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**Assistance to Registrars Association of India -  
Manual of Standard Operating Procedures**

**Financial Institutions Reforms and  
Expansion (FIRE) Project**

**January 1998**

**Financial Institutions Reforms and Expansion (FIRE) Project  
US Agency for International Development (USAID/India)  
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## *Price Waterhouse LLP*



January 9 1998

Mr C Parthasarathy  
Chairman  
Registrar Association of India  
C/o Karvy Consultants Ltd  
Andheri Industrial Estate  
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**Mumbai - 400 058**

Dear Mr Parthasarathy

### **Sub FIRE Project's assistance to RAIN - Development of Benchmark Service Standards and Standard Operating Procedures**

At the instance of the Registrars Association of India (RAIN) the Financial Institutions Reform and Expansion (FIRE) Project funded by the US Agency for International Development and administered by Price Waterhouse LLP (PW) has agreed to provide technical assistance to RAIN. The core objective of this assistance is to

- Strengthen RAIN as a professional organisation to achieve its ultimate goal of being recognised as a SRO
- Standardise the operating procedures for the industry improve the quality of its services and set benchmarks for various services provided by registrar and transfer agents (RTAs) and
- Improve business practices and create a climate of compliance

As a first step PW/FIRE Project in conjunction with participating RTAs prepared the attached report and the manual of standard operating procedures

#### **I PURPOSE OF THE REPORT**

The report along with its attachments is designed to assist RAIN in standardising the operating procedures across the R&T industry and to establish benchmark service standards for various investor services the adherence to which must be a pre-condition to the membership of RAIN. The attachment on standard operating procedures is divided into three sections. Section A deals with the procedures and service standards for secondary market activities. Section B deals with the



procedures and service standards for primary market activities and corporate actions and Section C deals with RTA-Depository Interface. The procedures as stated in this report and the service standards as recommended have been discussed threadbare with the members of the Service Standard Committee of RAIN and the other participating RTAs.

## II CONTENTS OF THE REPORT

In addition to the operating procedures and the service standards, the report also details out the PW/FIRE project recommendations to RAIN. These recommendations call for several initiatives by RAIN to ensure that the procedures as contained herein are followed by the members of RAIN and the service standards are adhered to. Specifically, RAIN should persuade SEBI and Stock Exchanges to

- Impose stricter entry barriers for potential entrants and also increase the networth requirements for existing firms. A linkage between required minimum of infrastructure and the quantum of work undertaken must be established.
- Amend the model MOU to include provisions relating to issuers acknowledging operational risks, commit to provide service standards as recommended in this report and to compensate investors for any failures.
- Incorporate adherence to the operating procedures and service standards as suggested in this report in relevant regulations and listing agreements, and
- Make attestation of the investor's signature mandatory by the introducing broker.

In addition, RAIN should also take initiatives to

- Seek necessary authority from the issuers to approve transfers.
- Issue duplicate certificates up to a certain value without requiring execution of indemnity.
- Decentralise processing wherever feasible to shorten the processing cycles.
- mechanise signature verification for faster and accurate processing.
- change the current market practice of charging fees based on folios to an asset based fees and
- organise and deliver short but focused training programmes for the employees of the member firms and in association with SEBI, Stock Exchanges and NSDL, organise focused investor awareness campaigns built around brochures explaining the concepts, procedures, forms, etc.



The FIRE Project is prepared to provide necessary technical assistance and expertise to support RAIN in its aforesaid initiatives

### III NEXT STEPS

PW/FIRE Project suggests the following immediate steps to RAIN

- Adopt the Manual of Standard Operating Procedures and the Benchmark Service Standards, distribute the manual to its members and ensure its implementation
- Require its members to carry out an audit of their information systems
- Carryout a business process re-engineering of the RTA industry and suggest suitable steps to improve the processing cycles to achieve better service levels
- Structure RAIN on the lines suggested in appendix-1 of the enclosed report and redefine the role of RTAs and reposition the industry to raise the profile of RIAs adopt a code of conduct containing necessary provisions on good business practices and to create a culture of compliance

### IV DISTRIBUTION OF THE REPORT

Under the terms of PW/FIRE Project the report will be distributed to USAID and SEBI. We request your permission to distribute the report to selected participants in the Indian Capital market and we will advise you of the same. We will not distribute the report in its entirety to the Press directly, however we will note comments on its content from time to time if the Press inquires

We want to express our sincere appreciation for the warm welcome and cooperation which RAIN the members of its Service Standard Committee and other participating RIAs provided to our staff

Upon reading this report and its recommendations please feel free to contact me with any questions. I can be reached at tel 496-3599 fax 496-3555. Thank you

Sincerely yours

W DENNIS GRUBB  
PRINCIPAL CONSULTANT CAPITAL MARKETS

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## I. EXECUTIVE SUMMARY

This report reviews the assistance given by the Financial Institutions Reform and Expansion (FIRE) Project funded by USAID and administered by Price Waterhouse LLP (PW) to the Registrar Association of India (RAIN) in its endeavor to set uniform servicing and operating standards and evolve into a more professional organisation equipped with the necessary tools to improve business practices and create a climate of compliance

### A Scope and Constraints

- 1 The Securities and Exchange Board of India (SEBI) under the provisions of the SEBI Act 1992 has the requisite authority to develop regulations to establish a definitive self regulatory scheme. In one of several meetings with RAIN SEBI indicated that RAIN could evolve into a Self Regulatory Organisation (SRO). However SEBI is yet to pronounce its policies on SROs and delegation of powers to such SROs. In order to be recognised as a SRO RAIN should have the ability to regulate its member firms.
- 2 Pending necessary policy announcements by SEBI on self regulation the PW/FIRE Project drafted a comprehensive plan (see appendix-I) with the initial objective of enabling RAIN to evolve into a recognised trade association and subsequently achieve the SRO status. The Plan calls for the following
  - 3.1 Determination of the structure of RAIN and establishment of departments or committees for professional standards government relations member services research analysis and information services.
  - 3.2 Appointment of standing committees Membership and Administrative Committee Rules and Liaison Committee Services Standards Committee Inspection and Compliance Committee Information and Services Committee and
  - 3.3 Establishment of benchmark standards and provision of codes manuals and guidelines detailed procedure manuals code of conduct compliance manual clarifications and interpretations and explanations of various acts rules and regulations and other pronouncements affecting or having a bearing on the registrar and transfer (R&I) industry.
- 4 RAIN has adopted the comprehensive plan as attached at appendix-A and the FIRE Project has agreed to provide technical assistance to RAIN in its endeavor to be a catalyst for change. The core objective of this assistance will be to
  - 4.1 Strengthen RAIN as a professional and a well knit organisation to achieve its ultimate goal of being recognised as a SRO,

- 4.2 Standardise the operating procedures for the industry improve the quality of its services and set bench marks for various services provided by RTAs and
- 4.3 Improve business practices and create a climate of compliance
- 5 The increase in supply of share certificates over the last decade without accompanying growth in infrastructure and technology led to problems such as circulation of stolen forged and counterfeit certificates and delays in ownership transfer and other investor services These problems significantly influenced the investor confidence and their willingness to buy and sell on the secondary market The registrar and transfer agents (RTAs) being the primary interface with investors have been taking a lot of blame for the deterioration in investor services
- 6 The common accounting year and blank transfers permitted under the regulations have made R&T business seasonal While peak and lean periods can be predicted volumes are difficult to estimate Planning for peak periods puts severe pressure on the financial resources during lean season Further RTAs face financial constraints that limit upgradation of technology and appointment and retention of skilled and trained personnel

#### **B Standard Operating Procedures and Benchmark Service Standards**

- 7 Dematerialisation is the only viable long term solution for the problems that currently threaten the industry However a voluntary acceptance of the utility may take considerable time and effort In the interim the industry needs to address critical issues in investor services and adopt uniform operating procedures and service standards This will raise the profile of the industry and improve quality of the various services rendered by RTAs
- 8 As a first step RAIN decided to recommend to its members benchmark service standards and uniform operating procedures which when adopted will also help RAIN in regulating the membership Accordingly the IRE Project and RAIN prepared the attached manual (see appendix-II) of benchmark standards and operating procedures The benchmarks as arrived at by the IRE Project team in conjunction with participating RTAs assume certain batch sizes and minimum internal controls for various tasks The actual batch sizes will vary for each RTA In all such situations employment of additional resources is expected of an RTA to achieve the recommended service standards This could increase the cost of their processing and would accordingly need to be addressed in their memorandum of understanding (MOU) with clients
- 9 The following are the recommended benchmark service standards for important RTAs secondary market activities

S No	Activity	Recommended Service Standard	
		Normal Vol	Peak Volume
1	Transfer of Shares		
1 1	Acknowledgment for TDs received across counter	same day	same day
1 2	Return of certificates after transfer	16 days	30 days
1 3	Intimation of Objection	8 days	12 days
2	Transmission of Shares		
2 1	Acknowledgment for requests received across counter	same day	same day
2 2	Return of certificates	16 days	30 days
3	Issue of Duplicate Certificates	40 days	- - - - -
4	Change of Address	4 days	7 days All pending cases to be cleared before the corporate actions become due
5	Change of Name	3 days	7 days All pending cases to be cleared before the corporate actions become due
6	Deletion of Name	6 days	
7	Bank Mandate	3 days	7 days All pending cases to be cleared before the corporate actions become due
8	Registration of PoA	4 days	
9	Splitting / Consolidation	16 days	30 days

10 The following are the recommended benchmark service standards for RTA primary market and corporate action activities

S No	Activity	Recommended Service Standard
1	Issue of Certificates	
1 1	Public Issue	
1 1 1	Completion of allotment within	25 days from the closure of subscription list
1 1 2	Completion of dispatch of refund orders if any within	30 days from the closure of subscription list
1 1 3	Completion of dispatch of Certificates within	40 days from the closure of subscription list
1 2	Rights Issue	
1 2 1	Issue of refund orders if any and completion of dispatch of Certificates	30 days from the closure of subscription list
1 3	Completion of dispatch of certificates in Bonus Issues	15 days from the date of allotment
2	Corporate Actions	
2 1 1	Dispatch of Warrants	Within 7 days from the date of the warrant. In no case it should be later

		than 41st day from the date of AGM
2.1.2	Issue of Duplicate Warrant	Within 7 days after the expiry of 14 weeks from the date of original warrant
2.1.3	Revalidation of Warrant	3 days from the date of receipt of request along with original warrant

11 I or the RTA-Depository interface the manual attached at appendix-II covers the processes in detail. However, no benchmark service standards have been recommended for these activities as the National Securities Depository Limited (NSDL) in consultation with RTAs has established certain service standards.

#### **D) Recommendations**

12 RAIN must ensure that these standard operating procedures and service standards are adhered to by its members. Those who cannot meet these minimum requirements cannot be members of RAIN.

13 The standard procedures recommended in this manual will call for additional initiatives, as outlined below, by RAIN to be fully successful. RAIN should persuade SEBI and Stock Exchanges to

- Impose stricter entry barriers for potential entrants and also increase the networth requirements for existing firms. A linkage between required minimum of infrastructure and the quantum of work undertaken must be established.
- Amend the model MOU to include provisions relating to issuers acknowledging operational risks, commit to provide service standards as recommended in this report and to compensate investors for any failures.
- Incorporate adherence to the operating procedures and service standards as suggested in this report in relevant regulations and listing agreements and
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14 RAIN should also take initiatives to

- Seek necessary authority from the issuers to approve transfers.
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- mechanise signature verification for faster and accurate processing and
- change the current market practice of charging fees based on folios to an asset based fees and
- organise and deliver short but focused training programmes for the employees of the member firms and in association with SEBI Stock Exchanges and NSDL organise focused investor awareness campaigns built around brochures explaining the concepts procedures forms etc

## II BACKGROUND

- 1 The expansion of capital markets over the last decade caused by several companies accessing capital markets with initial Public Offerings Rights and Bonus issues, resulted in a manifold increase in the supply of share certificates. The growth in supply of paper was not complimented by a growth of market infrastructure to handle such huge volumes of paper. As a result investor services have deteriorated. The RTAs who play a crucial role in investor registration and investor services have been subject to wide spread criticism for share transfer delays and deterioration in other investor services. The Chandrasekharan Committee constituted by SEBI recommended several changes to the existing practices of the share transfer process.
- 2 In order to address some of the problems associated with the R&T business and to become a mouthpiece for the industry the Registrars Association of India (RAIN) was established by RTAs. SEBI at one of its several meetings with RAIN, indicated that RAIN could evolve into a SRO. As a first step, RAIN decided to recommend to its members benchmark service standards and accompanying operating procedures to improve the quality of service. These standards and procedures would also form a part of the eligibility criteria for the membership of RAIN.
- 3 RAIN approached the Price Waterhouse FIRC Project for necessary technical assistance to
  - Strengthen RAIN as a professional and a well knit Association to achieve its ultimate objective of being granted the status of a SRO
  - Standardise the operating procedures for the industry improve the quality of its services and set benchmarks for various services provided by RIAs and
  - Improve business practices and create a climate of compliance
- 4 The only long term solution for the share transfer delays and removal of bad paper from the system is dematerialisation of scrips with book entry settlement taking place in a Depository. However per prevailing legislation rules and regulations dematerialisation is not mandatory. Voluntary acceptance of the demat trading by retail investors could take a few years<sup>1</sup>. In the interim it is necessary to standardise procedures and set benchmark standards for paper based issue and post issue operations of the RTAs.

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<sup>1</sup> Effective January 15 1998 institutions may only trade demat shares in the eight most liquid scrips per SEBI mandate. This list may be expanded in course of time so institutions will be forced into demat trading.

### **III SCOPE**

The scope of the assignment was to develop benchmark service standards and accompanying operating procedures for each of the following activities

#### **1 Primary Offerings by Issuers and Corporate Actions**

- Initial public offerings
- Rights issue
- Bonus issue
- Conversion of instruments
- Redemption of debentures

#### **2 Post Issue Transfer Agent Activities**

- Transfer
- Transmission
- Transposition
- Change of address
- Amalgamation
- Change of name
- Consolidation
- Change of signature
- Deletion
- Issue of duplicate certificate
- Mandate
- Power of attorney
- Splitting of certificate
- Dividend / Interest processing
- Warrants / Interest reconciliation
- Stationary control
- Undelivered Mail

#### **3 Depository Interface**

- Dematerialisation of securities
- Rematerialisation of securities
- Issue of bonus/rights shares in the depository environment
- Dividend / Interest processing in the depository environment

#### IV METHODOLOGY

As the objective of the assignment was benchmarking the procedures from those available within the Industry (without undertaking a process reengineering) and establishing relevant and achievable standards the following approach was adopted

##### A Templating the Activities

Templates detailing various tasks and sub-tasks for each of the RTAs activities were prepared and subsequently tested for their completeness at some of the R&T processing units. These were then used to gather data and understand the process flow at each of the R&T agent visited by the FIRE Project team. Broadly the layout of the templates was

S No	Process	M/T	Lean/Normal Period			During Book closure		
			Volume	#of people	Time Taken	Volume	#of People	Time Taken

##### B Process Study at RTA Units

1 The membership of RAIN as on date is 68. Of these PW/FIRE in conjunction with RAIN had chosen 10 members to conduct an in depth and a detailed analysis of various activities their process flows volumes handled time taken to complete each task the departmentalisation of activities, records maintained etc. The choice of RTAs was based upon the following criteria and the 10 chosen approximately represented 70 percent of the total industry volumes by folio

- Size of the R&I agent vis-a-vis the industry size and its peers
- Geographical location of the R&I and the areas served and
- Services rendered

The selected sample also included two of in-house transfer agents

2 Data was collected by

- Conducting interviews with the senior management to understand the organisation structure grouping of activities under departments and the number of people assigned to each activity carried out by the departments
- Conducting interviews with the personnel handling each activity and mapping the process flow being followed against the templates
- Listing tasks being done using system or other technology (such as franking shredding etc)
- Reviewing registers (wherever possible) to obtain data pertaining to the volumes received during normal and book closure period

- Conducting time and motion study (wherever possible) to arrive at standard time taken to carry out a task. Where time-motion studies were already done by RTAs the data was obtained from them and
  - Reviewing forms and other relevant documents (registers reports etc )
- 3 The information gathered during the study was collated and activities mapped using flow-charts. The process flow for each activity and the best flow considering good internal controls were arrived at. Using the data collected on standard time the time estimate for each activity was arrived at for specific batch size. For transfers and change of name requests time estimates were arrived at the task level. However, for other activities detailed time estimates could not be arrived at and the benchmarks have been arrived at on the basis of assumed levels of activity.

## V OBSERVATIONS ON EXISTING R&T OPERATIONS

### A Organisation and Client Relationship

- 1 The organisation structures of RIAs and employment of professionals appear to be largely influenced by regulations, revenue structures of RTAs and service delivery as defined by the clients. At one extreme there are organisations which employ suitable professionals for key management areas and display a sense of professionalism in the day to day operations, at the other extreme there are organisations that demonstrate little professionalism.
- 2 Lower pay scales, mundane and monotonous roles and general negative perceptions contributed to many of the RTAs finding it hard to attract and retain qualified and skilled professionals for various operations. The R&T industry, for various reasons, is perceived as a 'sunset' industry and leading to a little pressure to redefine the profile of RTAs in order to ensure better service deliveries and greater investor protection for the benefit of all the capital market constituents.
- 3 The organisation structures observed at various RTAs had departments specialising in respective tasks. Volumes of activity and common processes generally dictated the extent of departmentalisation. Many RTAs had employed permanent staff at all senior levels and for all skilled activities. For other activities, the RIAs depend upon contract staff. In some organisations the motivation levels were observed to be very low and the employee turnover high.
- 4 SEBI regulations provide for a networth of Rs Six Lakhs for category I Registrars and Rs Three Lakhs for category II Registrars. There is no commensurate infrastructure requirement for quantum and quality of work handled by a RIA. Further, SEBI regulations do not prohibit RIAs from simultaneously engaging in other business activities. As there are no entry barriers, there is a mushrooming growth of RIA firms with small emphasis on infrastructure and quality of service. This free for all environment contributed to deteriorating investor service standards and put the entire industry in a poor light. Internally, in a few organisations, it was observed that the resources dedicated to non-R&T business exceeded the resources provided to R&T business resulting in de-motivation of R&T staff further in such organisations.
- 5 The Companies Act imposes on the Issuer Company the obligation for transfer of its securities and to provide other investor services. Issuers, by an agreement, delegate most of these responsibilities to their RTAs. RTAs share a Principal-Agent relationship with their clients. They are also governed by the rules and regulations laid down by SEBI. Although in principle the companies are responsible for all the actions of their agents in the area of share transfer business, in practice the RTAs and not the issuers are invariably blamed for deteriorating investor service and share transfer delays and face penal actions arising out of any litigation. To protect their respective organisations against litigation, many RTAs take additional safe guards and are "extra cautious" in rendering investor services which tend to increase costs and delay services.

- 6 Section 113 of the Companies Act 1956 requires that transfers need to be effected within a period of 60 days<sup>2</sup> (including the delivery) and the power to transfer rests with the Board of Directors of the Company. Although it is within the law for the Board to delegate the approval process, the Boards generally are not inclined to delegate the power of transfer to their RTAs. In many cases, RTAs do not even have the power to authenticate endorsements. However, in-house transfer agents and the affiliate transfer agents do carry this power. If the power of transfer is delegated to the RTA, the time required to complete a transfer could reduce by about 15 days. In countries like UK, transfer of securities is approved by the Registrar and not the Company. In order to manage risks arising out of such a blanket power, companies can stipulate necessary safeguards to be implemented by their Transfer Agents.

### **B Infrastructure and Operating Standards**

- 7 One of the most problematic aspects of the share transfer process is the verification of signature. The intent behind signature verification is the elimination of fraud and forgeries and a reasonable assurance of a ownership of the property. Sec 108 of the Companies Act stipulates that the instrument of transfer needs to be *properly executed* by the parties to the transfer. Signature verification therefore seems to be a necessary evil in the entire share transfer process, elimination of which would require amendments to the Companies Act. However, signature verification in some organisations is performed manually by low skilled staff leading to imperfections. Some RTAs visited by the FIRE Project team have mechanised the process which enabled them to complete the transfer process faster and more accurate, particularly when the volumes were high.
- 8 One striking problem observed at the RIAs was concentration of transfer activity in certain months of the year. The Income Tax Act stipulates a common accounting year for all companies (April-March) and this tends to concentrate book closure activity around same time for all companies. As the investors rush during those periods to effect transfers, volumes peak usually between July and September. Most of the RIAs employ resources to match peak time volumes. However, this leads to overcapacity during the rest of the year. However, if RTAs plan for low to average volumes, it is very difficult to obtain skilled/trained personnel for the peak months.
- 9 As per the provisions of Section 108 Companies Act, transfer deeds need to be *duly stamped*. The responsibility to check that requisite stamp duty is paid is delegated by the company to its RTA. This adds to the pressure and, during peak loads, considerably delays processing. Elimination of this requirement, which requires amendments to the Companies Act and the Indian Stamp Act, will allow for faster processing and improve the service standards.

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<sup>2</sup>SEBI's guidelines for RTAs require transfers to be completed within 30 days.

- 10 Many of the RTAs visited by the FIRE teams centralised their processing operations where the client is located or where the client's data base is located. Centralisation not accompanied by suitable online data transfer mechanisms often results in longer service cycles leading to higher opportunity costs<sup>3</sup> for investors.
- 11 RTAs presently do not have uniform operating procedures although the type of processing is common across the industry. Only the procedures relating to dematerialisation and rematerialisation are clearly documented and uniform across the industry due to NSDL's insistence than RTA initiatives. No two organisations seemed to have employed similar processing techniques for transfer and other activities. It should be noted though that those RTA organisations which were ISO certified had their procedures documented for all the activities.
- 12 Presently, SEBI and the Companies Act provide for minimum service standards. Other wise there are no uniform standards for servicing clients across the industry. It was observed that investors of those clients whose per folio rates are higher and pay regularly receive a better service.
- 12 RTAs by far receive the lowest remuneration amongst all the service providers to an Issuer. Their remuneration depends upon the folios handled rather than their corresponding value. Issuers seem to generally ignore the value addition by superior technology in fixing the remuneration and this inhibits RTAs initiatives in employing advanced technology in servicing investors. It was observed that RTAs dependence on technology and advanced communication systems is minimal and usage of LAN and WAN based systems was limited in some organisations. However there is significant scope for employing better technology and faster processing systems to improve services rendered to investors. This however is contingent upon RTAs ability to negotiate better fees for their services and issuers' willingness to encourage RTAs to invest in technology.

### C Internal Controls and Security

- 13 Operational risks can arise from procedural lapses, technology failure, human error, disaster, deliberate attacks and other structural issues. Adequate accounting, administrative, access and approval controls and cash handling and cheque signing procedures in a documented form are absolutely essential to address issues relating to operational risk. There is a reasonable level of controls in all the larger RTA organisations but there is a scope for improvement in smaller firms.
- 14 Most of RTAs have incorporated user Ids/ password track into their systems to restrict access to unauthorised personnel. The systems are generally designed on an ascending user scale. The higher up the scale the more the functions one can

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<sup>3</sup> Opportunity cost to the investor results from the investor's money being tied up during the time the shares are lodged with the RTA. The investor cannot choose to deploy this capital into other more profitable investments during this time.

access. However, in many RTA firms, there is a concentration of authority in the hands of a few individuals who have an unlimited access to the information.

- 15 In some of the RTAs it was observed that the physical layout restricted movement and does not allow for quick evacuation in the event of fire etc. The securities along with their accompaniments either in process or those ready for delivery are not stored in fire-proof cupboards or vaults. This results in risk to personnel, issuers and investors.
- 16 It was observed that systems were backed up daily and back-ups were stored in the same site. It is absolutely essential for RTAs to ensure off-site storage of data and processing software and have a disaster management plan documented and tested to ensure continuity of business at all times.

#### **D Constraints And Limitations**

- 17 The R&T industry has become competitive. The negotiating ability of RTAs is limited as they are generally dominated by their clients. This restricts their ability to employ sophisticated technology and automated devices to speed up their processes. The RTAs also complain that their dues are not paid on time which adds to their financial burden and increases their cost of operations. These limitations ultimately are reflected in process delays and poor quality of output.
- 18 One of the external factors for which a RTA invariably takes the blame is the inefficiency and capacity constraints in the country's postal system. As many post offices do not have adequate infrastructure to accept large volumes of documents per day, the dispatches by a RTA are generally staggered and this delays the service time. Postal thefts and loss in transit compound the RTAs and investors' woes. The reporting of a loss or a non-delivery by the postal department generally takes a long time. This facilitates circulation of stolen certificates in the system for a longer time putting additional pressure on the RTA's systems and consequently delaying transfers.
- 19 There is no regulatory requirement to print the share certificates on a security paper nor a requirement to affix legally recognised holograms/bar-coding etc. on share certificates. This increased the scope for circulation of forged/counterfeit certificates in the system. To ward off thefts and forgeries, RTAs have installed elaborate systems and skilled personnel. However, detection of a forged certificate continues to be dependent upon the skill of the concerned officer. Forged death certificates, forged bank attestations etc. further compound RTAs' problems.
- 20 Issuer non-delegation of powers to RTAs and their infrequent Board Meetings to approve the transfers often result in share transfer delays even though the RTAs have completed the verification and printing processes.
- 21 Lack of uniform operating procedures and benchmark service standards across the industry also limit the RTAs' ability to render faster and better investor service.

