

## **STRENGTHENING THE GUIDELINES AND RAISING INDUSTRY STANDARDS FOR RTA, ISSUER COMPANY AND BANKER TO AN ISSUE**

Securities and Exchange Board of India had strengthened the procedures and processes with regard to the handling and maintenance of records, transfer of securities and payment of dividend/ interest/ redemption by RTAs, Issuer Companies, Depositories and Bankers to Issue, vide its circular no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018. A brief process and the significant action points for the RTAs, Issuer Companies, Depositories and Bankers to Issue have been mentioned below:

<b>S. No.</b>	<b>Particulars</b>
<b>Payment of Dividend/ Interest/ Redemption</b>	
1	Dividend Master File to contain specified particulars as per Para I (1) of Circular. Dividend Master to be maintained by Bank and reconciled by RTA and Issuer Company.
2	RTA to update Bank A/c details of shareholders if not available or changed. Cancelled cheque with shareholder name or bank attested account statement/ passbook to be sought.
3	Unpaid dividend to be paid by electronic means as first preference. In case of failure or rejection or unavailability of IFSC/ MICR code, physical instrument to be issued.
4	Instrument lying unpaid beyond validity of the instrument to be cancelled and amount should revert back to bank account of the Company. Bank should also provide unpaid instrument details along with reconciliation data.
5	Revalidation requests by RTA to Bank to contain specified details (Name of the Company, DPID/ Client ID/ Folio No. (as applicable), Original Instrument Number, MICR No., Security holder's name, Payee's name, Payee's bank account Number, Bank name, reason for revalidation etc.) and RTA to maintain record of revalidation/ re-issue requests.

S. No.	Particulars
<b>Payment of Dividend/ Interest/ Redemption</b>	
6	Issuer Company shall ensure that the Bank provide reconciliation of the Paid and Unpaid details (including bank Transaction Reference Number, payee name etc.) of the Dividend/ interest/ redemption -paid fortnightly during the initial validity of the instrument and - after the expiry of validity period of the instrument, quarterly till transfer of funds to IEPF
7	Reconciliation data provided by Bank to contain details of all DDs/ new instruments issued/ electronic instruction in lieu of original dividend. RTA to reconcile the same and inform Issuer Company/ Bank of any discrepancy.
8	Reconciliation files provided by Bank to be maintained by Issuer Company/ Bank/ RTA for 8 years.
9	Linking detail of rejection of electronic remittance, instrument undelivered, instrument expired, subsequent payment and status of payment to payment record of each Folio by RTA and keep audit trail in RTA's system.

S. No.	Particulars
<b>Transfer, Transmission, Correction of Errors etc.</b>	
1	Folio once allotted to a shareholder should not be re-allotted including ceased folios, i.e. folios having nil balance.
2	History of all transactions in a Folio (e.g. Securities held, certificates issued, dividend/ interest/redemption) to be linked to each folio.
3	RTA to follow "Maker-Checker" system in all activities and mechanism to check unauthorized transaction and record shall be maintained

S. No.	Particulars
<b>Transfer, Transmission, Correction of Errors etc.</b>	
4	RTA and Issuer Company to ensure all updation in folio records are only through front end modules and maintain system logs having complete details of any change (viz. nature of change, user access history, user identification, date/time of change etc.)
5	RTA to take Issuer Company's prior approval for correction of errors in same manner as is taken in case of transfer/transmission.
6	RTA to provide Soft Copy of Member data with details of Name, Address, Folio No., No. of Shares, Distinctive Nos., Certificate Nos. etc. and transaction in physical Folios during the period, under their certification on quarterly basis. This record is to be maintained by RTA and Issuer Company independently and permanently.
7	Returns/ documents filed with Registrar of Companies relating to Issuer Company's securities processed and compiled by RTA to be shared with Company and preserved by Company
8	RTA and Issuer Company to frame written policy and maintain strict control over stationery (blank certificates, dividend warrants etc.) and periodical verification of the same. Reconciliation report on the same to be maintained by Issuer Company and RTA.
9	Bonus shares to holders of physical shares can be issued in physical form only.
10	RTA to maintain Certificate Printing Register/ Records containing – Date of printing / issue, Folio No., Name in which printed, Certificate No., Distinctive Nos., Old Certificate No (in case of reprinting), Reason of printing etc.
11	RTA and Issuer Company to take special efforts to collect copy of PAN and Bank A/c. details of physical share-holders. (Process in a separated sheet)

S. No.	Particulars
<b>Transfer, Transmission, Correction of Errors etc.</b>	
12	Enhanced Due Diligence to be exercised for the following cases: -Dividend remains unpaid for 3 years or more; -PAN/ Bank A/c. details not available in folio; -Unclaimed suspense account under LODR; -IEPF Suspense account under Companies Act 2013; -Any other stringent criteria decided by Issuer Company and RTA.
13	In order to exercise due diligence Issuer Company and RTA shall call for: -Proof of Identity / Address; -PAN details; -Bank details; And such other additional procedures to satisfy genuineness of the request.
14	RTA to maintain register of documents and records destroyed with specified details as per Para II (15) of the Circular. Its authenticity shall be verified during internal audit of the RTA.

S. No.	Particulars
<b>Compulsory Internal Audit of RTAs</b>	
1	Audit Report shall be preserved by the RTA and shared by RTA with Issuer Company, within 3 months from end of FY.
2	Action Taken Report (as per prescribed format provided in the extant Circular) shall be sent by RTA to Issuer Company, within next 1 month.
3	The Audit observations along with Action Taken Report is required to be placed before the Board of the Issuer Company and the Issuer Company shall satisfy itself regarding adequacy of the corrective measure taken by RTA or ask the RTA to take more stringent measures.

S. No.	Process for collection of copy of PAN and Bank Account details of physical shareholders
1	Preserve a verifiable record of all folios not having PAN/ Bank Account details as on date of the circular.
2	Send letter by Regd. Post/ Speed Post within 90 days of this circular seeking PAN/ Bank A/c. details along with copy of PAN Card and original cancelled cheque leaf/ attested bank passbook showing name of shareholder.
3	This is to be followed by 2 reminders with 30 days gap between each reminder.
4	21 days' time to be given to shareholders to furnish the above details in all 3 cases.
5	Record of all communication sent, received and decision taken shall be properly maintained and linked to each such Folio.
6	Shareholder not responding to provide the above within 180 days of circular date or informed that the shares do not belong to them shall be subject to enhance due diligence by Issuer Company.
7	List of such accounts to be shared by RTA with Issuer Company within 30 days of completion of notice period of last reminder.

For a detailed read of the Circular please click on the hyperlink, [https://www.sebi.gov.in/legal/circulars/apr-2018/strengthening-the-guidelines-and-raising-industry-standards-for-rta-issuer-companies-and-banker-to-an-issue\\_38749.html](https://www.sebi.gov.in/legal/circulars/apr-2018/strengthening-the-guidelines-and-raising-industry-standards-for-rta-issuer-companies-and-banker-to-an-issue_38749.html)

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