for such transfer)and a certified copy of the swap agreement. Consideration field shall be mandatory for transfers made with this reason code.
24	41	Delisting - Exit offer	All Sec types	From all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	Only to those accounts which are enabled to receive securities for exit offer for temporary period. Target account should be opened under account "Type- Body Corporate" and Bank only.	For these type of transfers, supporting documents like Copy of the delisting offer/ public notice (sent by the company to the shareholder, having target demat account details of the company) needs to be provided by transferor to Participants. Consideration field will not be mandatory for transfers made with this reason code.
25	36	Transfer of securities from/to account of PMS provider to/from the account of its various clients.	All Sec types	Either source or target beneficial owner account to be tagged of a PMS service provider	Either source or target beneficial owner account to be tagged of a PMS service provider	For opening or tagging a beneficial owner account for a PMS service provider, the Participant shall obtain a SEBI registration certificate from the PMS provider. Consideration field shall not be mandatory for transfers made with this reason code.
26	37	Margin to Custodian	All Sec types	Only from accounts tagged as 'Custodial clients' account and this reason code will be enabled only for custodian DPs.	Only to accounts tagged as 'Client collateral account-Custodian' . A new sub-type 'Client collateral account-Custodian' under types - "Body Corporate" & "Bank" will be introduced.	In case source or target account is in other depository, source DP shall take CML of target account for ascertaining the account category. Consideration will not be mandatory for these transfers
27	38	Margin returned by Custodian	All Sec types	Only from accounts tagged as 'Client collateral account-Custodian' . A new sub-type 'Client collateral account-Custodian' under types - "Body Corporate" & "Bank" will be introduced.	Only to accounts tagged as 'Custodial clients' account and this reason code will be enabled only for custodian DPs.	In case source or target account is in other depository, source DP shall take CML of target account for ascertaining the account category. Consideration will not be mandatory for these transfers

Sr. No.	Reason Code	Reason Code Description	Allowed Securities Types	Source Account Validation	Target Account Validation	Remark / Additional Due Diligence by DP (If any)
28	42	Deposit of securities with Escrow Agent / Account and its return	All Sec types	Transaction to be permitted if either Source or Target Account is Escrow Corporate / Escrow Bank / Unclaimed Securities Suspense Escrow / Aggregate Escrow Demat Account – AIF	Transaction to be permitted if either Source or Target Account is Escrow Corporate / Escrow Bank / Unclaimed Securities Suspense Escrow / Aggregate Escrow Demat Account – AIF	Participant shall obtain a Declaration from the account holder for opening of an escrow account providing the reason for opening the escrow account. Consideration field shall not be mandatory for transfers made with this reason code.
29	43	Transfer of constitute shares for creation of ETF units	All Sec types	From all type of accounts, except Pool Account 1 (Refer note 1) & Stock Broker Account (Refer note 2)	Target account should be opened under account "Type- Mutual Fund"	Transfer of securities from the client accounts to the respective Mutual Fund for purpose of Redemption of the Mutual Fund units. Consideration field shall not be applicable for transfers made with this reason code.
Notes:						
1		Pool Account will means: CM Pool Account PMS Pool Account TM Pool Account Client Unpaid Securities Account (CUSA) CH Account (In CDSL)				
2		Client collateral account Client Margin Trading Securities account Stock Broker – Collateral account Stock Broker – Client Client Securities Margin Pledge Account Client Securities under Margin Funding Account Client Unpaid Securities Pledgee Account (CUSPA)				
3		Section 187 (1) is reproduced below for reference purpose: 187. Investments of company to be held in its own name “(1) All investments made or held by a company in any property, security or other asset shall be made and held by it in its own name: Provided that the company may hold any shares in its subsidiary company in the name of any nominee or nominees of the company, if it is necessary to do so, to ensure that the number of members of the subsidiary company is not reduced below the statutory limit”.				
4		ALL Security type excludes off market transfer of Government Securities via Inter-depository transfer (CDSL to NSDL), as presently Inter-depository transfer of Government Securities is only allowed to be transferred via On-market transfer.				