## VI RECOMMENDATIONS

The FIRE Project maintains that the only viable long term viable solution to the current problems faced by the investors in registration and transfer of their securities is dematerialisation of scrips and trading on the Depository because ownership transfer is automatic in the depository and shares are known to be good. However acceptance of depository settlement may take a few years particularly when its access to all investors is limited. Meanwhile to ensure a healthy growth of the primary and secondary markets and a whole hearted participation by investors the Regulators and all other market constituents will have to evolve ways and means to improve the allotment transfer and other service delivery processes. As a start the report of R Chandrasekaran Committee constituted by SEBI sets out various recommendations some of which aim to bring about a paradigm shift. However given that implementation of the committee's recommendations would need amendments to the existing provisions of the Companies Act, it is necessary to also address the issue of benchmark service standards that can be implemented by the R&T industry immediately. It is in this spirit, this report recommends uniform procedures and benchmark service standards that RAIN, in conjunction with SEBI, can stipulate for the industry. This report is divided into three sections. Section A deals with secondary market activities. Section B deals with primary market activities and corporate actions and Section C deals with RTA-Depository interface.

The standardised procedures and the service standards recommended in this report will call for additional initiatives by RAIN to be fully successful. Specifically FIRE Project recommends that RAIN take the following steps outlined below immediately. Recommendations which mirror the recommendations made by Chandrasekaran Committee are ones that can be achieved in the short-term without any amendments to the existing regulations and acts.

### A SEBI and Stock Exchanges

- 1 RAIN should persuade SEBI to impose stricter entry barriers for potential entrants and increase the networth requirements for the existing firms. Additional capital infusion should result in augmenting technological and system capabilities to enable faster processing and improved delivery schedules.
- 2 RAIN either through moral persuasion or regulatory intervention should provide a linkage between required minimum infrastructure employed by a RTA and the quantum of work undertaken.
- 3 SEBI has recommended a common MOU for RTAs and the Issuers. However it is a common complaint that under the pretext of non-applicability of the respective regulations the Issuers force their own changes to the one recommended by SEBI. Further this common MOU should be amended to contain adequate provisions to make the Issuers acknowledge the operational risks, commit to provide service standards as recommended by this report, accept responsibility equally with their RTAs for any failures and compensate investors not only for any loss arising out of any failures but also for the opportunity costs of investors arising out of delays.

- and failure to provide services as committed in the MOU and the Offer Documents RAIN should persuade SEBI to enforce this MOU and that any changes to it should be made only with approval of SEBI
- 4 RAIN to persuade SEBI and the Stock Exchanges to recognise the operating procedures and benchmark standards as minimum acceptable from a RTA and accordingly incorporate a requirement for their adherence in relevant regulations and listing agreements
  - 5 A market lot may be an acceptable unit of measurement for trading and settlements in India However this increases the volume of documents to be processed by a RTA Particularly when corporate actions such as rights and bonus are processed, this requirement leads several other problems such as odd lots splits, consolidation etc Many developed markets do not have any concept of marketable lots RAIN should persuade SEBI and the Stock Exchanges to remove the requirement of market lots
  - 6 Signature verification under the existing regulatory and market practices environment is critical to establishing ownership of assets Elimination of signature verification is possible only when alternative practices are recognised and the laws amended Available figures indicate that almost 85% of objections relate to signature differences Differences in signatures can arise on account of forgeries, fraud or when investors sign differently each time without maintaining a record of their earlier signatures etc The closest market constituent to the investor in a secondary market trade is the broker/sub-broker through whom the deal was executed Brokers under the "know your client" rules of SEBI should be able to vouch for some of the actions of their clients SEBI and Stock Exchanges should make attestation by the broker of the investor's signature mandatory on a transfer deed when it is introduced for the first time in the market RIAs could then be relieved of this onerous responsibility of signature verification which would marginally improve service schedules but more importantly bring down substantially the percentage of objection cases registered by RTAs

## **B Issuers And RTAs**

- 7 RTAs should seek necessary authority to approve transfers and sign as authorised signatories on the endorsements Delegation of authority to transfer by companies to their RTAs can considerably shorten the processing cycle particularly during period of peak volumes Such delegation could save upto about 15 days in processing time during busy periods Necessary control measures can be built into delegation to address the issuers concern on monitoring of holdings issuing of duplicate certificates etc If the companies are not prepared to delegate this power the RTAs could seek one of the following to adhere to the benchmark standards recommended
  - Approval of transfers based upon a preliminary list containing all particulars both of sellers and buyers or

- Issuer commitment in writing to approve and communicate transfers within three days of their receipt from RTA. The benchmark standards suggested in this report assumes approval by companies in three days
8. Persuade the companies to issue duplicate certificates up to a certain value without requiring the investors executing an indemnity. Several small investors will benefit out of this practice. Like in the case of general transfers, Companies should delegate necessary authority to their RTAs to issue duplicate certificates

### C Internal to RTAs

9. When adopting these standard operating procedures and committing to adhere to the benchmark service standards as contained herein, RTAs should recognise the need for and accept all those process/task specific recommendations as detailed in the attached manual. In addition, they should
- 9.1 Mechanise the signature verification process. This requires a mandatory imaging of all signatures. Only skilled persons should be employed in this process and there should be only one level of signature verification. Although this process may increase the cost of operation, it will remove imperfections, reduce the incidence of objections arising out of signature verification and enables faster and more accurate processing.
  - 9.2 Decentralise processing to the regional/branch level for the RAIN recommended benchmark population to shorten the processing cycles. Necessary procedures and controls can be implemented to address the risks arising out of such decentralisation.
10. One of the common complaints of the members of the industry is the remuneration they receive not being in commensurate with the level of service they provide or expected to provide. In order to effectively address this issue, RAIN should take initiatives to
- change the current market practice of folio based fees to asset based fees and/or
  - fix a minimum fees for each activity and no member should be allowed to quote below the RAIN prescribed fee. Such a minimum fees should take into account all RTAs costs including the cost of insurance.
- Such a minimum fees should enable the RTAs to employ adequate technical resources to improve the speed and quality of services
11. Currently there is no central data bank of lost/stolen certificates. The first market constituent to be informed when a certificate is lost or stolen is the R&T Agent. And more often it is the R&T who takes the blame for not having redressed the complaint in time. RTAs do not have a central data bank to verify the lost and found certificates. RAIN should designate an independent third party agency with

adequate resources to create a data bank which can then serve various market constituents and the Regulators

#### **D Investor Education**

12 Development of human resources is a critical function of an organisation that aims to deliver qualitative products and services. Training and continuous education are an integral part of this function. Enforcing regulations and procedures in a systematic and consistent manner is a pre-requisite for delivery of qualitative service. In this context RAIN could add value to its membership by organising and delivering short but focused training programmes. An illustrative list of topics that could be covered in these training programmes are

- Salient features on various acts, regulations that apply to R&T business
- Standard internal control procedures
- Public Issue procedures,
- Post issue activities - transfer procedures, objection handling, duplicate certificates, etc,
- Reconciliation principles and procedures, and
- Special activities such as stop transfer, registration of POA, etc

RAIN can invite speakers from within the industry, their clients, Institute of Companies Secretaries, etc. to deliver the message.

13 Many of the investor complaints can be sourced to their not being aware of the correct procedures, legal requirements and external factors that influence the services provided by RIAs. Raising investor awareness helps in better compliance. RAIN, in association with SEBI, Stock Exchanges and NSDL, organise focused investor awareness campaigns built around brochures explaining the concepts, procedures and forms.

APPENDIX - I  
A COMPREHENSIVE PLAN FOR RAIN

**COMPREHENSIVE POLICY TO EVOLVE THE REGISTRARS ASSOCIATION  
OF INDIA (RAIN) INTO A SELF REGULATORY ORGANISATION (SRO) --  
FIRE PROJECT ASSISTANCE**

**1 GENESIS**

Over the years as a result of mushrooming growth of companies that approached capital market to raise capital and the consequent large number of public and rights issues, the supply of share certificates has increased manifold. In the absence of fault proof systems, procedures and mechanisms, in came the associated problems such as forged certificates, stolen certificates etc. The growth in supply of paper and the associated problems has not however been complimented by growth in qualitative resources at the Registrars and Share Transfer Agents officers and Other agencies, resulting in deterioration of investor services such as share transfer delays etc. ,

In order to address some of the problems associated with the Registration and Share Transfer business and become a mouthpiece for the industry, the R & T agents have formed into an association called REGISTRARS ASSOCIATION OF INDIA (RAIN). The Securities and Exchange Board of India (SEBI) in one of its several meetings with RAIN suggested to it that RAIN could evolve itself into a SRO for the Registration and Transfer Agency Business (R & T) business in India. Meanwhile, the Chandrasekharan Committee was constituted by SEBI to study and recommend long term measures in this regard.

**2 RAIN'S REQUEST TO PRICE WATERHOUSE**

Following its preliminary discussions with Mr Dennis Grubb and other FIRE Project officials, RAIN has approached FIRE for technical assistance for

- getting RAIN registered as a SRO
- preparing the procedure manual connected with and streamlining the activities of the R & T agents for the purposes of a healthy growth of capital markets

**3 SEBI AND SROs**

At this point of time it is not clear as to the policy and the direction SEBI would like to take in registering SROs. It is also not clear as to what is expected of a SRO who and what will it regulate, the relationship between a SRO and SEBI. Pending clarification on all these issues, RAIN to position itself as a SRO for R & T industry in India, it needs to take several steps to enhance its profile such as restructuring its administration to prescribing standards to monitoring compliance.

#### **4 RAIN as a SRO**

To position itself as a SRO, RAIN should have the ability to do the following

- promote a high degree of consultative process with SEBI in rule making and establishment of standards to ensure adequate investor protection,
- establish minimum entry standards both financial and non-financial for its membership,
- promote high standards amongst member firms, monitor business practices, service standards and other areas of conduct,
- conduct periodic inspection of member firms to determine compliance with the legislation, regulations, bye-laws of RAIN and other pronouncements,
- undertake statistical research and analysis and provide information services to members, press, regulators, issuers and general investing public,
- conduct periodic training/familiarisation programmes to the directors, officers and other employees of its member-firms

#### **5 SUGGESTED PLAN FOR RAIN**

In order to position itself as a SRO, RAIN may like to implement the following

##### **5.1 Draft its business mission and principles**

“RAIN is dedicated to

- providing a timely, qualitative, and a competitive service to the clients and their shareholders
- promoting the interests of its members, their clients and the shareholders of the clients
- serving the public interest by maintaining highest professional and ethical standards”

##### **5.2 Determine the Structure**

###### **5.2.1 Staffing**

A professional association charged with discharging a certain responsibility can function through professional paid staff and also it member support through standing committees. RAIN should consider to what extent it can depend upon the voluntary support of its members in the day to day management of the association and to what extent it can maintain professional paid staff. The size of staff would depend upon the proposed business plan of RAIN and the resources it can gather from members for its activities. While sizing the organisation and

deciding on professional paid staff, it must be borne in mind that RAIN's objectives and administration may suffer if it relies completely on its member support

The structure should provide for creation of the following departments over a period of time

- Professional Standards Department
- Government Relations Department
- Member Services Department
- Research and Analysis Department
- Information Services Department

### ***5.2.2 Appointment of Standing Committees***

In order that RAIN effectively addresses various issues and be able to form opinions and set standards and provide member services as enunciated in para it has to form standing committees responsible for different tasks/functions. These Committees could consist of employees of the member firms and representatives from the associated agencies. Suggested structure of these committees are

#### **◆ Membership and Administration Committee**

This Committee shall be responsible for setting minimum requirements for membership of RAIN such as the size, the technical and operational capability to meet with standards set by RAIN network etc, and also be responsible for the administration of RAIN. This Committee shall draft and enforce

- \* detailed norms and guidelines for admissions, suspensions and expulsions of members,
- \* bye-laws, rules and regulations of the Association
- \* detailed guidelines for general administration of RAIN,
- \* Code of Conduct for its Members,

This Committee shall also prepare and circulate a RAIN Membership Directory for the general benefit of the industry, the issuers, the custodians and the Investors

◆ **Rules and Liaison Committee**

The primary responsibility of this committee is to influence the regulators and promote a high degree of consultative process with SEBI RBI and Other agencies in rule making and enforcement. This Committee shall be the mouthpiece of RAIN and shall

- \* review and amend whenever required the standard R & T agreement with the clients based upon the SEBI recommended agreement and the market determined practices,
- \* present the members' views on regulatory and legislative matters that affect the industry and investor protection,
- \* in addition to responding to and commenting upon the regulators initiatives of SEBI, RBI and Other agencies, it should determine legislative/regulatory/procedural anomalies, anticipate changes, and initiate references, present industry's view to the respective authorities for necessary action in this regard,
- \* advising the Association staff in compiling, reviewing and maintaining a file on all laws, rules and regulations that affect the industry, and
- \* periodically review and provide clarifications, interpretations, explanations on rules, regulations and various other SEBI pronounced matters that affect or have an impact on members' business

◆ **Services Standard Committee**

This committee shall be responsible to review and provide on a continuous basis service standards, processing standards and recommend standard operating procedures to achieve the standards. These standards shall become the industry benchmark and shall qualify or disqualify a R & T agent from the membership of the Association. The Committee shall

- \* determine appropriate benchmark standards for all functional activities of R & T business, be it, processing a new issue or servicing existing records, standards for completing sub-tasks under an activity etc
- \* provide quality control checks and programmes to its members to help them periodically monitor their performances,
- \* determine and recommend standard operating procedures to achieve the set standards,
- \* help members to conduct a process-reengineering studies within their own entities and re-orient their processes based upon the RAIN recommended standards,
- \* recommend from time to time standard guidelines/provide solutions on Issuers, R&T, Depository and Custodian interface to its members

- \* Rules and Regulations for the governing of the Association Membership Standards and procedure for admission/disqualification of members Standardized and Common Agreements etc ,

## 6 FIRE PROJECT ASSISTANCE

The FIRE Project funded by USAID and administered by Price Waterhouse (PW) will be prepared to assist RAIN, in its endeavor to be a catalyst for change, raise industry standards bring about uniformity and transparency in the industry's dealings with clients, regulators and investors. The core objective of this assistance will be to

- strengthen RAIN as a professional and a well knit Association to achieve its ultimate objective of being recognised as a SRO for R & T business in the country
- standardize the operating procedures for the industry, improve the quality of its services and set bench marks for various services provided by R & T agents,
- improve business practices, and create a climate of compliance,

Specifically the Project will

- I Assist RAIN and its Service Standard Committee to develop benchmark process and service standards in all areas of R & T operations. For this purpose the Project would prepare an activity template and test a sample of 9 to 10 Registrars with the template. Study the operating procedures employed by the Registrars for the template activities to suggest improvements if any
- II Draft a RAIN recommended standard operating procedures to achieve the set benchmarks,
- III Suggest how the benchmark standards can be raised. This may call for initiatives by RAIN
  - in recommending amendments to Legislation and Regulations
  - in recommending changes to Market Practices,
  - enhancing Infrastructure and technology capability at Registrar offices,
  - in conducting special Investor awareness campaigns
- IV Assist RAIN and its Membership Committee to review its existing bye-laws, rules and regulations, draft detailed norms for admission, suspension and expulsion of members
- V Assist the Membership Committee to draft a Code of Conduct/ Code of good practice"
- VI Assist the Inspection and Compliance Committee to draft a Compliance Manual and inspection guidelines and procedures for monitoring compliance and inspection of its members

◆ **Inspection and Compliance Committee**

This Committee shall be responsible for

- \* drafting and recommending a compliance manual to comply with various rules, regulations and pronouncements of SEBI and Other agencies and of the Association,
- \* draft and enforce inspection guidelines/procedures to enable the Association to conduct periodic inspection of its members,
- \* based upon the periodic inspections, recommend the course of action to Membership or Service Standards or Rules & Liaison Committee

◆ **Information Services Committee**

This Committee shall

- \* guide the staff of the Association in building up a database and undertake research and analysis using that data for the benefit of the industry, regulators and the investors,
- \* maintain media contact on matters affecting the industry,
- \* conduct periodically training and familiarisation programmes to the directors, officers and employees of the member firms and to do that develop training materials, literature etc ,
- \* plan and conduct specialised awareness/education campaigns that the Association may like to carry for the benefit of its members and the general investors

**5.3 Codes, Manuals, Guidelines etc**

RAIN, as a professional association , in order to standardize the procedures followed by various member firms, improve the business practices and bring about uniformity and transparency in the conduct of business, should provide the following and monitor their implementation by the member firms

- \* Detailed guidelines, processing standards, and generally acceptable standard operating procedures for all areas of R & T business,
- \* Code of Conduct, Compliance Manual, Guidelines to bring about uniformity in accounting and client servicing standards,
- \* Clarifications, Interpretations and Explanations on various Acts, Rules and Regulations and other pronouncements affecting or having a bearing on the industry

APPENDIX - II  
MANUAL OF  
STANDARD OPERATING PROCEDURES  
AND  
BENCHMARK SERVICE STANDARDS

## INSTRUCTIONS TO READ THE MANUAL

This procedures manual is grouped into three major sections

- 1 Secondary Market / Post Issue Activities
- 2 Primary Market / Corporate Action
- 3 Depository interface

Each of the major section is broken into subsections and relates to an activity. Each subsection has a write-up followed by a detailed flow chart. The flow chart reflects the flow of the steps for that activity.

In the flow chart, wherever further explanations are required, the steps have reference numbers i.e. (XXX01) mentioned and at the end of the flow chart under the heading references.

The flow chart has different style boxes used to describe the nature of the steps as explained below.

Describes  
**MANUAL**  
tasks

For e.g.

**Receive / acknowledge TDs from the  
inward department**

Describes  
**SYSTEM BASED**  
tasks

For e.g.

**Do data entry (TRF01)**

TRF01 is a reference number

Describes  
**TECHNOLOGY  
BASED**  
tasks

For e.g.

**Frank envelopes**

Franking machine is required

Describes  
**MANUAL /  
SYSTEM BASED**  
tasks

For e.g.

**Do quality check (TRF10)**

Both manual and system based activity

Describes  
**CONTROL  
BASED**  
tasks

For e.g.

**Fill transmission forms**

A  
S  
E  
C  
O  
N  
D  
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SECONDARY MARKET / POST-ISSUE ACTIVITIES

A1

I  
N  
W  
A  
R  
D

INWARD

## INWARD

### Activity Description

Inwarding documents is the process of receiving, sorting, numbering and maintaining records of the received documents from various sources (post, counter and bulk)

Currently the average time taken to complete this activity ranges between 2 to 3 days

### Process Overview

- Receive and open the lodgements
- Segregate lodgements into TDs / correspondence / mail returned
- Affix lodgement date
- Cancel stamps
- Segregate TDs / correspondence company-wise / activity-wise
- Assign inward numbers
- Make lots and prepare lot sheets
- Do inward entry
- Print inward register
- Send the inward register and TDs / correspondence to the respective departments
- Receive acknowledgement
- File the inward register

For detailed procedures refer flow chart

Inwarding has been divided into sub-sections depending on the source of the documents  
These are

- Inward through post
- Inward at the counter
- Inward from custodians in bulk

The steps for handling returned undelivered mail have been covered in section A16 It was observed that few RTAs received documents from Investor Relation Centres (IRCs) also This has not been handled separately as they could be treated as bulk cases and the same procedure may be followed

### Benchmark Service Standards

For normal volumes, a service standard of 1 day to complete the inwarding process and for peak volumes a service standard of 2 days are recommended Peak volumes for the purpose of this manual would mean 3 times the average normal volumes

**Steps that can be eliminated**

- No steps in this activity can be eliminated

**Recommendations**

- While accepting the correspondence across the counter, check if the investor has enclosed the related documents with the request

**Input documents**

Transfer deeds  
Certificates  
Correspondence

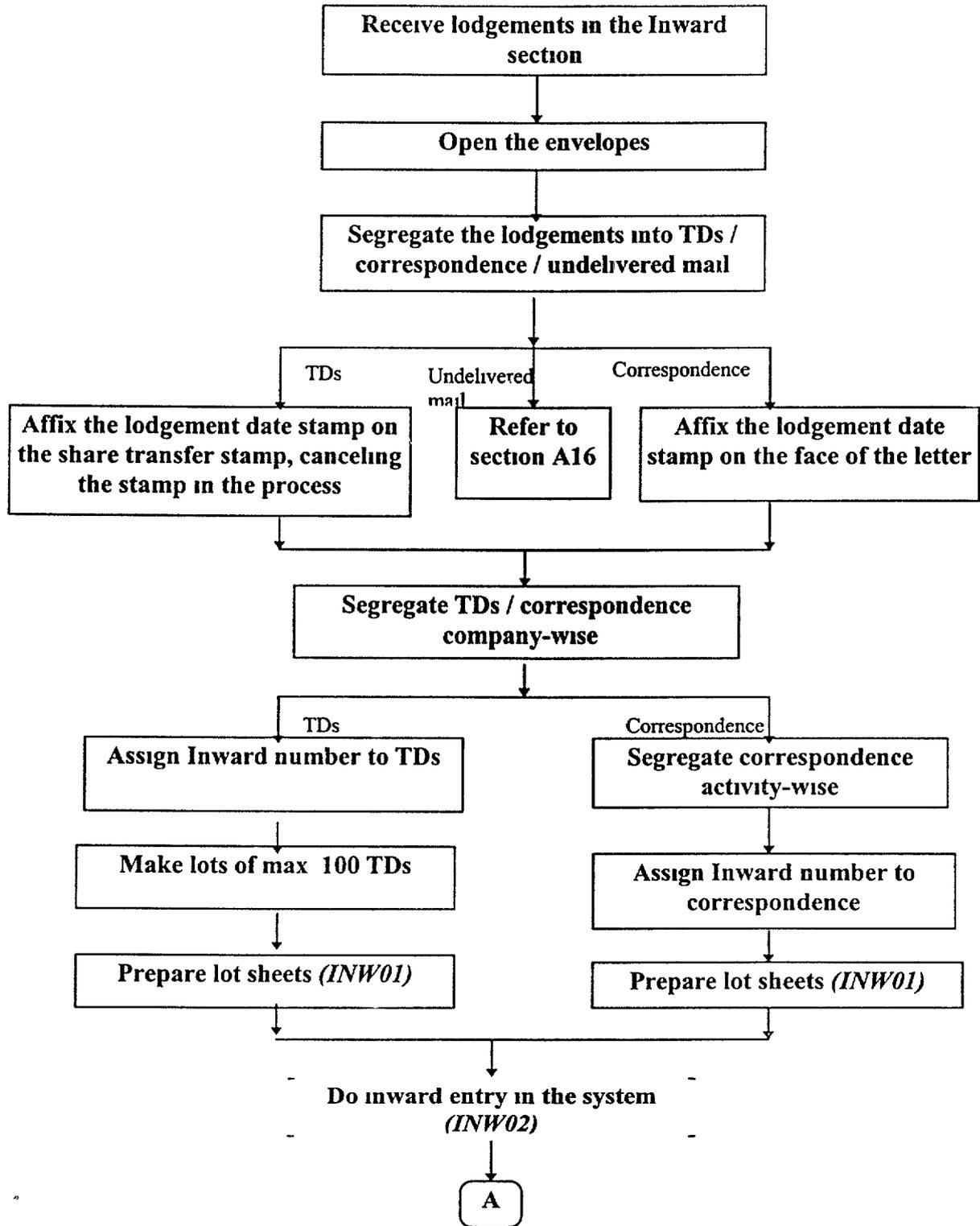
**Output documents**

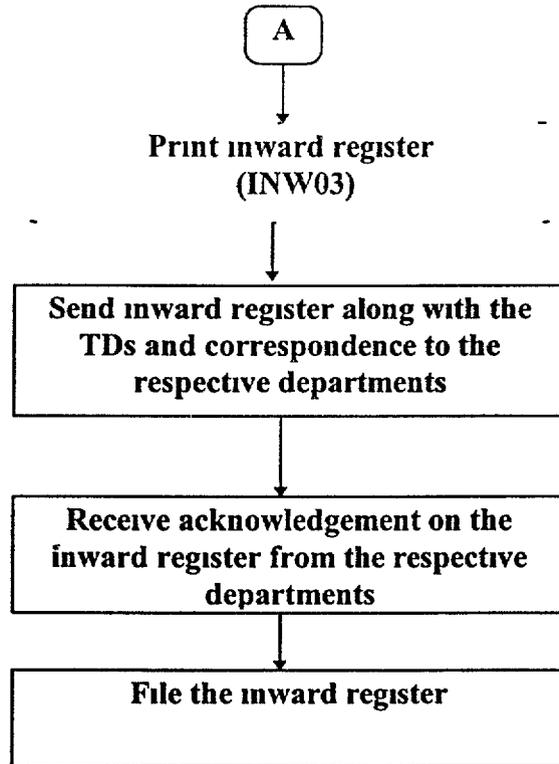
Lot sheet  
Inward register  
Packet register

