



CIRCULAR

CIR/MRD/DP/18/2015

December 09, 2015

To,

The Depositories

Dear Sir/ Madam,

Subject: Review of Annual Custody / Issuer Charges

1. SEBI vide circular No. MRD/DoP/SE/Dep/Cir-4/2005 dated January 28, 2005 has allowed the custody/issuer charges to be collected by the depositories from the issuers in the manner specified therein. Subsequently, the charges and the methodology were revised vide Circular Nos. MRD/DoP/SE/Dep/Cir-2/2009 dated February 10, 2009 and CIR/MRD/DP/05/2011 dated April 24, 2011 respectively.
2. The Depository Systems Review Committee (DSRC) has, with an objective of promoting financial inclusion and expanding the reach of depository services to tier II and tier III towns, recommended that the revenue source of the depositories may be augmented and Depository Participants (DPs) may be incentivized by having a revenue sharing mechanism between depositories and DPs. It has also suggested that the annual issuer charges may be enhanced and the incremental revenue be shared suitably by the depositories with their Participants for promoting the Basic Services Demat Accounts (BSDA) and opening new accounts in tier II and tier III towns.
3. After deliberation, it has been decided to revise the per folio charges from Rs 8.00 (eight) to Rs. 11.00 (eleven), subject to a minimum as mentioned below :



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Nominal Value of admitted securities (Rs.)	Annual Custody Fee payable by an Issuer to each depository (Rs.)
Upto 5 crore	9,000
Above 5 crore and upto 10 crore	22,500
Above 10 crore and upto 20 crore	45,000
Above 20 crore	75,000

4. The methodology for calculating the number of folios will remain the same as specified in the circular dated April 24, 2011. It is however, clarified that temporary ISIN shall not be considered for the purpose of computing the annual issuer charges.
5. In order to compensate the DPs towards the cost of opening and maintaining Basic Services Demat Accounts (BSDA), the depositories shall pay an incentive of Rs. 100/- for every new BSDA opened by their participants in other than the top 15 cities. The name of the top 15 cities is given in Annexure-A. The incentive shall be provided at the end of the financial year only with respect to the new BSDA opened during the financial year and which displayed at least one credit in the account during the Financial Year.
6. Further to the above, in order to incentivize the DPs to promote holdings in the BSDA, the depositories may pay an amount of Rs. 2 per folio per ISIN to the respective depository participant (DP), in respect of the ISIN positions held in Basic Service Demat Accounts (BSDA). This incentive may be provided with respect to all the BSDA in the depository system.
7. The reimbursement to DPs shall be made on an annual basis at the end of the financial year. The depositories shall set aside 20% of the incremental revenue received from the Issuers to manage the aforementioned incentive schemes. Any surplus after reimbursement of DPs may be utilized by the depositories to incentivize the DPs for promoting financial inclusion, encouraging investors to hold



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Mutual Fund Units in demat account and familiarizing the investors on the OFS mechanism, etc.

8. The incentive scheme may be reviewed after a period of two years.
9. The provisions of this circular shall be effective from the Financial Year 2015-16.
10. The Depositories are advised to:-
 - a) make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision as may be applicable / necessary; and
 - b) communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Development Report.
11. This circular is being issued in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 and section 19 of the Depositories Act, 1996 to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

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Annexure-A

Top 15 Cities	
	<u>Name of the City</u>
1.	MUMBAI
2.	DELHI
3.	AHMEDABAD
4.	BANGALORE
5.	CHENNAI
6.	PUNE
7.	KOLKATA
8.	THANE
9.	HYDERABAD
10.	SURAT
11.	JAIPUR
12.	VADODARA
13.	SECUNDARABAD
14.	RAJKOT
15.	INDORE