

CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/139

August 08, 2023

To,

All recognized Depositories

All Depository Participants through recognized Depositories

Madam / Sir,

Sub: Facility to remedy erroneous transfers in demat accounts

1. SEBI, vide circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023, titled "Master Circular for Stock Brokers" has, *inter alia*, specified the following:

"35.11 All off-market transfer of securities shall be permitted by the Depositories only by execution of Physical Delivery Instruction Slip (DIS) duly signed by the client himself or by way of electronic DIS. The Depositories shall also put in place a system of obtaining client's consent through One Time Password (OTP) for such off market transfer of securities from client's demat account."

2. SEBI has received representations from depositories regarding the challenges being faced with regard to obtaining OTP in case of reversal of erroneous transfers in the demat accounts, and was requested to address the issue.
3. Considering the challenges involved and in order to facilitate the reversal of erroneous transfers, it is decided that a well-balanced and operational mechanism for exemption from OTP may be provided for reversal of such erroneous transfers in the demat accounts.
4. For this purpose, Depositories shall constitute an internal and a joint committee for examining the intra-depository and inter-depository erroneous transfers respectively. Such committee shall be headed by a Public Interest Director of

Depository and have a minimum of 3 members including the head. The depositories shall place before the committee all such instances of erroneous transfers pending for reversal.

5. The committee shall examine such erroneous transfers and provide an opportunity of hearing to both the parties in the interest of principles of natural justice. The committee shall, based on the documentary evidence and the hearing, take a decision on the basis of reasons to be recorded in writing.
6. Depositories shall subsequently act based on the decision of the committee and shall send an email to the registered email ID of the transferee, informing about the decision of the committee.
7. Para 35.11 of SEBI circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023 titled “Master Circular for Stock Brokers” stands supplemented to the extent of provisions of this circular.
8. Further, to minimize such erroneous transfers, Depositories shall provide a facility for the investors and DPs to add and verify the beneficiaries before execution of off-market transfers including inter-depository transfers.
9. Depositories shall put in place appropriate systems and procedures to ensure compliance with the provisions of this circular and disseminate the SoP on their websites and bring to the notice of their participants.
10. The provisions (excluding para 8) of this circular shall come into force with immediate effect. The provisions at para 8 of this circular shall come into force with effect from January 01, 2024.
11. Depositories are directed to:
 - 11.1. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision;
 - 11.2. communicate to SEBI the status of implementation in their monthly development reports;

12. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Section 19 of the Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully

Aradhana Verma
General Manager
Tel. No: 022 26449633
aradhanad@sebi.gov.in