**Registers to be maintained**

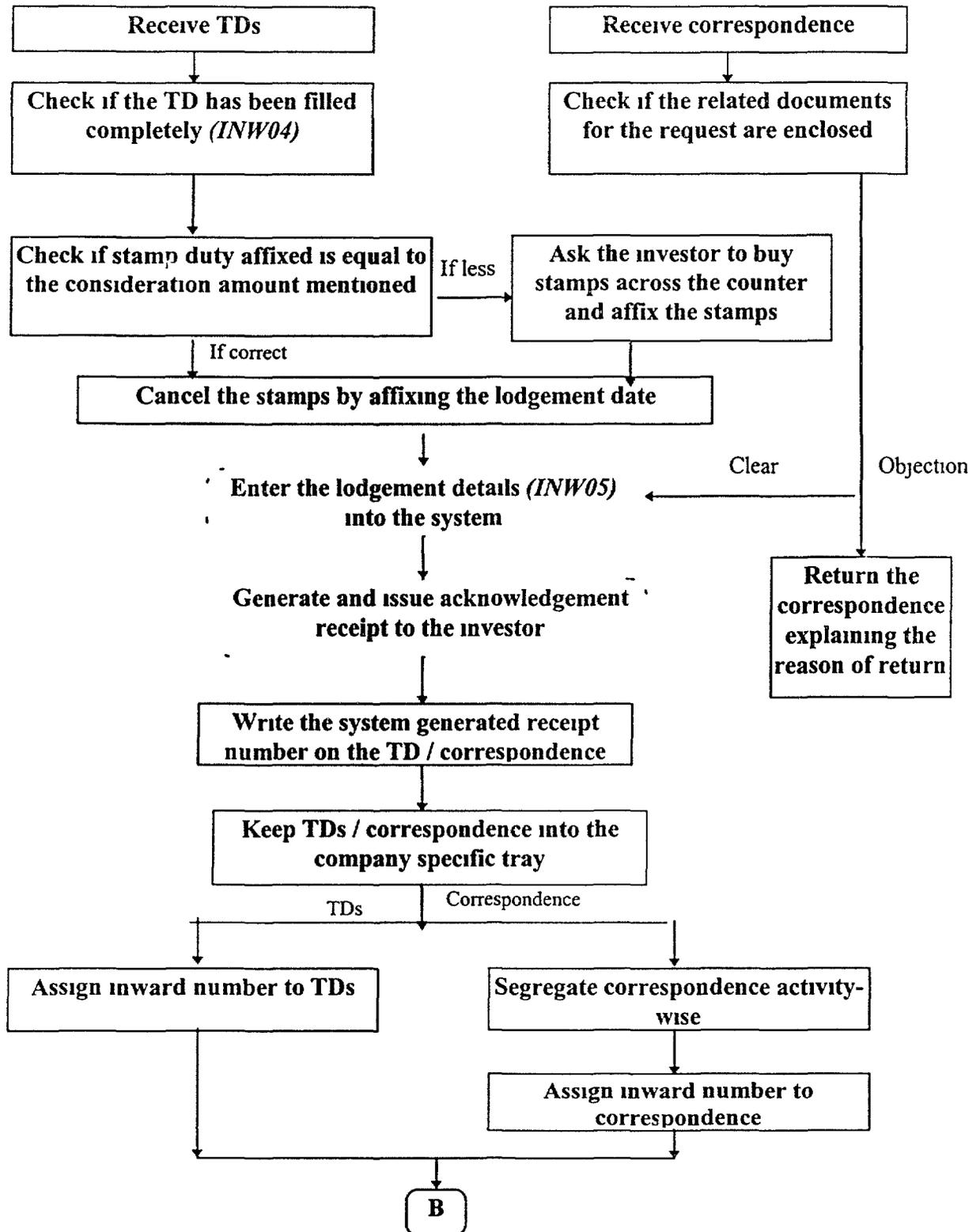
Inward register  
Packet register

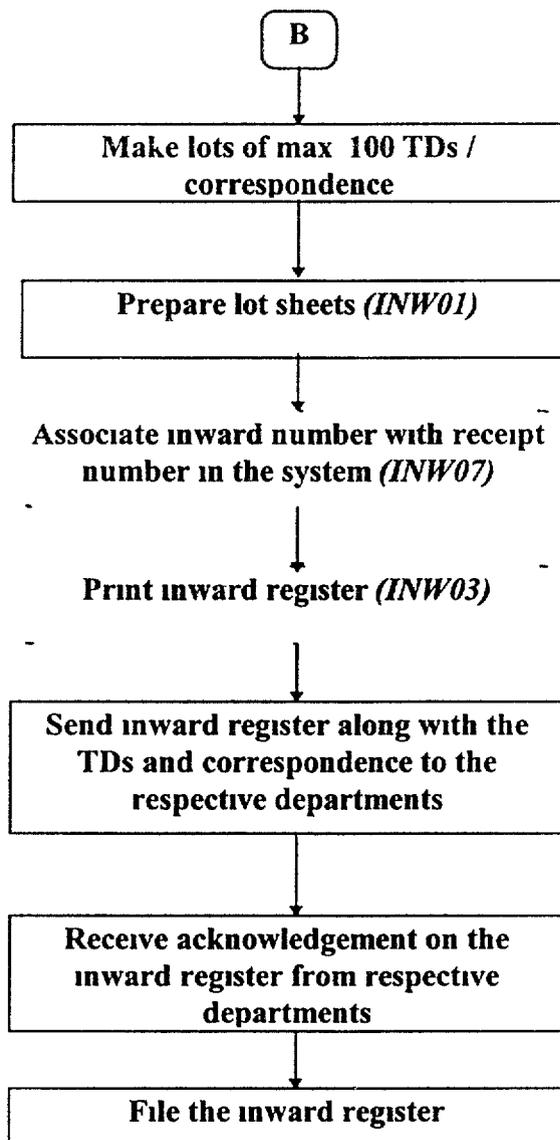
**Flow chart for Inward - Post**



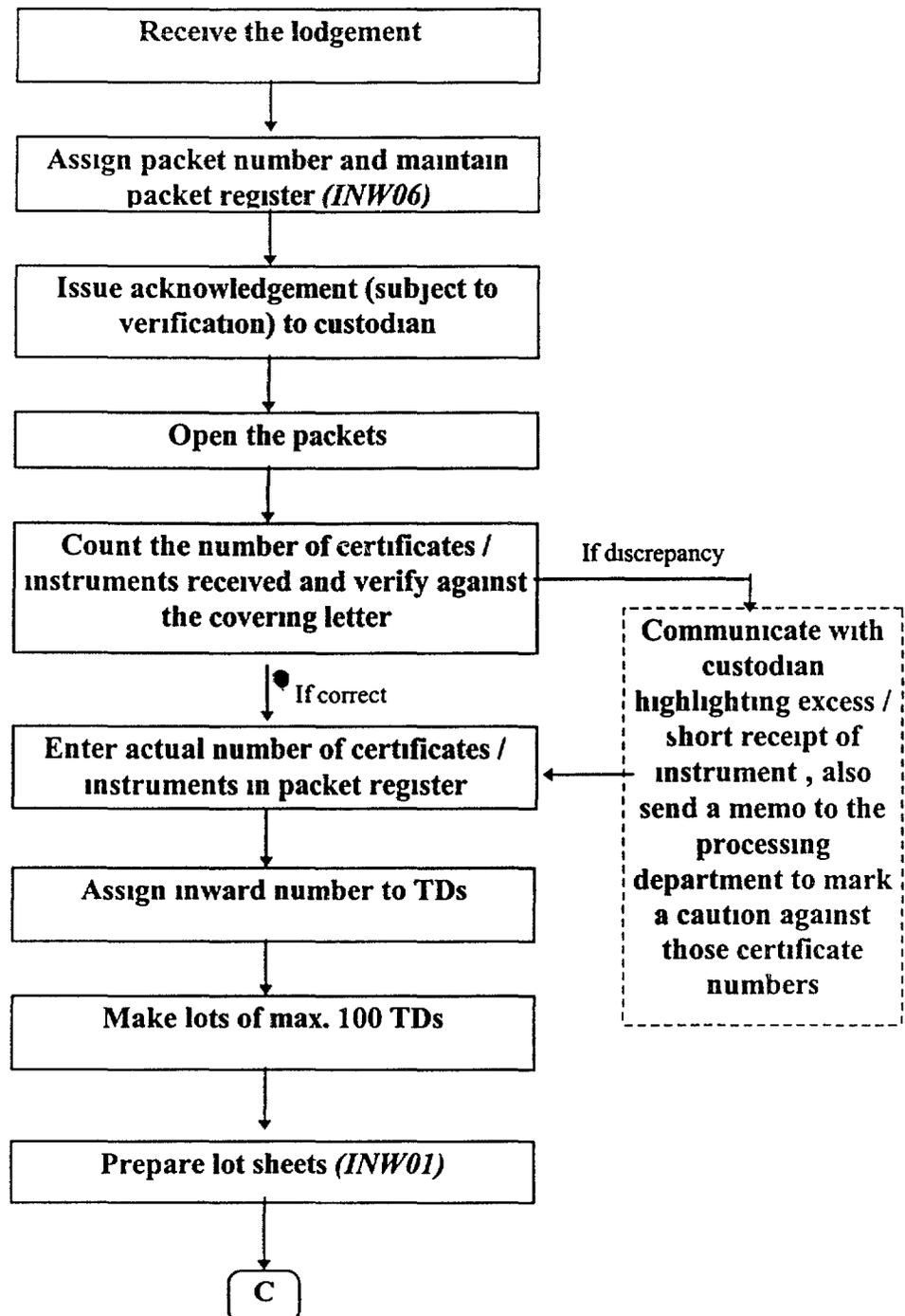


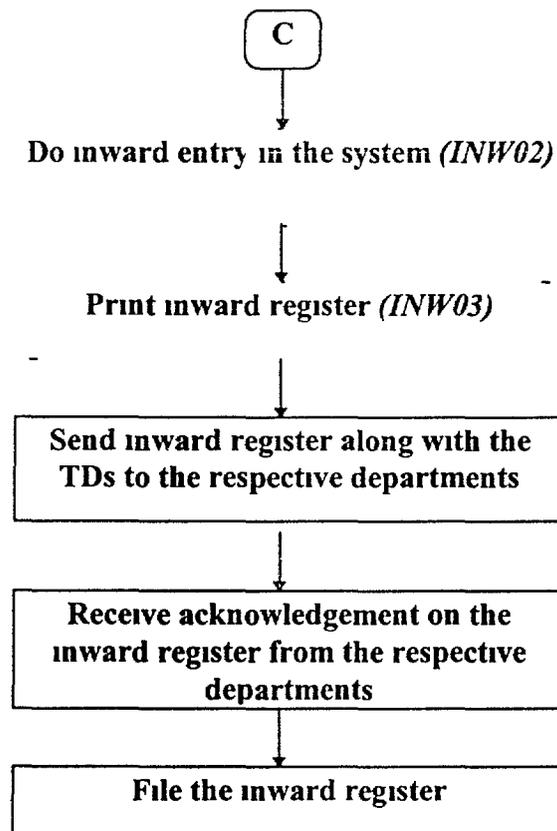
**Flow chart for Inward - Counter**





**Flow chart for Inward - Bulk (only TDs) (Courier and Post)**





## References for Inward

### INW01 Lot sheet

Lot number  
Inward number range  
Lodgement date  
Number of TDs / letters  
Company name

### INW02 Inward entry for TDs & Correspondence

#### Header Entry

Lot Number  
Lodgement date  
Company name  
Activity

#### Detailed Entry

Inward number  
Seller folio / investor folio number  
Number of shares  
Number of certificates  
Number of TDs

### INW03 Inward register

Refer annexure 1

### INW04 Complete information on TD (no validations required at this stage)

Ensure TD is filled completely with respect to the following  
Presentation date  
Stock exchange name  
Execution date  
Company name  
Seller folio number  
Certificate number  
Distinctive number (from and to)  
Number of shares  
Consideration amount  
Value of the stamps affixed  
Witness signature  
Seller's signature(s)  
Name, address, occupation, father's name and buyer's signature  
Status of buyer (RI, NRI, Company etc )

Also ensure that mutilated TDs are not accepted

**INW05 Lodgement details**

Lodgement date

Company name

Buyer's name / Holder's name (in case of correspondence)

Number of shares

Number of certificates

Amount of stamps affixed (in case of TDs)

Activity

Number of TDs

**INW06 Packet register**

Refer annexure 2

(Scrips are normally received company-wise from custodians Hence a separate step for segregating TDs company-wise is not considered)

**INW07 Inward number and receipt number association**

Lot number

Inward number

Receipt number

**Annexures to Inward Processing**

**Annexure I - Inward Register**

Lot number	Lodgement date	Company name	Inward range	Number of TDs / letters

Annexure II - Packet Register

Courier number	Packet number	Custodians name	Lodgement date	Buyer's name	Company name	Number of shares / certificates

TRANSFER

## TRANSFER

### Activity Description

Transfer is the process by which the ownership of the securities is transferred from the seller to the buyer. The transfer request is lodged with the R&T or company by the buyer along with the Transfer Deed (TD) and the certificates(s) (shares / debenture / mutual fund units)

Currently the average time taken to complete this activity ranges between 20 to 40 days

### Process Overview

- Receive TDs from the inward department
- Do data entry
- Generate edit checklist and error list
- Scrutinise TDs
- Verify and write corrections / error codes on the edit checklist
- Verify signatures
- Make changes into the system
- Segregate TDs into clear, objection and NOL cases
- Do buyer search
- Generate, print and paste the transfer number stickers
- Do quality check
- Print the transfer register and the MIS reports
- Send transfer register for board approval
- On receipt of approval update the database
- Print Bulk postage registration journal, endorsement stickers and covering letters
- Paste the endorsement stickers
- Separate TDs from the certificates
- Collate the certificates and covering letters
- Initial the endorsement
- Envelope the certificates and covering letters
- Seal, frank and despatch the envelopes
- Print and despatch card to buyer as advance intimation

For detailed procedure refer flow chart

### Benchmark Service Standards

For normal volumes, a service standard of 15 days (excluding Inward) to complete the transfer processing and for peak volumes a service standard of 30 days are recommended. Peak volumes for the purpose of this manual would mean 3 times the average normal volumes

**Steps that can be eliminated**

- Approval on lot basis from Board of Directors (BOD) can be eliminated provided a general authority is given to the RTA by the company. This can save up to 10 days in the processing time.
- No other step can be eliminated. However, sequencing can change as long as the benchmark service standard is achieved.

**Recommendations**

- Activities such as data entry, signature verification, buyer search should be done lot number-wise and not folio number-wise.
- Sending acknowledgments for TDs received by post is not recommended as there is no perceivable value addition to the investor, particularly when return of certificates duly transferred is recommended to be completed in 16 days.
- Scanning of signature should be compulsory in order to have this step system driven.
- There should be only one level of signature verification performed by qualified and experienced staff members.
- Endorsement stickers should be made compulsory.
- A Card should be sent to the buyer informing despatch of certificates. This may increase the cost of operations and should be appropriately addressed by RTA in its MOU with the client.
- The authority to approve the transfer should be given to the R& T or the BOD should approve the transfer register within 3 days from the receipt of the transfer register. This would considerably reduce the total time taken to execute a transfer.
- Necessary internal controls and exception reporting should be built into delegation to address companies concerns.

**Input documents**

Transfer Deed  
Certificates  
Inward register

**Output documents**

Edit list  
Error list  
Notice of Lodgement Register  
Objection letter  
Objection register  
Transfer sticker  
Transfer register  
Share holding pattern statement as MIS report  
Endorsement sticker  
Covering letter  
Bulk postage registration journal  
Post card confirming transfer

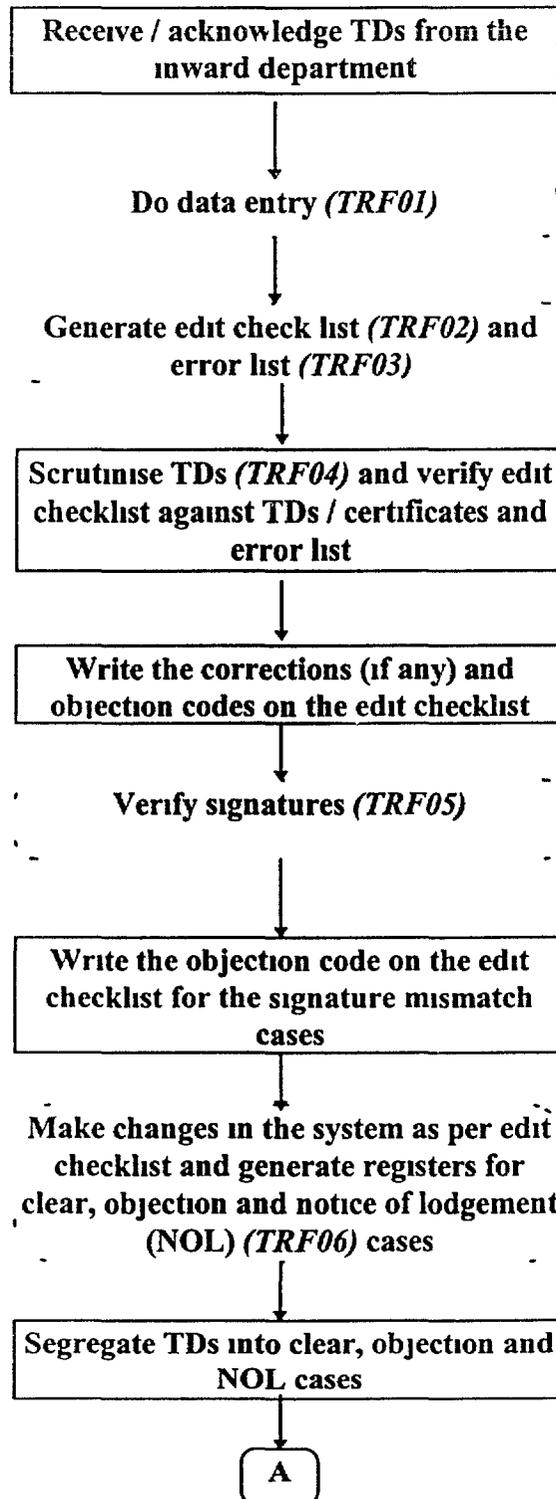
**Registers to be maintained**

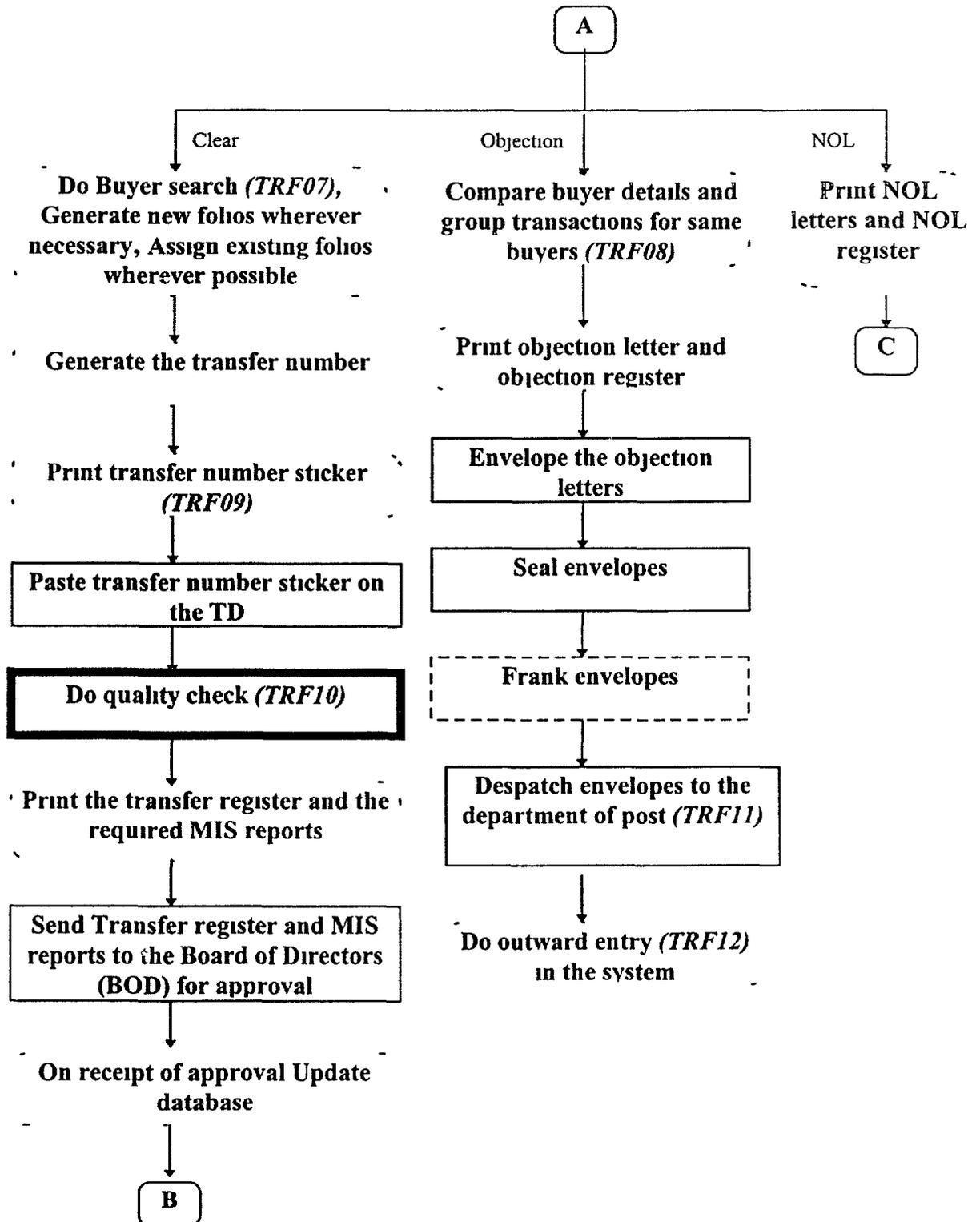
Transfer register

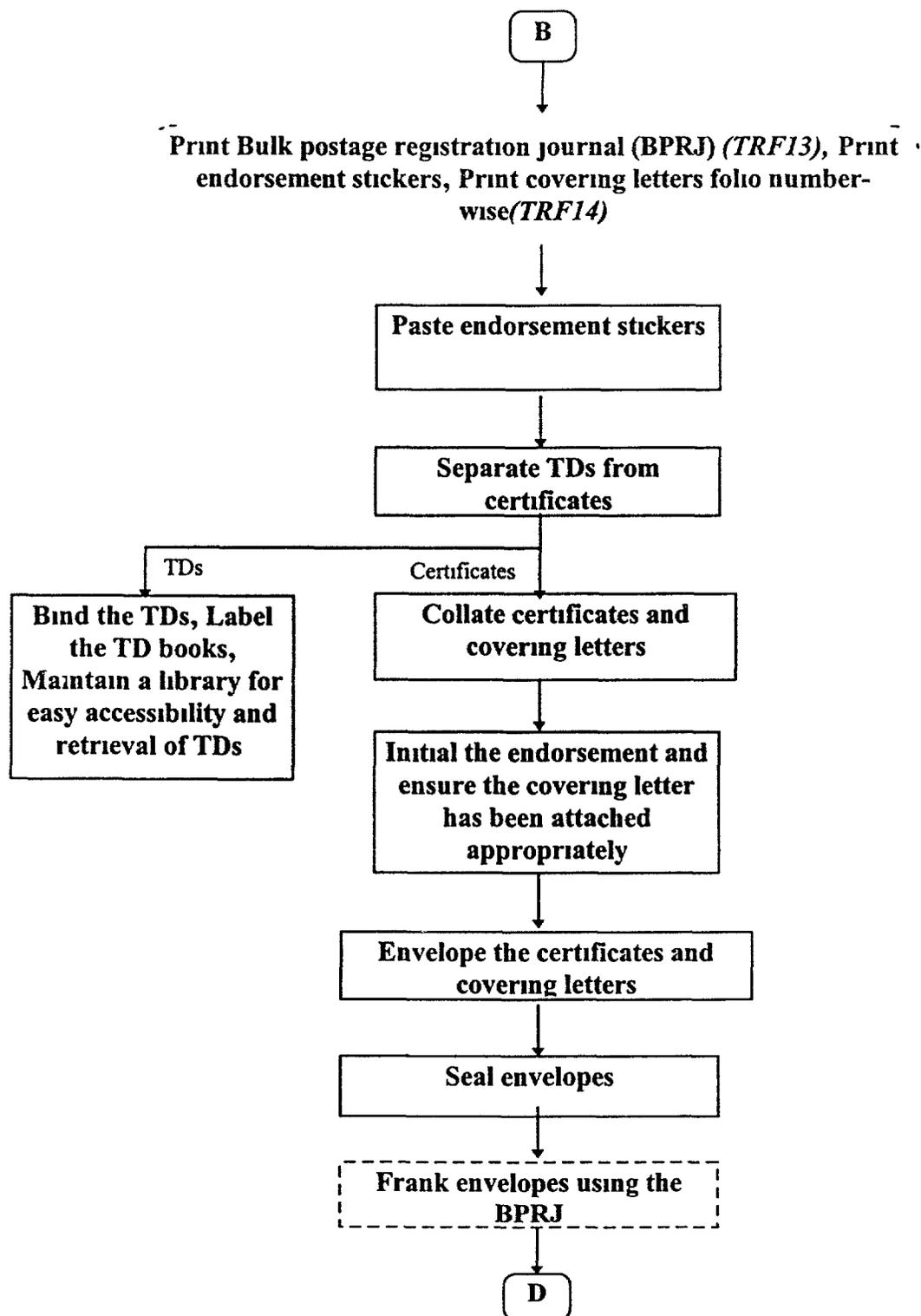
Bound TDs

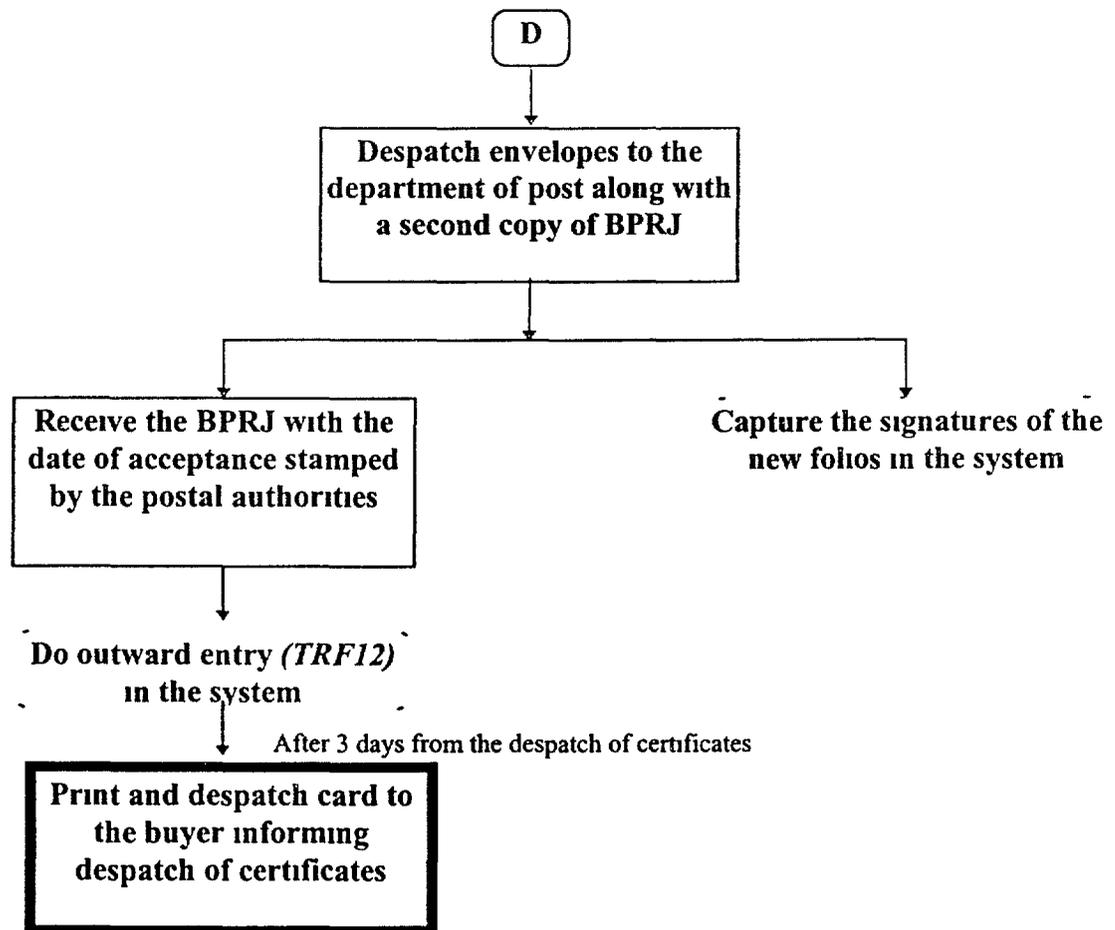
Acknowledged Bulk postage registration journal

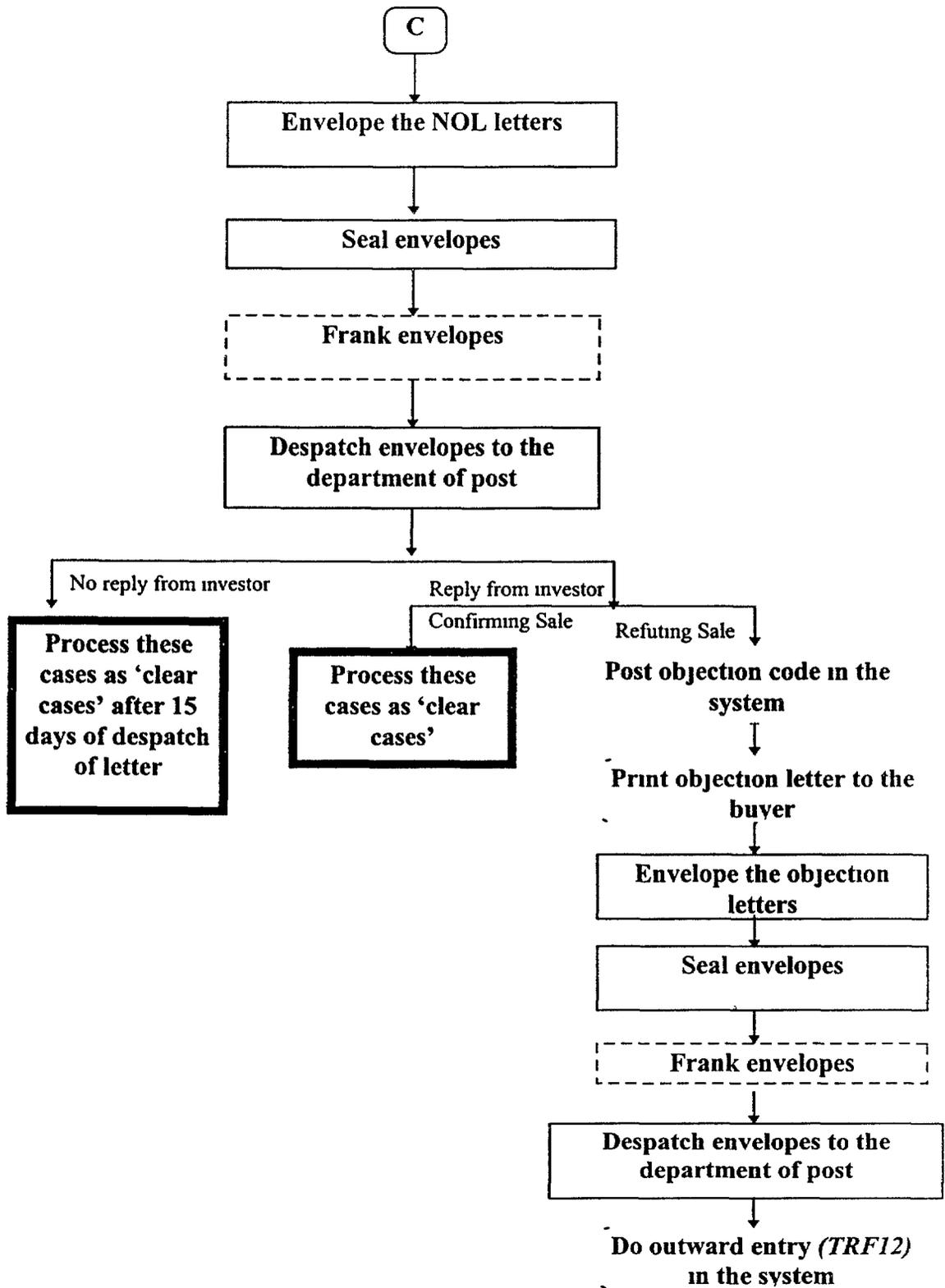
### Flow chart for Transfer Processing











54

## References for Transfer Processing

### TRF01 Data entry

For a given lot number and inward number, enter the following

Certificate number

Distinctive number

Buyer Details

Consideration amount

Amount of stamps affixed (retrieve in case of counter cases )

### TRF02 Edit checklist

The edit checklist is a print-out of the entire data entry (100%)

Refer annexure 1

### TRF03 Error list

The error list is a print-out of only the logical errors (not 100% of data entry) detected by the system (through programs) This list also reflects if there is any stop transfer, lock-in, high FII holding pattern against any certificate for that inward

Refer annexure 2

### TRF04 Scrutiny

Ensure the TD is filled completely with respect to the following

The TD is in the prescribed Form 7-B

Presentation date

Stock exchange name

Execution date

Company name

Seller folio number

Certificate number

Distinctive number (from and to)

Number of shares

Consideration amount

Witness signature

Seller's signature(s)

Name, address, occupation, father's name and buyer's signature

Status of buyer (RI, NRI, Company)

Stamp value

Also ensure the following

- 1 Existence of accompanying documents such as Memorandum and Article of Association , Power of attorney, Letter of undertaking, Bank mandate, RBI and / or SEBI approvals etc wherever required
- 2 In case the TD has been endorsed by bank / corporation in terms of section 108(1C)(B) of the Companies Act, ensure the TD has been lodged within two months of such endorsement
- 3 If the shares under transfer carry a Lock-in period, ensure that the period of ban i e Lock in period on transfer of shares has expired

55

**TRF05 Signature verification**

On entry of lot number, the system retrieves the following inward number-wise

Folio number

Folio names

Signature

**TRF06 Notice of lodgement (NOL)**

This refers to obtaining confirmation from seller for having sold the shares

**TRF07 Buyer search (automated)**

The system compares the Buyers name, Address, Joint holder names and their sequence for each inward number in each lot (excluding the inward numbers corresponding to objection and NOL cases) against the holding master and displays the folio number, the above details and the signatures if a match is found

**TRF08 Club objections**

Compare the buyer details and link the objection cases for same buyer

*This will be useful in generating a single letter to the buyer highlighting objections raised across inward numbers in different lots*

**TRF09 Transfer number sticker**

Inward number	Buyer Folio number
Transfer number	Transfer date

**TRF10 Quality check**

Take a sample at random (approx 3-4% of total TDs ) and reexamine completely to ensure they were processed accurately and completely

*This will be useful in establishing and monitoring performance standards*

**TRF11 Despatch of objection**

If TDs and Certificates are sent under objection, then despatch documents through registered post

**TRF12 Outward entry**

Against each inward number post the despatch date as stamped on the BPRJ to reflect that the documents have been despatched as of that date

**TRF13 Bulk postage registration journal (BPRJ)**

Print BPRJ pin-code number-wise Group certificates under common folios while assigning the registration number

Refer annexure 3

TRF14 Covering letter

For each folio mention the following

Inward number

Total certificates lodged

Certificate numbers under objection

Certificate numbers under process

Certificate numbers transferred

**Annexures for Transfer processing**

**Annexure 1 - Edit checklist**

Lot number	Lodgement date	Activity	Inward number	Seller folio	Certificate number	Distinctive number	Buyer's name address occupation father's name	Consideration amount	Amount of stamps affixed

12

Annexure 2 - Error checklist

Lot number	Inward number	Error narration (description of error)

19

Annexure 3 - Bulk Postage Registration journal

Pin-code	Registration number	Folio number	Address	Certificate details	Franking amount (computed mathematically using system )

A3

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R  
A  
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TRANSMISSION

## TRANSMISSION

### Activity Description

Transmission is the process of deleting the name of the deceased holder from the records of company and transferring the share certificate(s) in the name of the legal heir. Transmission requires the legal heir of the holder to send a request with a duly executed death certificate, Indemnity bond, Affidavit, Succession certificate or Probate of will or Letter of administration and share certificate(s).

Currently the average time taken to complete this activity ranges between 15 to 30 days.

### Process Overview

- Receive correspondence from the inward department
- Fill transmission form
- Do primary scrutiny
- Do data entry
- Generate edit checklist and error list
- Segregate into complete and incomplete cases
- Verify and write corrections / error codes on the edit checklist
- Verify signatures
- Make changes into the system
- Segregate into clear and objection cases
- Do folio search
- Generate the transmission number
- Print the transmission register
- Send transmission register for board approval
- On receipt of approval update the database
- Print Bulk postage registration journal, endorsement stickers and covering letters
- Paste the endorsement stickers
- Separate transmission forms / correspondence from the certificates
- Collate the certificates and covering letters
- Initial the endorsement
- Envelope the certificates and covering letters
- Seal, frank and despatch the envelopes
- Print and despatch card to investor as advance intimation

For detailed procedure refer flow chart

### Benchmark Service Standards

It was observed that the volume of transmission cases being very low, these cases are generally processed along with Transfer cases and hence take longer time. A benchmark standard of 16 days is now recommended and RTAs must ensure that the certificates after completion of processing are returned to the investors within 16 days.

**Steps that can be eliminated**

- Approval on lot basis from Board of Directors (BOD) can be eliminated provided a general authority is given to the R&T by the company

**Recommendations**

- Fill a standardised transmission form to make the process easier
- In case of incomplete documents received from the investor retain the certificates, while intimating to the investor about the required documents to process the case. However, R&T agent and the company should acknowledge the risk involved and should take proper control measures to contain any losses
- A Card should be sent to the investor informing despatch of certificates
- Necessary internal controls and exception reporting should be built into delegation to address companies concerns

**Input documents**

Correspondence

Certificates

Death certificate

Indemnity bond

Affidavit

Succession certificate or Probate of will or Letter of administration

**Output documents**

Transmission form

Edit list

Error list

Objection letter

Objection register

Transmission register

Endorsement sticker

Covering letter

Postage registration journal

Post card

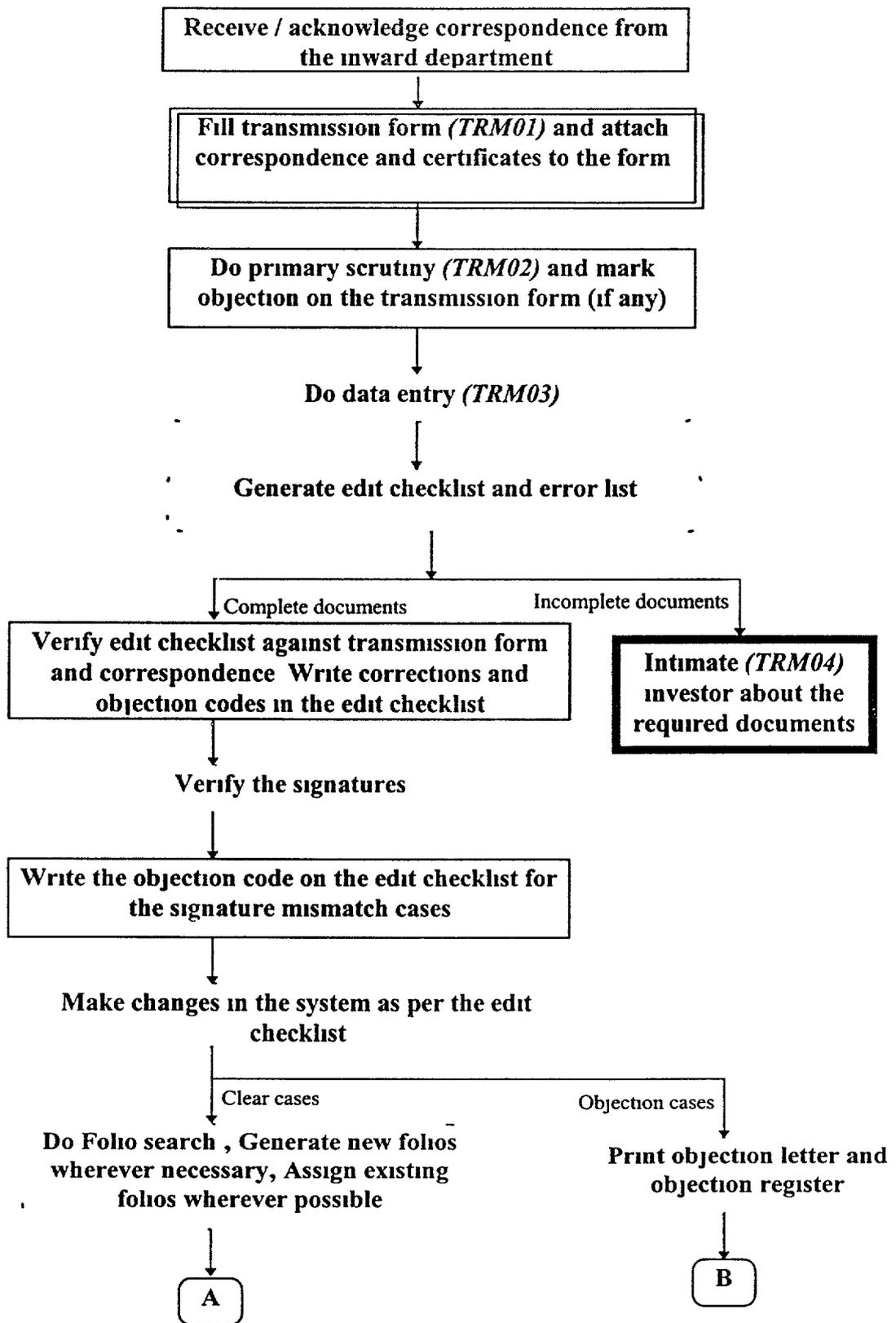
**Registers to be maintained**

Transmission register

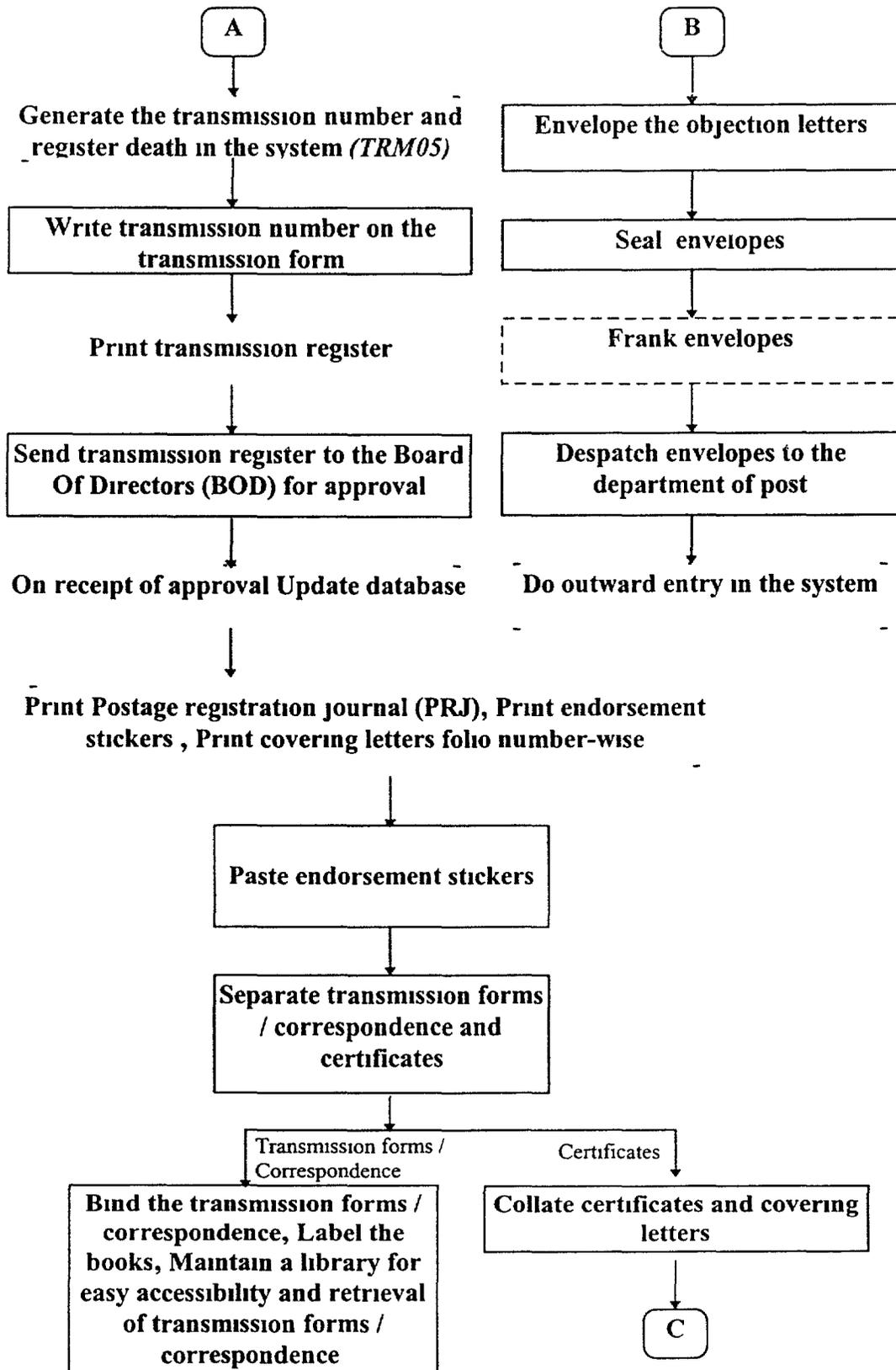
Acknowledged Postage registration journal

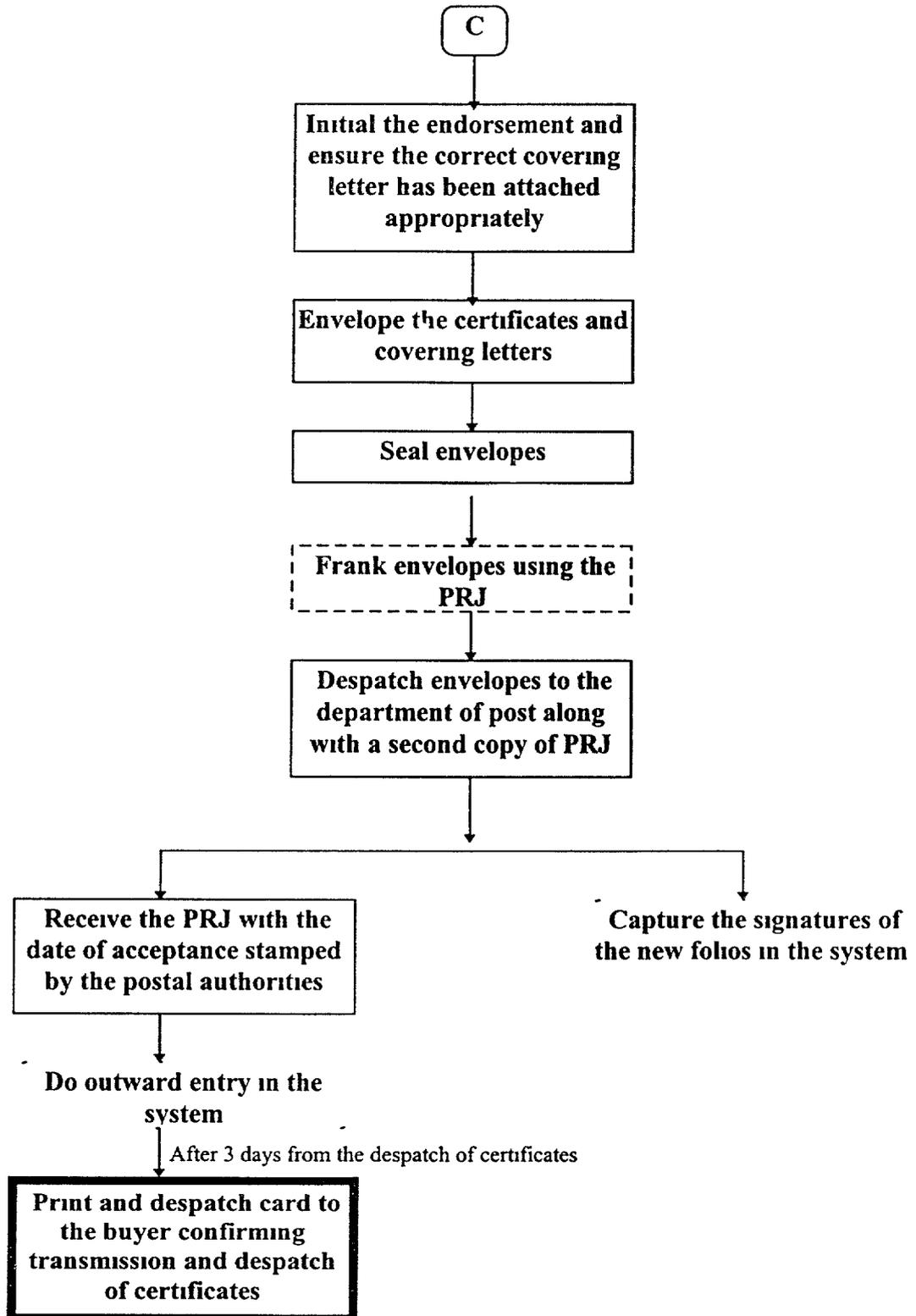
Bound correspondence / Transmission forms

### Flow chart for Transmission Processing



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## References for Transmission Processing

### TRM01 Transmission form

Inward number  
Lodgement date  
Company name  
Folio number  
Name of the deceased holder  
Name of the legal heir  
Certificate numbers  
Distinctive numbers  
Number of shares  
Number of certificates  
Death certificate exists (Y/N)  
Indemnity bond exists (Y/N)  
Affidavit exists (Y/N)  
Succession certificate *or* Probate of will *or* Letter of administration exists (Y/N)

### TRM02 Primary scrutiny

Ensure the presence and validity of  
Death certificate  
Indemnity bond  
Affidavit  
Succession certificate *or* Probate of will *or* Letter of administration

### TRM03 Data entry

Inward number  
Name of the deceased holder  
Name of the legal heir  
Name of the surviving joint holder  
Address of the new first holder  
Certificate number  
Distinctive number  
Death certificate exists (Y/N)  
Death certificate valid (Y/N)  
Indemnity bond exists (Y/N)  
Indemnity bond valid (Y/N)  
Affidavit exists (Y/N)  
Affidavit valid (Y/N)  
Succession certificate *or* Probate of will *or* Letter of administration exists (Y/N)  
Succession certificate *or* Probate of will *or* Letter of administration valid (Y/N)

**TRM04 Intimate the investor**

This includes preparing letter, enveloping, sealing, franking, dispatching and doing outward entry in the system

**TRM05 Register death in the system**

Register the death certificate in the system, generate a registration number and intimate the number to the legal heirs for future references. This enables retrieval (and validation) of death certificate details for same investor holding investment in different companies handled by the R&T

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TRANSPOSITION

## TRANSPOSITION

### Activity Description

Transposition is the process of changing the order of the name of the joint holders in the records of company. Transposition of name requires the holders to send a request duly signed by all the joint holders along with the share certificate(s).

Currently the average time taken to complete this activity ranges between 15 to 30 days.

### Process Overview

- Receive correspondence from the inward department
- Fill transposition form
- Do data entry
- Generate edit checklist and error list
- Verify and write corrections / error codes on the edit checklist
- Verify signatures of all holders
- Make changes into the system
- Segregate into clear and objection cases
- Do folio search
- Generate and register the transposition number
- Print the transposition register
- Send transposition register for board approval
- On receipt of approval update the database
- Print Bulk postage registration journal, endorsement stickers and covering letters
- Paste the endorsement stickers
- Separate transposition forms / correspondence from the certificates
- Collate the certificates and covering letters
- Initial the endorsement
- Envelope the certificates and covering letters
- Seal, frank and despatch the envelopes
- Print and despatch card to investor as advance intimation

For detailed procedure refer flow chart

### Benchmark Service Standards

It was observed that volumes being low, this activity is generally not processed as a separate stream. A benchmark standard of 3 days is recommended. However, RTAs must ensure that all requests received prior to the due date of a corporate action are processed by that due date.

### Steps that can be eliminated

- Board of directors (BOD) approval can be eliminated

**Recommendations**

- Fill a standardised transposition form to make the process easier
- A Card should be sent to the investor informing despatch of certificates

**Input documents**

Correspondence

Certificates

**Output documents**

Transposition form

Edit list

Error list

Objection letter

Objection register

Transposition register

Endorsement sticker

Covering letter

Postage registration journal

Post card

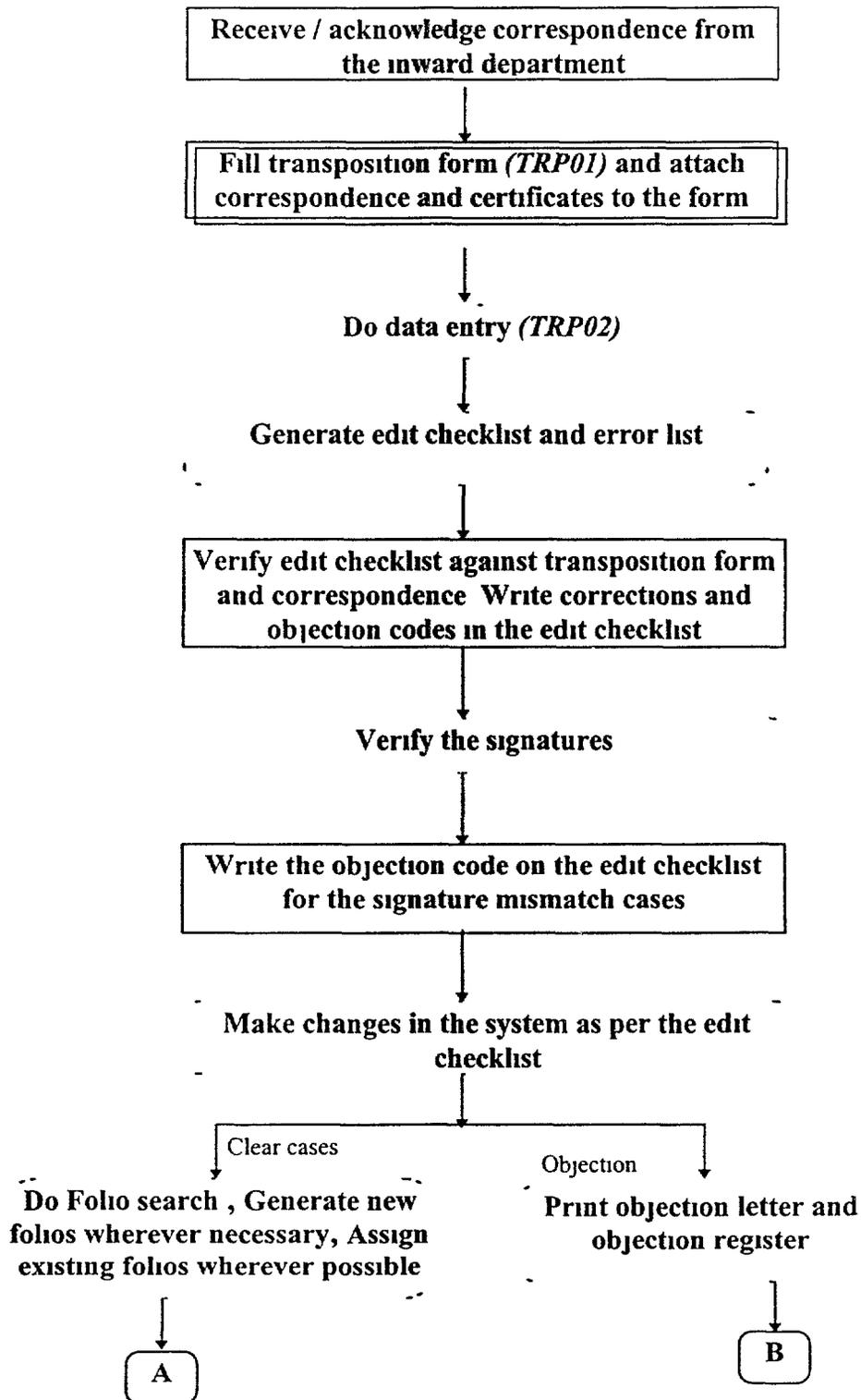
**Registers to be maintained**

Transposition register

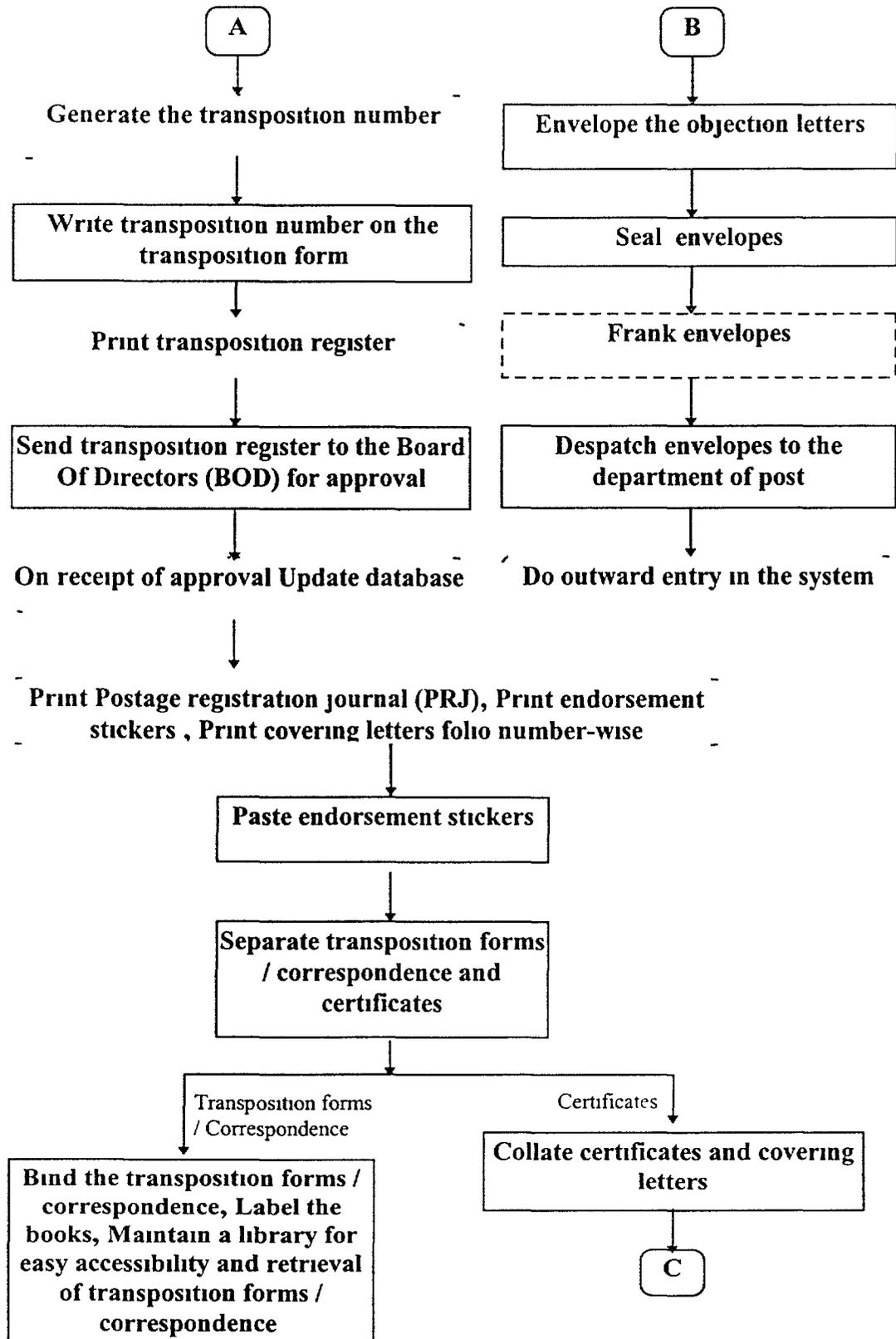
Acknowledged Postage registration journal

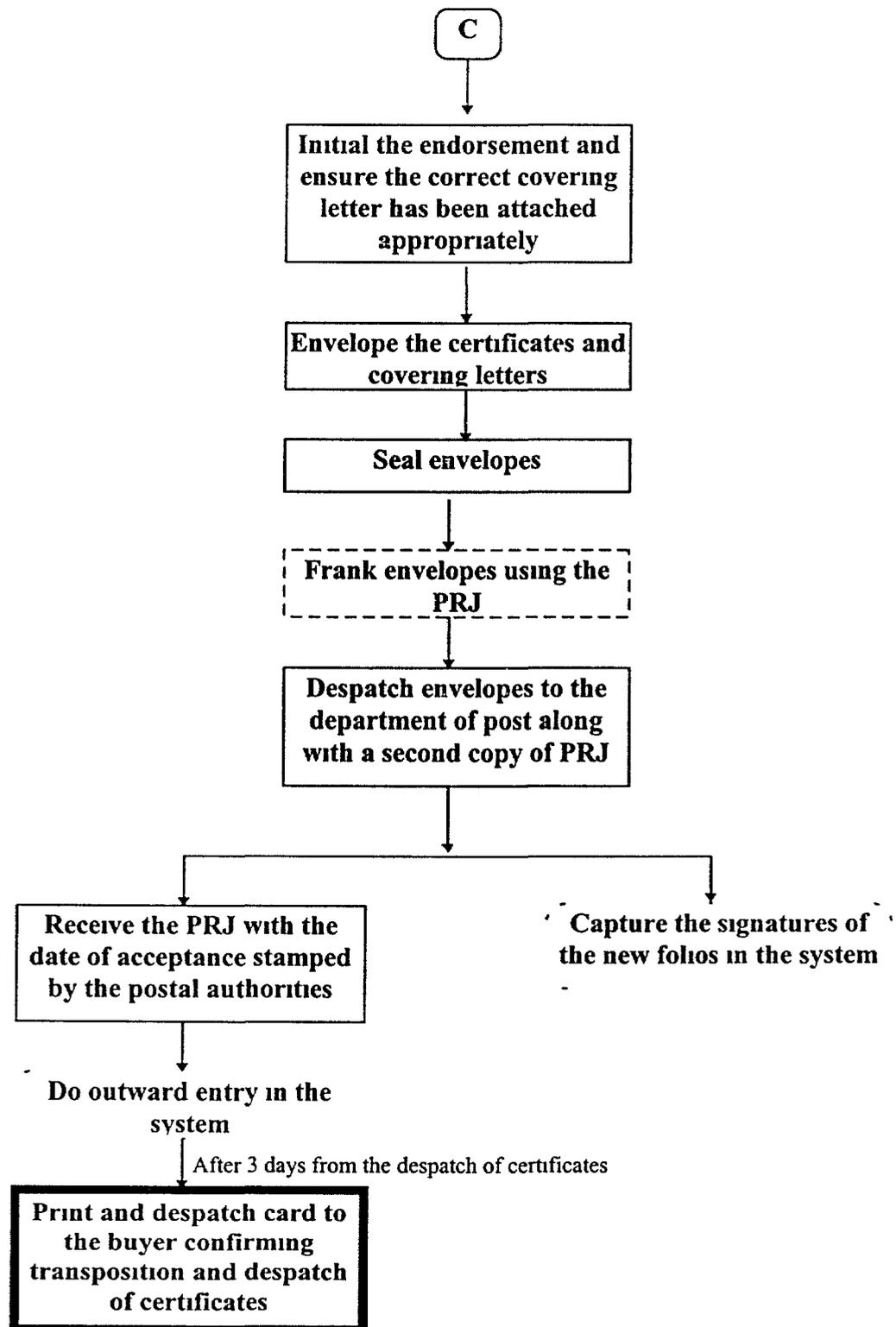
Bound correspondence / Transposition forms

### Flow chart for Transposition processing



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## References for Transposition processing

### TRP01 Transposition form

Inward number  
Lodgement date  
Company name  
Folio number  
Names of the holders in the new order  
Certificate numbers  
Distinctive numbers  
Number of shares  
Number of certificates

### TRP02 Data entry

Inward number  
Names of the holders in the new order  
Certificate number  
Distinctive number

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CHANGE OF ADDRESS

## CHANGE OF ADDRESS

### Activity Description

When a share holder changes his/her address and intimates the change to the company through a duly signed letter along with the share certificate(s) (not mandatory unless address of the shares holder is also printed in the certificate), then the address of the holder is changed accordingly in the records of the company

Currently the average time taken to complete this activity ranges between 3 to 7 days

### Process Overview

- Receive correspondence from the inward department
- Verify signatures
- Segregate into clear and objection cases
- Do data entry
- Generate the change of address number
- Generate edit checklist and error list
- Verify and write corrections / error codes on the edit checklist
- Make changes into the system
- Print the change of address register
- Update the database
- Print and despatch card to the buyer confirming change of address

For detailed procedure refer flow chart

### Benchmark Service Standards

For normal volumes a benchmark standard of 4 days and for peak volumes 7 days are recommended. In addition, RTA must ensure that all requests received prior to a corporate action must be processed before such corporate action is due

### Steps that can be eliminated

- No steps in this activity can be eliminated

### Recommendations

- Activities such as data entry and signature verification should be done lot number-wise and not folio number-wise
- Check for undelivered mails against the folio and if any despatch them to the new address

### Input documents

Correspondence with or without certificates

**Output documents**

Edit list

Objection letter

Objection register

Change of address register

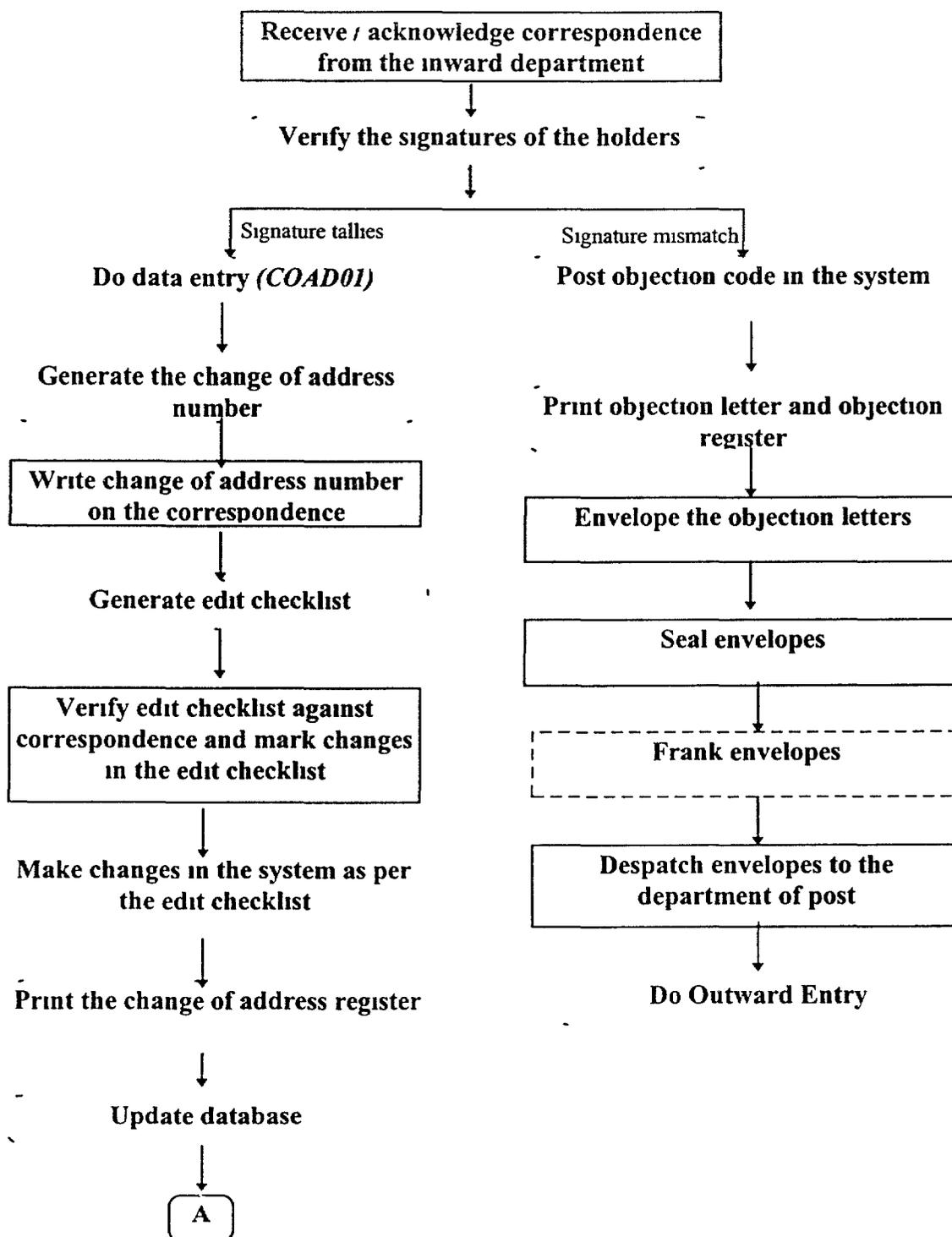
Post card

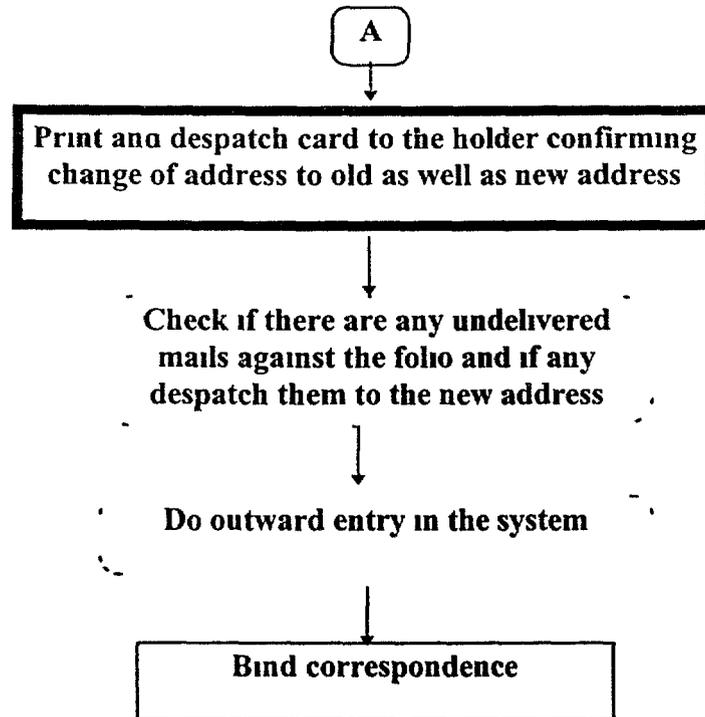
**Registers to be maintained**

Change of address register

Bound correspondence

### Flow chart for Change of Address





## References for Change of Address

### COAD01 Data entry

On entry of lot number, enter address details inward number-wise

AMALGAMATION

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## AMALGAMATION OF FOLIOS

### Activity Description

Amalgamation of folios is the process of consolidating two or more folios of the same holder into one single folio. Amalgamation of folios requires the holder to send a request with share certificate(s) of all folios.

Currently the average time taken to complete this activity ranges between 15 to 30 days.

### Process Overview

- Receive correspondence from the inward department
- Scrutinise the enclosures
- Segregate into clear and objection cases
- Fill amalgamation form
- Do data entry
- Generate the amalgamation number
- Print the amalgamation register
- Send folio amalgamation register for board approval
- On receipt of approval update the database
- Print Bulk postage registration journal, endorsement stickers and covering letters
- Paste the endorsement stickers
- Separate amalgamation forms / correspondence from the certificates
- Collate the certificates and covering letters
- Initial the endorsement
- Envelope the certificates and covering letters
- Seal, frank and despatch the envelopes
- Print and despatch card to investor as advance intimation

For detailed procedure refer flow chart

### Benchmark Service Standards

It was observed that volumes being low, this activity is generally not processed as a separate stream. A benchmark standard of 3 days is recommended. However, RTAs must ensure that all requests received prior to the due date of a corporate action are processed by that due date.

### Steps that can be eliminated

- Board of directors (BOD) approval can be eliminated

### Recommendations

- Fill a standardised amalgamation form to make the process easier
- A Card should be sent to the investor informing despatch of certificates

**Input documents**

Correspondence  
Certificates

**Output documents**

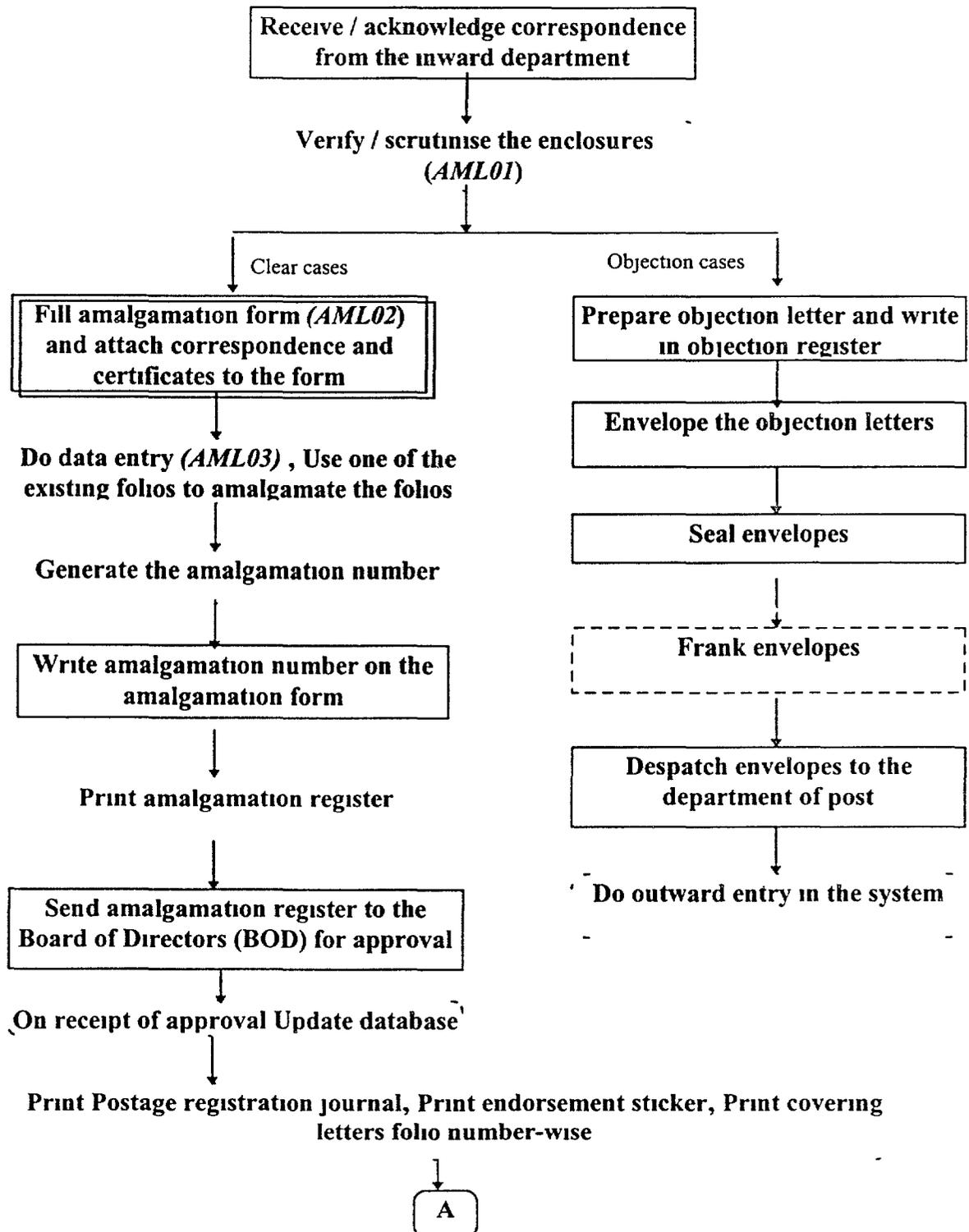
Amalgamation form  
Edit list  
Error list  
Objection letter  
Objection register  
Amalgamation register  
Endorsement sticker  
Covering letter  
Postage registration journal  
Post card

**Registers to be maintained**

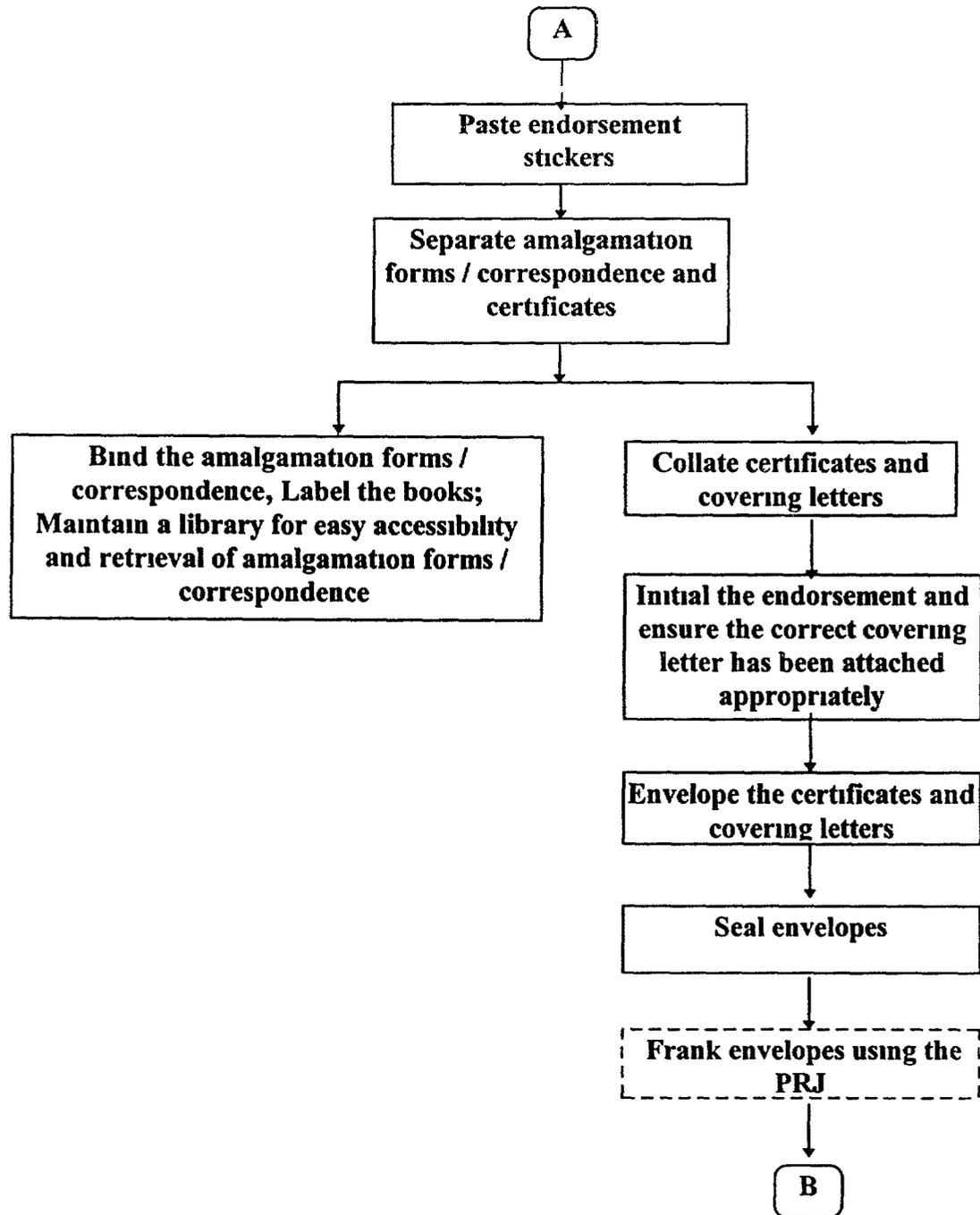
Amalgamation register  
Acknowledged Postage registration journal  
Bound correspondence / Amalgamation forms

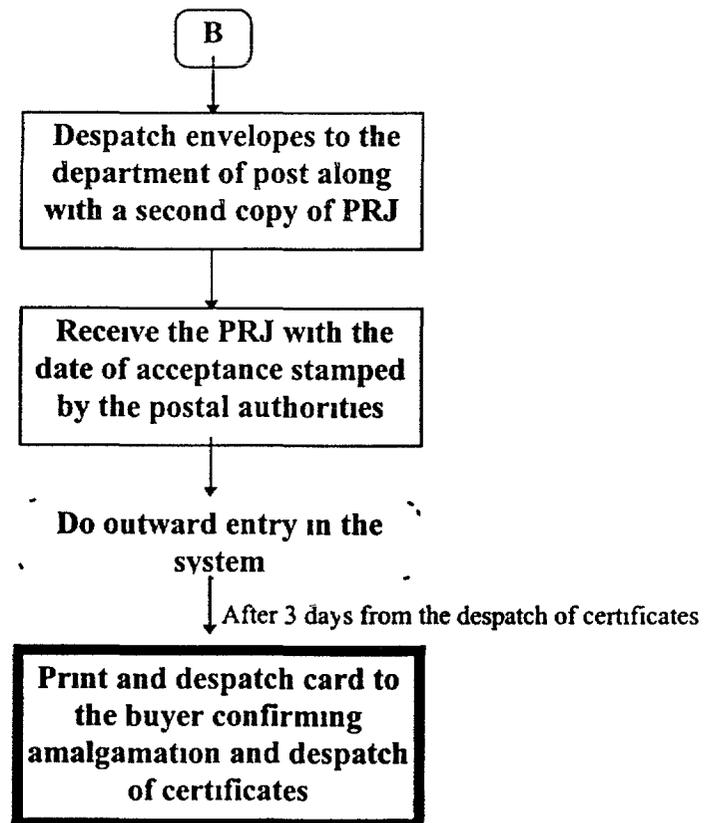
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### Flow chart for Amalgamation of Folios



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## References for Amalgamation of Folios

### AML01 Scrutinise the enclosures

Use an 'Enquiry' module to ensure that

- 1 all certificates within the folios required to be amalgamated are received
- 2 there is no stop transfer against any of the certificates
- 3 the names of the holders, the order of the names, address of the holders and the signatures of all the holders are the same in all the folios

### AML02 Amalgamation form

Inward number

Lodgement date

Company name

Folio numbers for amalgamation

Certificate numbers pertaining to each folio

Distinctive numbers

Amalgamated folio number (this is filled later)

### AML03 Data entry

Inward number

Folio numbers for amalgamation

Certificate numbers pertaining to each folio

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CHANGE OF NAME

## CHANGE OF NAME

### Activity Description

When a share holder changes his/her name and intimates the change to the company through a duly signed letter along with school leaving certificate or marriage certificate or gazette or certificate of incorporation/memorandum and articles of association (in case of company) and share certificate(s), then the name of the holder is changed accordingly in the records of the company

Change of name may be due to one of the following reasons

- Marriage
- Minor becoming major
- Gazette notification
- Amalgamations / Mergers / Acquisition of companies
- Other statutory changes for legal activities

Currently the average time taken to complete this activity ranges between 2 to 3 days

### Process Overview

- Receive correspondence from the inward department
- Do scrutiny of enclosures
- Segregate into complete and incomplete cases
- Verify signatures
- Segregate into clear and objection cases
- Fill change of name form
- Do data entry
- Generate edit checklist and error list
- Verify and write corrections / error codes on the edit checklist
- Make changes into the system
- Generate the change of name number
- Print the change of name register
- Send change of name register for board approval
- On receipt of approval update the database
- Print Bulk postage registration journal , endorsement stickers and covering letters
- Paste the endorsement stickers
- Separate change of name forms / correspondence from the certificates
- Collate the certificates and covering letters
- Initial the endorsement
- Envelope the certificates and covering letters
- Seal, frank and despatch the envelopes
- Print and despatch card to investor as advance intimation

For detailed procedure refer flow chart

### **Benchmark Service Standards**

It was observed that volumes being low, this activity is generally not processed as a separate stream. A benchmark standard of 3 days is recommended. However, RTAs must ensure that all requests received prior to the due date of a corporate action are processed by that due date.

### **Steps that can be eliminated**

- Board of directors (BOD) approval can be eliminated

### **Recommendations**

- A Card should be sent to the investor informing despatch of certificates

### **Input documents**

Correspondence (In case of minor to major, signature of the holder (i.e. minor) certified by the guardian per records or bank manager)

School leaving certificate or marriage certificate or gazette or certificate of incorporation/memorandum and articles of association (in case of company)

Certificates

Statutory approvals if any

### **Output documents**

Change of name form

Edit list

Objection letter

Objection register

Change of name register

Endorsement sticker

Covering letter

Postage registration journal

Post card

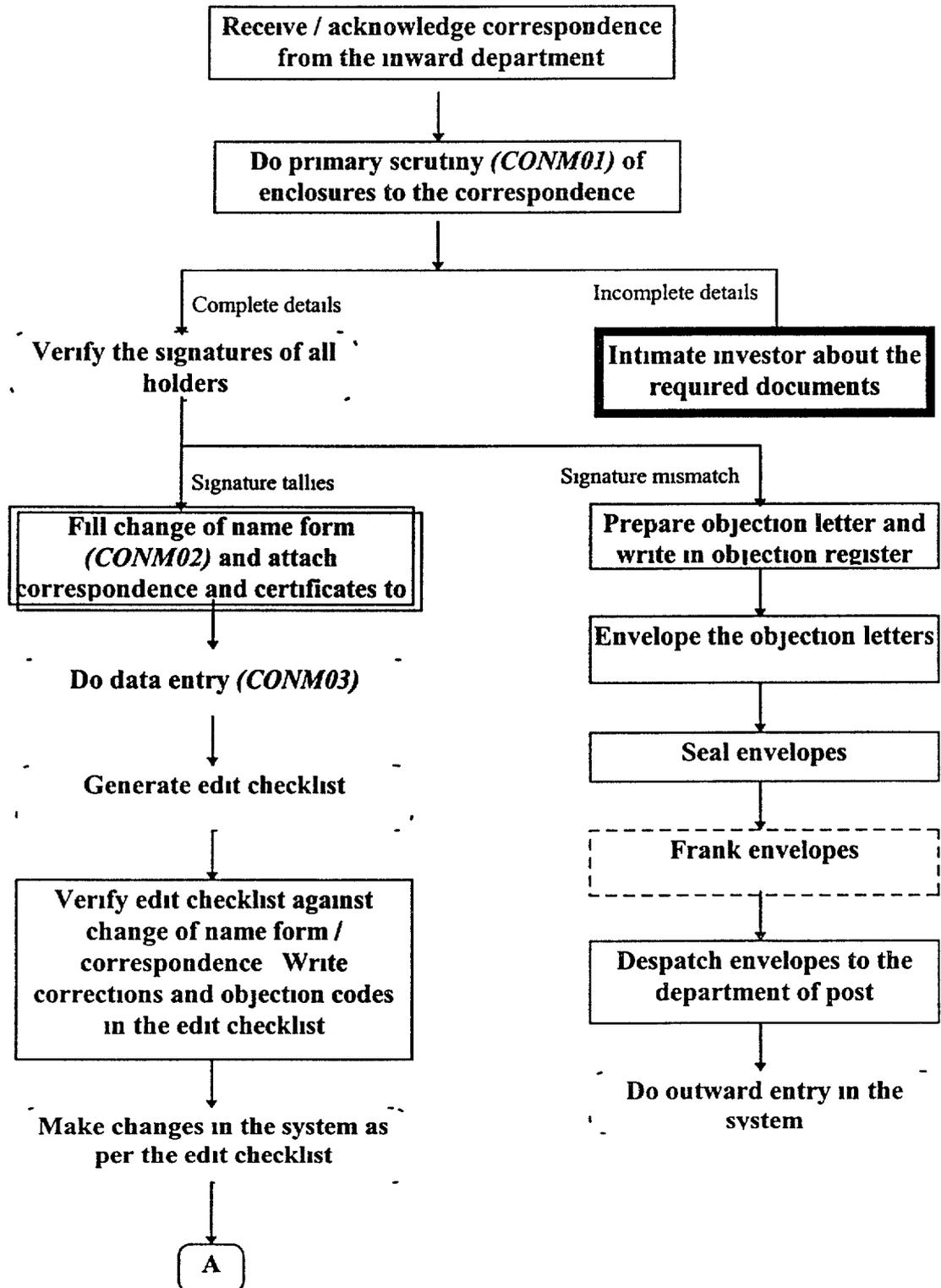
### **Registers to be maintained**

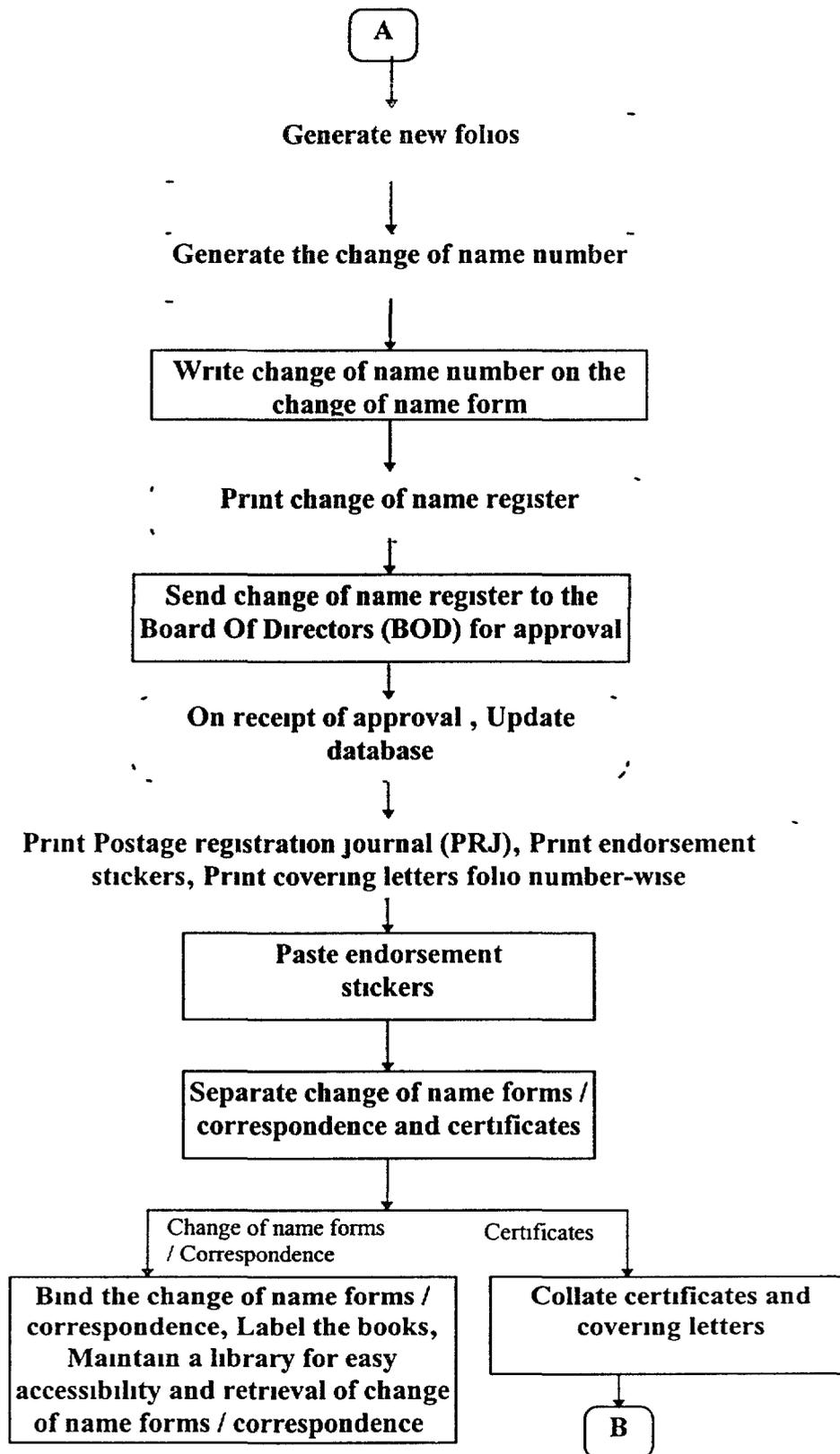
Change of name register

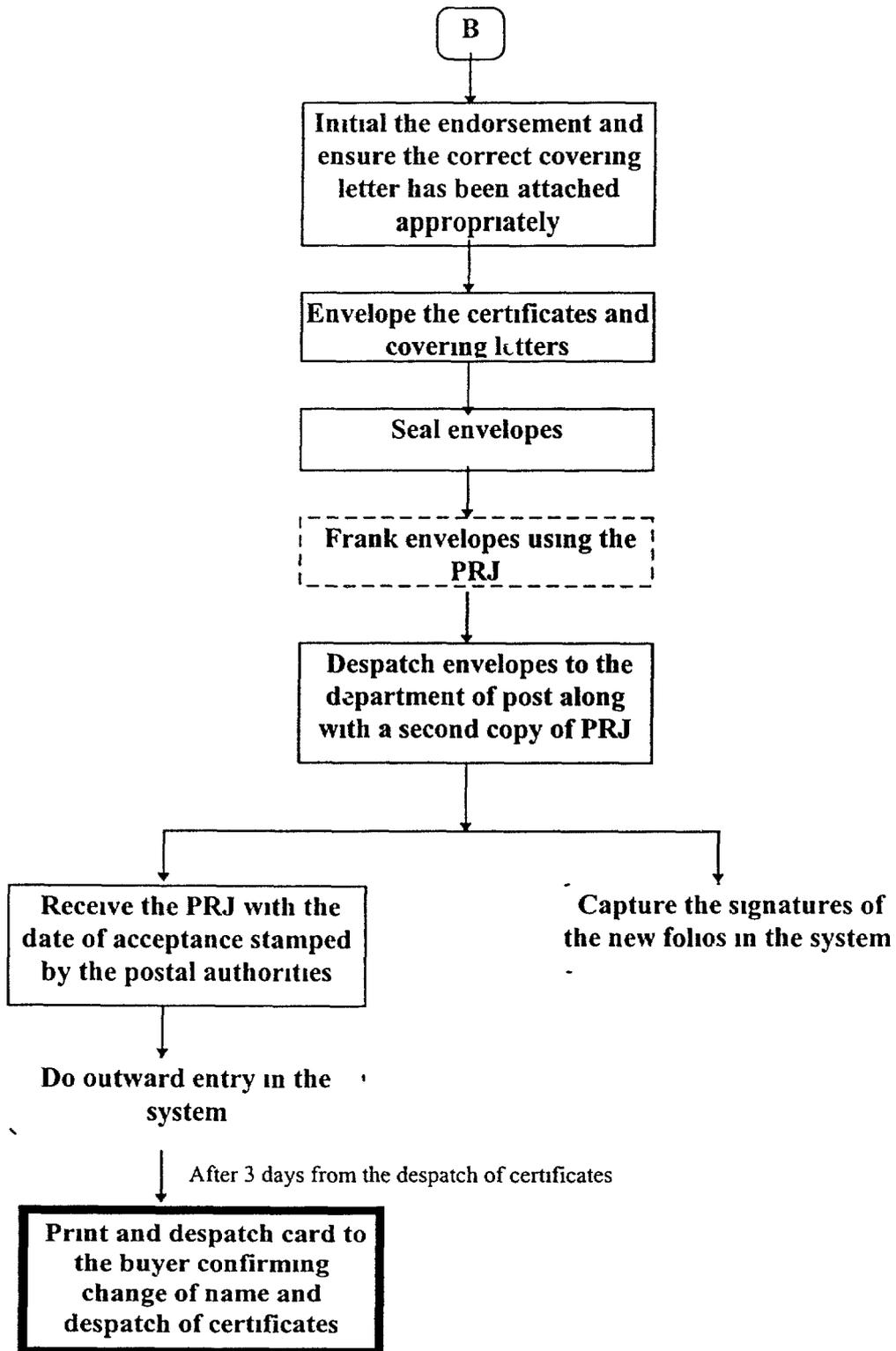
Acknowledged Postage registration journal

Bound correspondence / Change of name forms

**Flow chart for Change of Name**







## References for Change of Name

### CONM01 Primary scrutiny

Ensure the presence and validity of any one of the following

- 1 Signature of the holder is certified by guardian as per the records or by a bank manager
- 2 School leaving certificates in case of minor
- 3 Marriage certificate in case of change of name due to marriage
- 4 Gazette
- 5 Certificate of incorporation/memorandum and articles of association in case of company
- 6 Trust deed / Partnership agreements

### CONM02 Change of name form

Inward number

Lodgement date

Company name

Folio number

New name

One of the following documents exists (Y/N)

- 1 School leaving certificates in case of minor
- 2 Marriage certificate in case of change of name due to marriage
- 3 Gazette
- 4 Certificate of incorporation/memorandum and articles of association in case of company
- 5 Trust deed / Partnership agreements

### CONM03 Data entry

Inward number

New name of the investor

CONSOLIDATION

## CONSOLIDATION OF CERTIFICATES

### Activity Description

Consolidation of certificates is the process of combining number of certificates into one certificate. Consolidation of certificates requires the holders to send a request along with all share certificate(s) of that folio.

Currently the average time taken to complete this activity ranges between 15 to 30 days.

### Process Overview

- Receive correspondence from the inward department
- Do primary scrutiny of enclosures
- Segregate into clear and objection cases
- Fill consolidation form
- Do data entry
- Generate the consolidation number
- Print the consolidation register
- Send consolidation register for board approval
- On receipt of approval update the database
- Print Bulk postage registration journal, new certificates and covering letters
- Affix stamps on the new certificates
- Affix company seal and initial the certificates
- Collate the certificates and covering letters
- Envelope the certificates and covering letters
- Seal, frank and despatch the envelopes
- Print and despatch card to investor as advance intimation
- Intimate stock exchange (s) of the new certificate numbers

For detailed procedure refer flow chart

### Benchmark Service Standards

As a standalone activity this can be processed in 8 days. However, it was observed that volumes being not very high, this activity gets processed along with a few other activities. We therefore suggest that the activity should be completed in 16 days for all normal volumes and within 30 days for peak volumes.

### Steps that can be eliminated

- Board of directors (BOD) approval can be eliminated

### Recommendations

- Fill a standardised consolidation form to make the process easier
- A Card should be sent to the investor informing despatch of certificates

**Input documents**

Correspondence  
Certificates

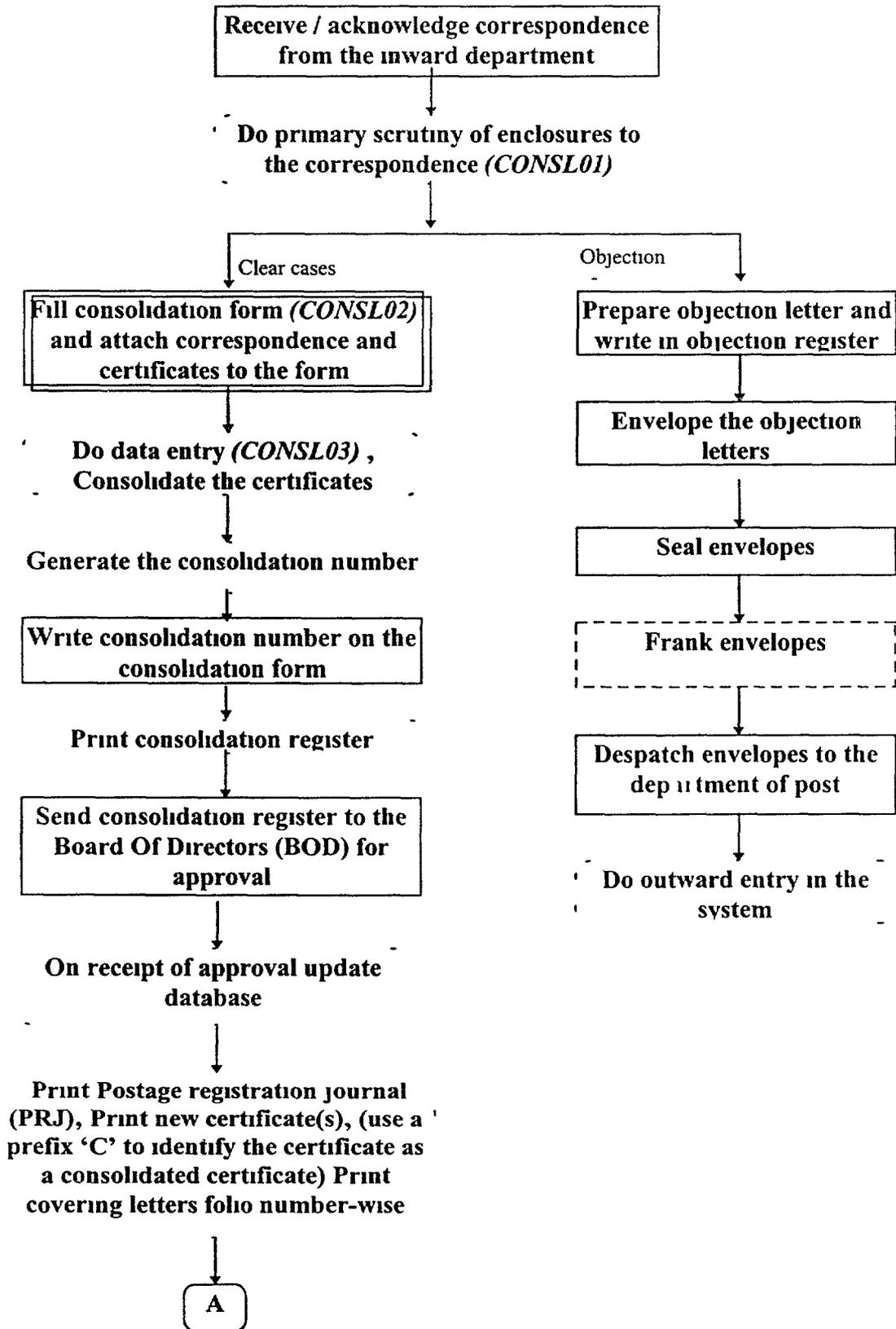
**Output documents**

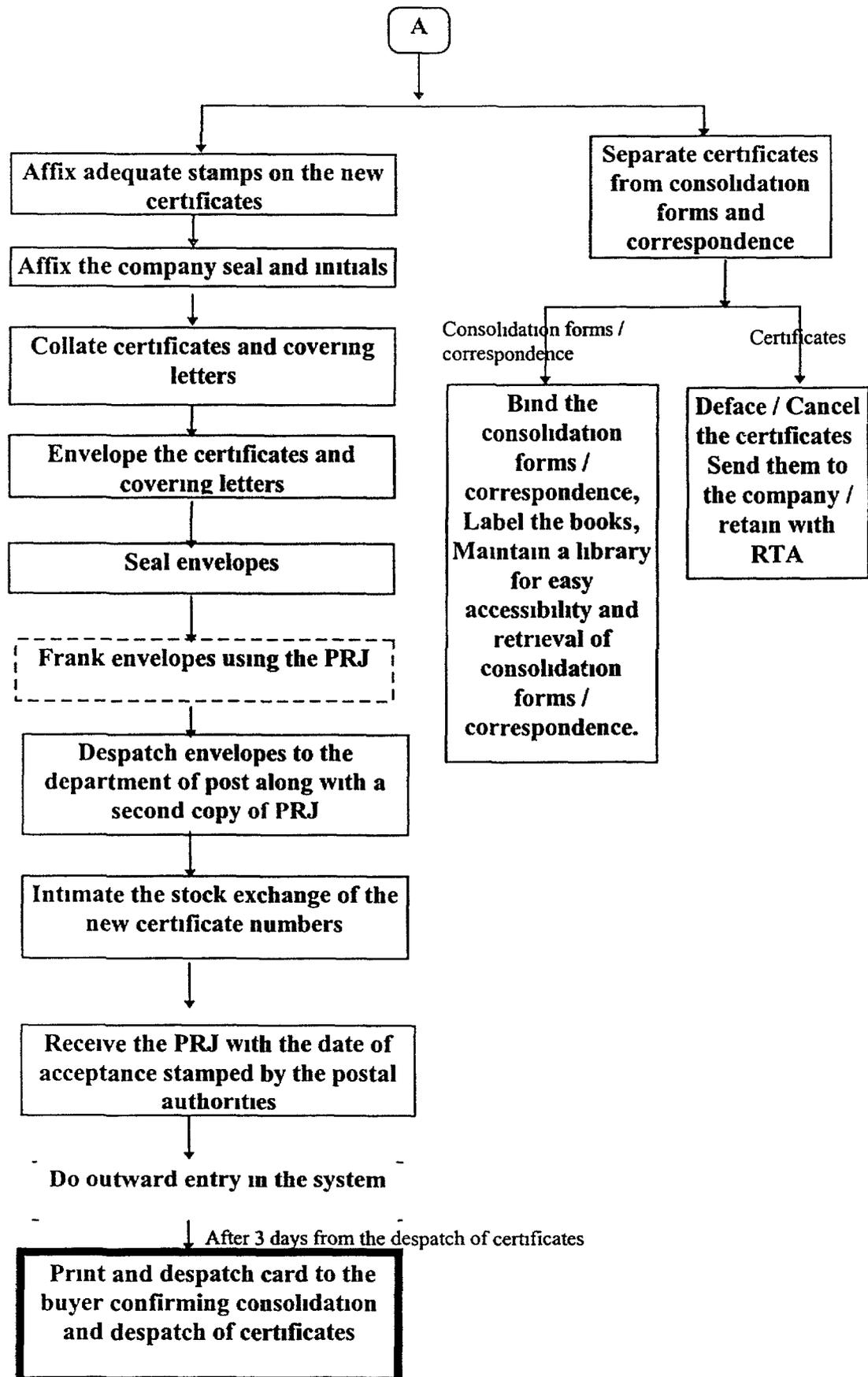
Consolidation form  
Objection letter  
Objection register  
Consolidation register  
Certificates  
Covering letter  
Postage registration journal  
Post card

**Registers to be maintained**

Consolidation register  
Acknowledged Postage registration journal  
Bound correspondence / Consolidation forms

### Flow chart for Consolidation of Certificates





## **References for Consolidation of Certificates**

### **CONSL01 Primary Scrutiny**

Use an 'Enquiry' module to ensure that

- 1 all certificates belong to a common folio
- 2 there is no stop transfer against any of the certificates
- 3 all the certificates received are adding up to the minimum marketable-lot

### **CONSL02 Consolidation form**

Inward number

Lodgement date

Company name

Folio number

Certificate numbers to be consolidated

Distinctive numbers

New certificate number (this is filled later)

### **CONSL03 Data entry**

Inward number

Folio number

Certificate numbers to be consolidated

CHANGE OF SIGNATURE

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## CHANGE OF SIGNATURE

### Activity Description

Whenever the signature of a shareholder changes due to any reason and such change is intimated to the company through a letter along with the bank attested signature and share certificate(s), then such changes are incorporated in the records of the company

Currently the average time taken to complete this activity ranges between 2 to 3 days

### Process Overview

- Receive correspondence from the inward department
- Do scrutiny of enclosures
- Segregate into clear and objection cases
- Verify signatures
- Scan new signatures
- Print and despatch card to the investor confirming change of signature

For detailed procedure refer flow chart

### Benchmark Service Standards

It was observed that volumes being low, this activity is generally not processed as a separate stream. A benchmark standard of 3 days is recommended

### Recommendations

- Scanning of signature should be compulsory in order to make this step system driven

### Input documents

Correspondence

Affidavit/Medical Certificate from a Civil Surgeon/Marriage Certificate/Minor to Major changes with a copy of birth certificate/fresh POA

Signature and attestation from the banker

Resolution copy in case of corporate entity

### Output documents

Objection letter

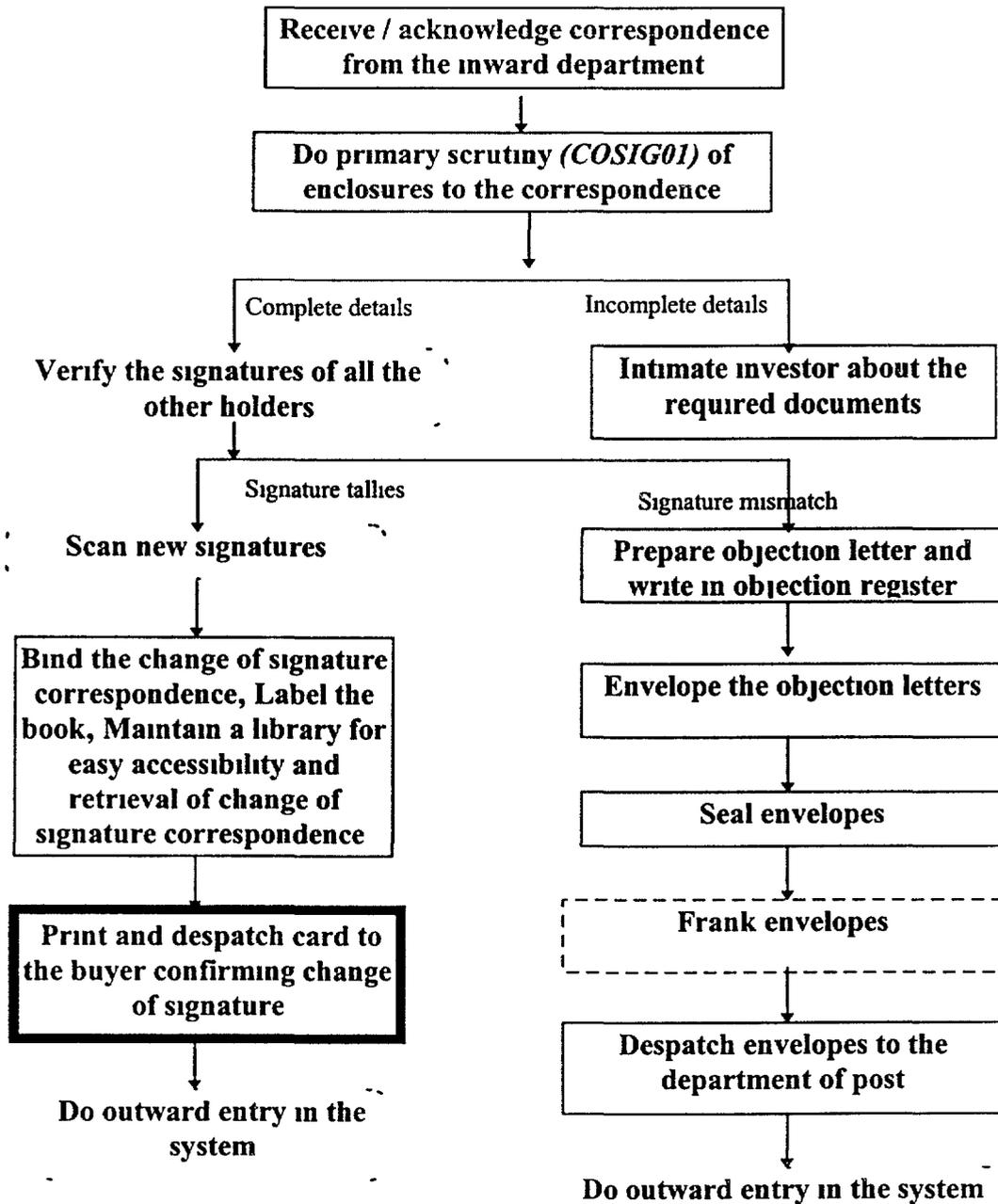
Objection register

Post card

### Registers to be maintained

Bound correspondence

### Flow chart for Change of Signature



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## References for Change of Signature

### COSIG01 Primary scrutiny

Ensure the presence and validity of

- 1 Affidavit
- 2 Signature and attestation from the banker
- 3 Resolution copy for change of signature of a corporate entity

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DELETION

## DELETION OF NAME

### Activity Description

Deletion is the process of deleting the name of the deceased holder from the records of company and transferring the share certificate(s) in the name of the surviving joint holders. Deletion of name of any of the deceased holder requires the surviving holders to send a request with a duly executed death certificate and share certificate(s).

Currently the average time taken to complete this activity ranges between 15 to 30 days.

### Process Overview

- Receive correspondence from the inward department
- Fill deletion form
- Do primary scrutiny
- Do data entry
- Generate edit checklist and error list
- Segregate into complete and incomplete cases
- Verify and write corrections / error codes on the edit checklist
- Verify signatures
- Make changes into the system
- Segregate into clear and objection cases
- Do folio search
- Generate and register the deletion number
- Print the deletion register
- Send deletion register for board approval
- On receipt of approval update the database
- Print Bulk postage registration journal, endorsement stickers and covering letters
- Paste the endorsement stickers
- Separate deletion forms / correspondence from the certificates
- Collate the certificates and covering letters
- Initial the endorsement
- Envelope the certificates and covering letters
- Seal, frank and despatch the envelopes
- Print and despatch card to investor as advance intimation

For detailed procedure refer flow chart

### Benchmark Service Standards

It was observed that volumes being low, the activity is not processed as a separate stream. A benchmark service standard of 6 days is recommended.

### Steps that can be eliminated

- Board of directors (BOD) approval can be eliminated

**Recommendations**

- Fill a standardised deletion form to make the process easier
- In case of incomplete documents received from the investor retain the certificates while intimating to the investor about the required documents to process the case. However, RTA and the company should acknowledge the risk involved and should take proper control measures to contain any losses
- A Card should be sent to the investor informing despatch of certificates

**Input documents**

Correspondence  
Certificates  
Death certificate

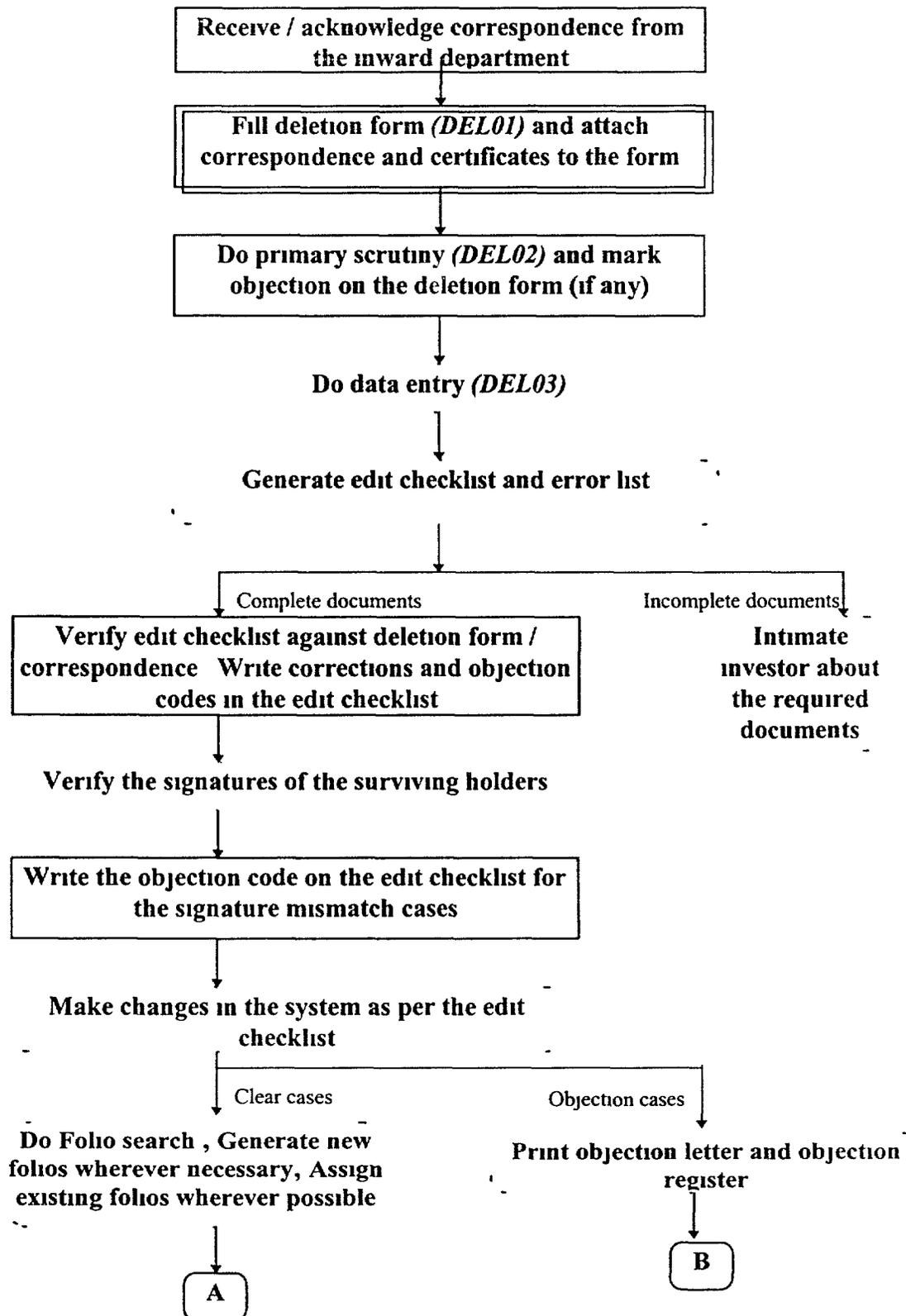
**Output documents**

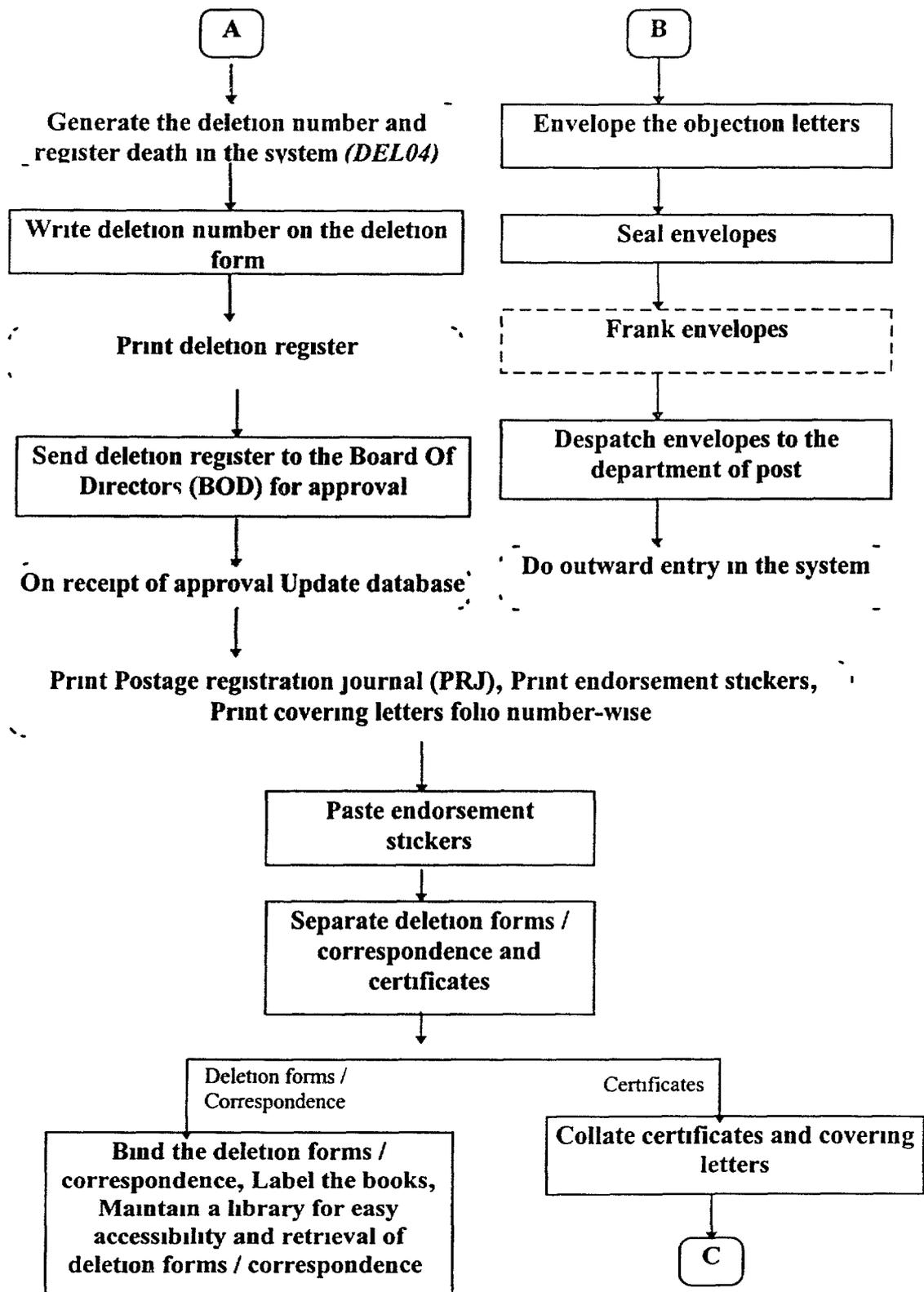
Deletion form  
Edit list  
Error list  
Objection letter  
Objection register  
Deletion register  
Endorsement sticker  
Covering letter  
Postage registration journal  
Post card

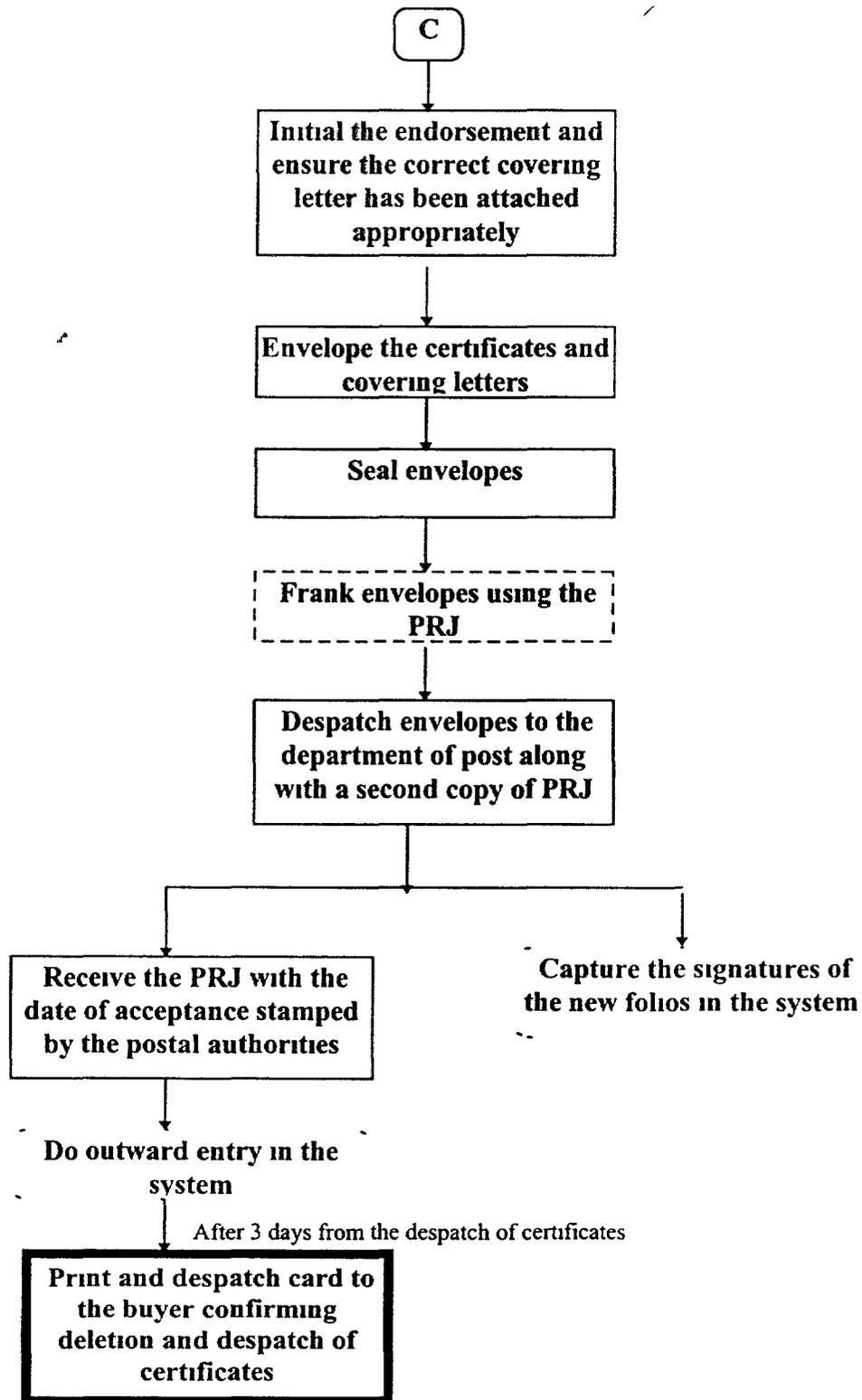
**Registers to be maintained**

Deletion register  
Acknowledged Postage registration journal  
Bound correspondence / Deletion forms

### Flow chart for Deletion







## References for Deletion

### DEL01 Deletion form

Inward number  
Lodgement date  
Company name  
Folio number  
Name of the deceased holder  
Name of the surviving joint holder  
Certificate number  
Distinctive number  
Number of shares  
Number of certificates  
Death certificate exists (Y/N)

### DEL02 Primary scrutiny

Ensure the presence and validity of death certificate

### DEL03 Data entry

Inward number  
Name of the deceased holder  
Name of the surviving joint holder  
Address of the new first surviving holder  
Certificate number  
Distinctive number  
Death certificate exists (Y/N)  
Death certificate valid (Y/N)

### DEL04 Register death in the system

Register the death certificate in the system, generate a registration number and intimate the number to the joint surviving holders for future references. This enables retrieval (and validation) of death certificate details for same investor holding investment in different companies handled by the R&T

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ISSUE OF DUPLICATE CERTIFICATE

## ISSUE OF DUPLICATE CERTIFICATE

### Activity Description

When the share holder reports loss along with the indemnity bond and affidavit asking for the issue of duplicate certificates a duplicate certificate(s) is issued to the owner in lieu of lost or mutilated certificate(s)

The right to obtain duplicate certificate for original which has been lost or become mutilated is conferred by Sec 84(4) and same is issued in accordance with rule 4(3) of the Companies ( Issue of share certificate ) rules, 1960

Currently the average time taken to complete this activity ranges between 2 to 4 months

### Process Overview and Service Standard

	In case of Loss	In case of Mutilation
<ul style="list-style-type: none"> <li>• Receive correspondence from the inward department</li> <li>• Put caution mark against the certification number</li> <li>• Do scrutiny of enclosures</li> <li>• Fill issue of duplicate certificate form</li> <li>• Verify signatures</li> <li>• Intimate the company</li> <li>• Release advertisement in the newspaper</li> </ul>	7 days	5 days
<ul style="list-style-type: none"> <li>• Wait for the stipulated time</li> </ul>	18 days	-
<ul style="list-style-type: none"> <li>• Do data entry</li> <li>• Generate new certificate number</li> <li>• Generate the issue of duplicate certificate number</li> <li>• Print the issue of duplicate certificate register</li> </ul>	3 days	3 days
<ul style="list-style-type: none"> <li>• Send issue of duplicate certificate register for board approval</li> </ul>	5 days	5 days
<ul style="list-style-type: none"> <li>• On receipt of approval update the database</li> <li>• Print Bulk postage registration journal , new certificates and covering letters</li> <li>• Affix stamps on the new certificates</li> <li>• Put the company seal and initial</li> <li>• Collate the certificates and covering letters</li> <li>• Envelope the certificates and covering letters</li> <li>• Seal, frank and despatch the envelopes</li> <li>• Print and despatch card to investor as advance intimation</li> </ul>	7 days	7 days
	After 3 days from the despatch of certificates	After 3 days from the despatch of certificates
	40 days (excluding Inward)	20 days (excluding Inward)

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For detailed procedure refer flow chart

**Steps that can be eliminated**

- Advertisement and cooling periods may be replaced by 2 sureties of suitable value

**Recommendations**

- Weekly release of advertisement
- Stipulated wait period should not exceed 15 days
- A Card should be sent to the investor informing despatch of certificates

**Input documents**

Correspondence

Attested copy of FIR / court order / police complaint

Indemnity bond

Affidavit

Advertisement money or photocopy of advertisement published in the newspaper, if any

Request from irrevocable POA holder, if any

In case of intermediate holder

Proof of purchase (Broker's contract)

Copy of FIR

NOL from seller

**Output documents**

Duplicate form

Objection letter

Objection register

Duplicate issue register

Duplicate certificates

Covering letter

Postage registration journal

Post card

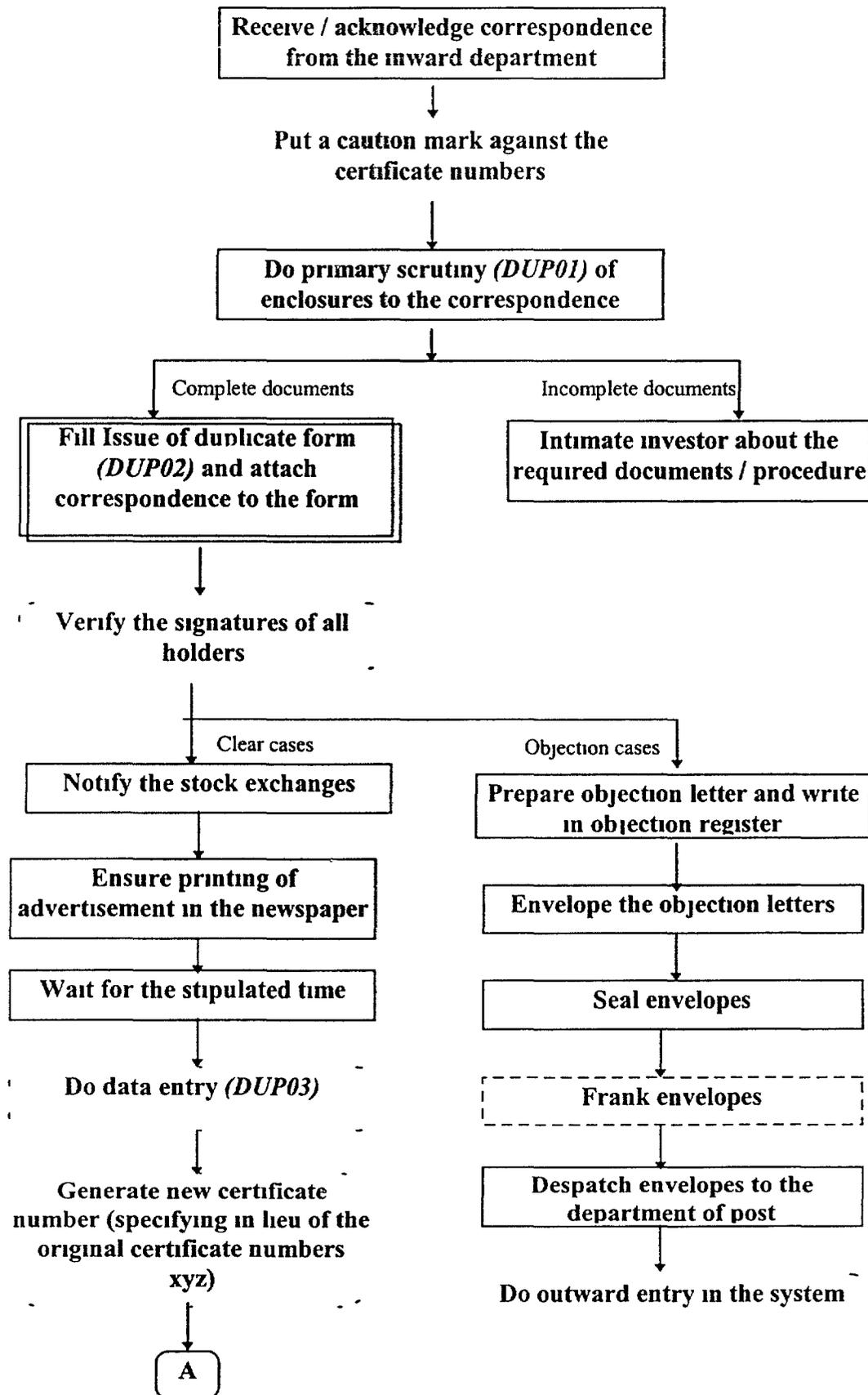
**Registers to be maintained**

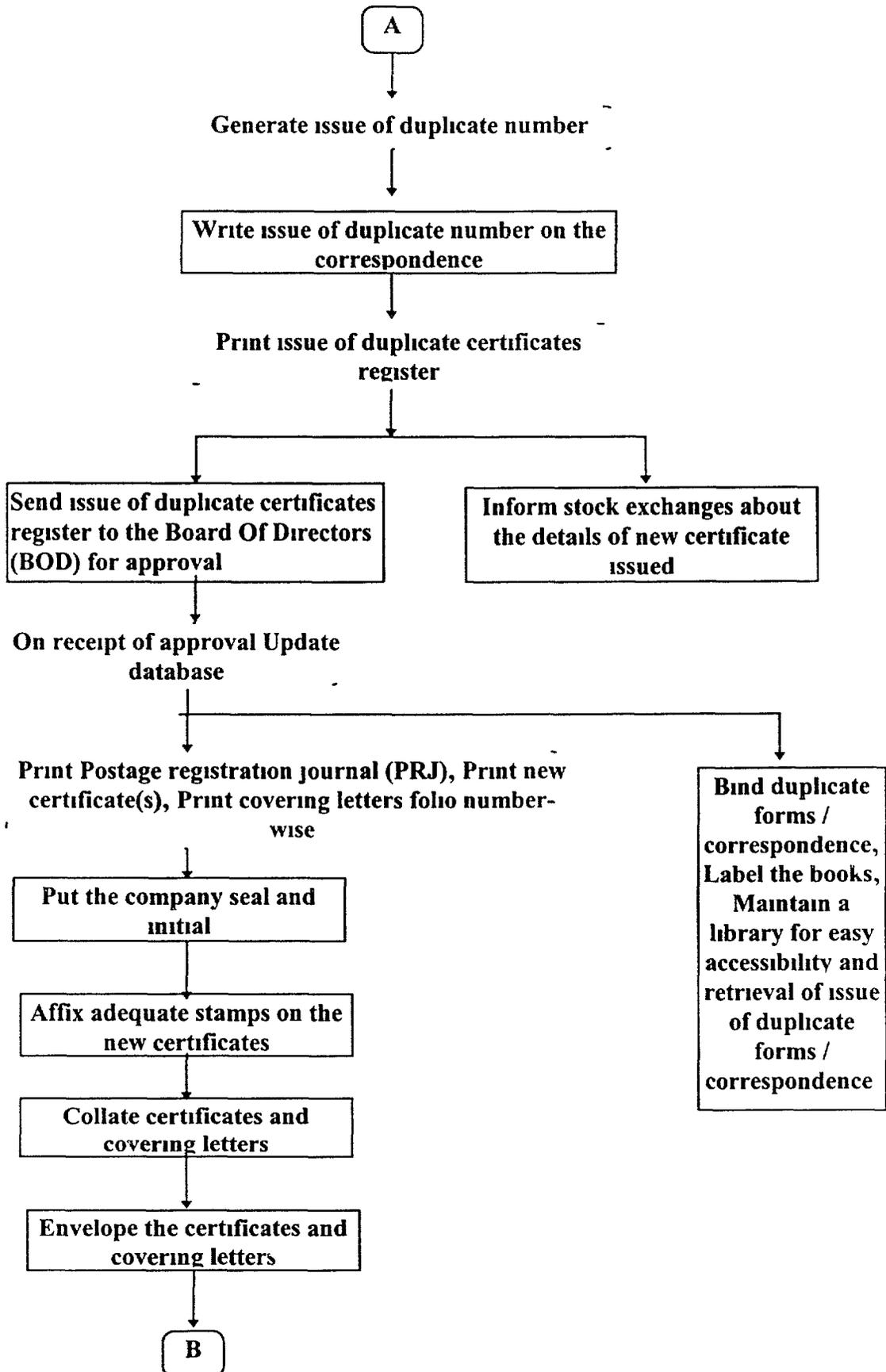
Duplicate issue register

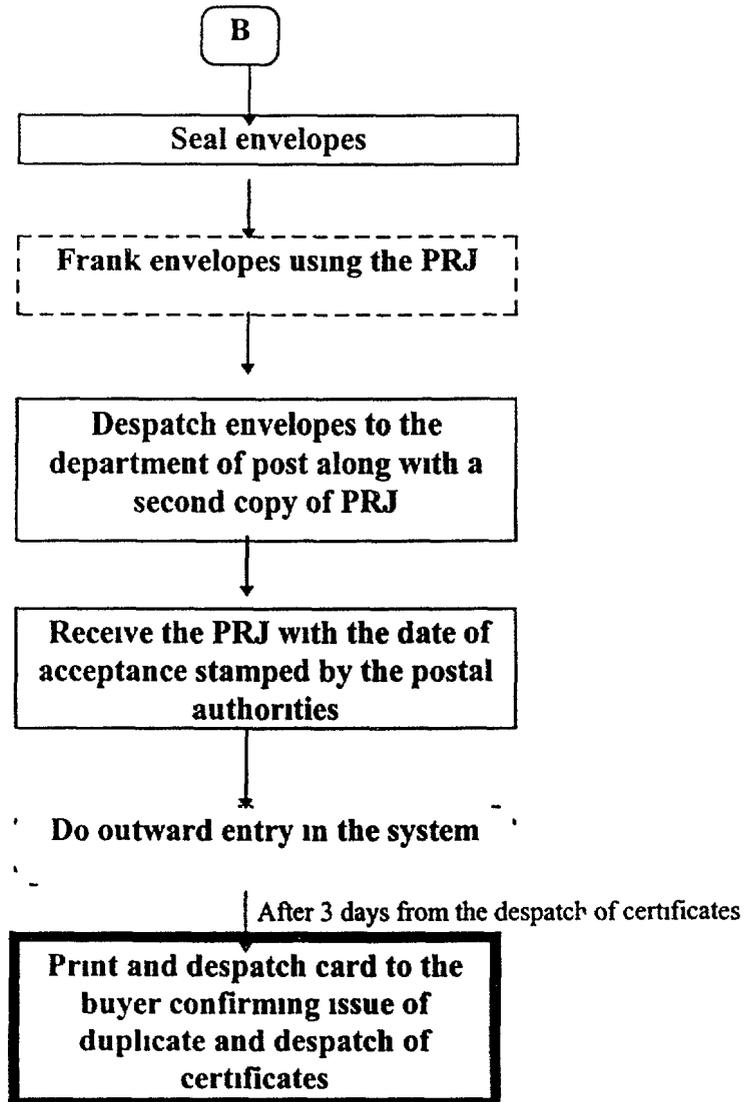
Acknowledged Postage registration journal

Bound correspondence / Duplicate issue forms

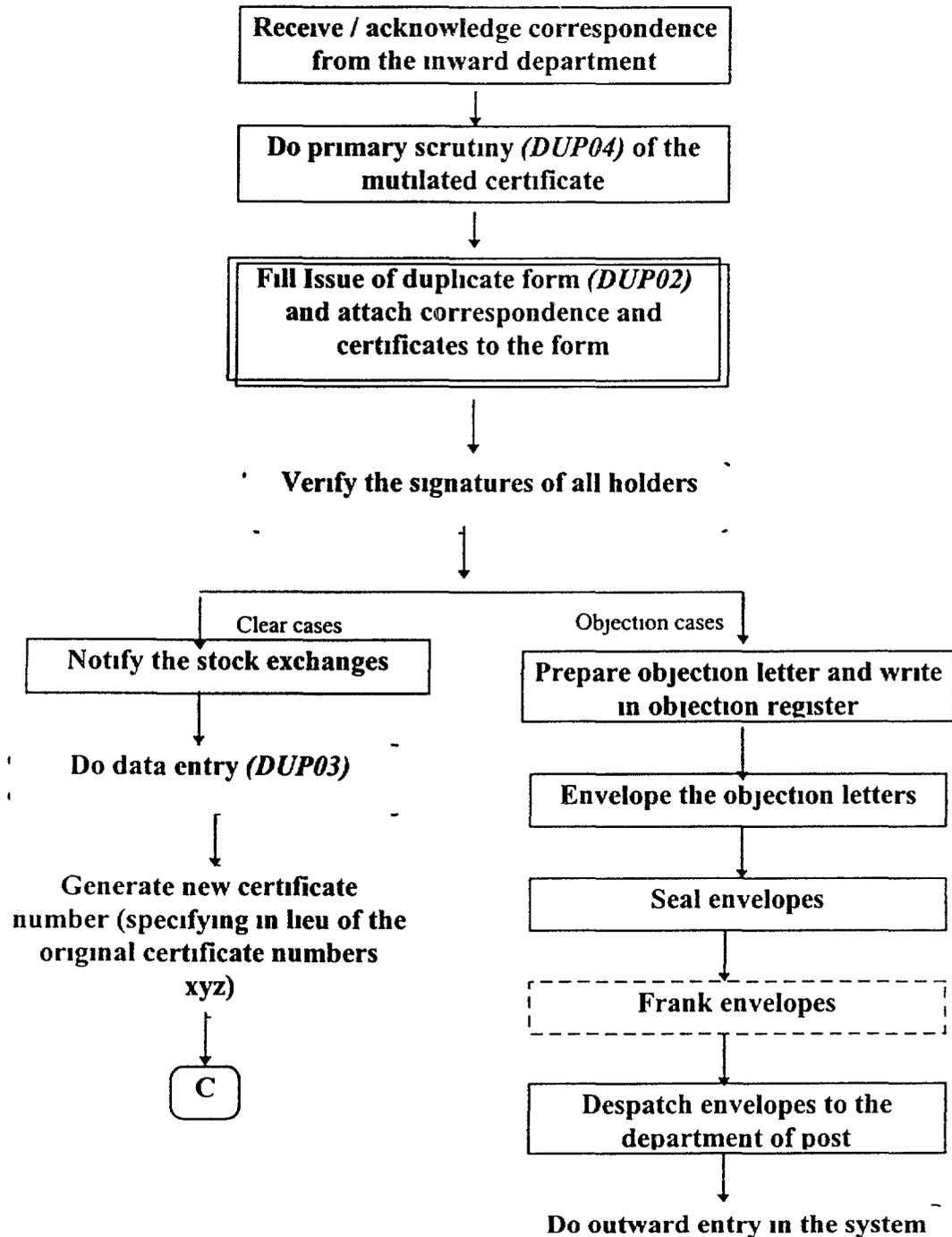
**Flow chart for Issue of Duplicate Certificate - In case of Loss**

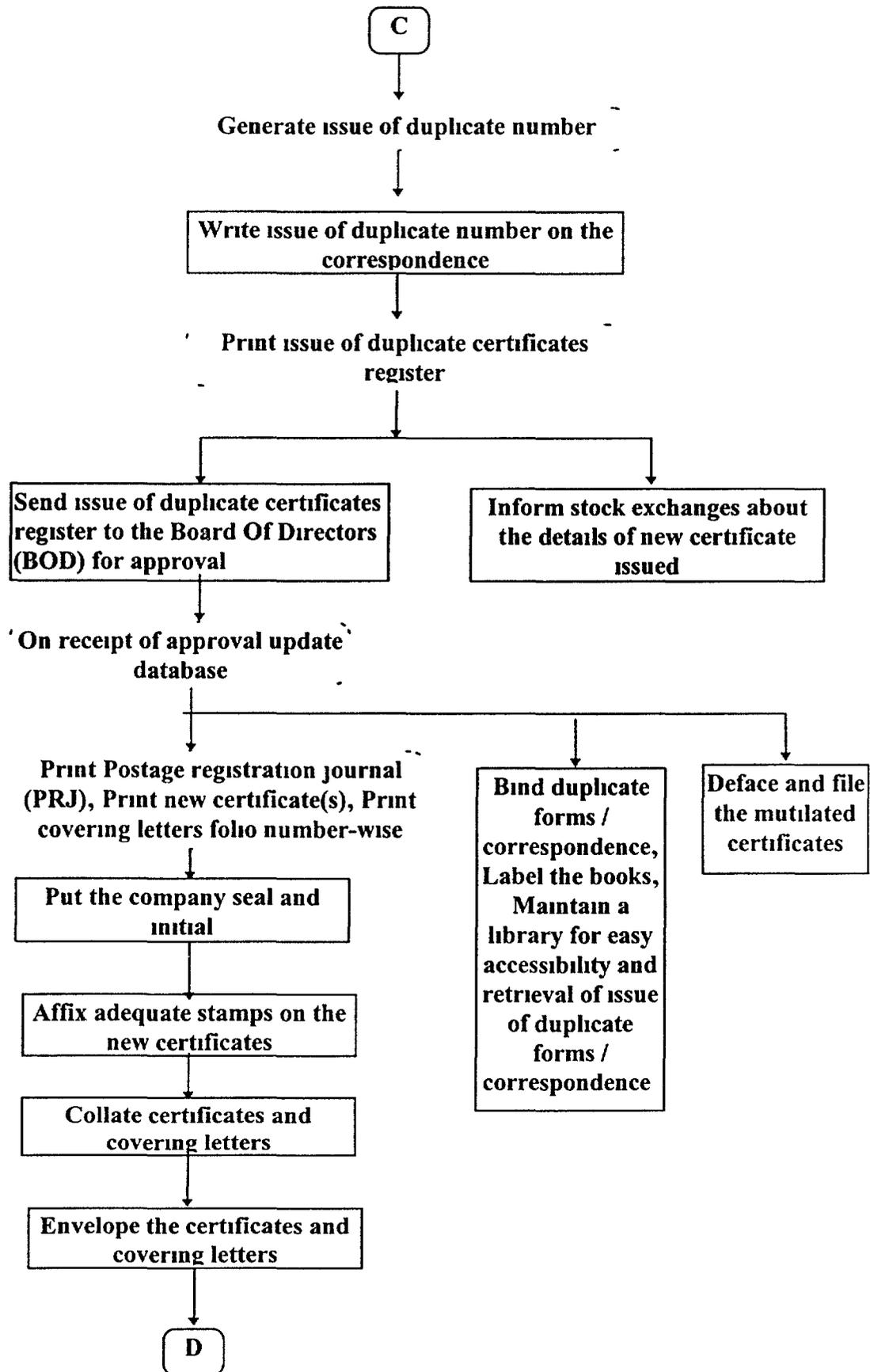


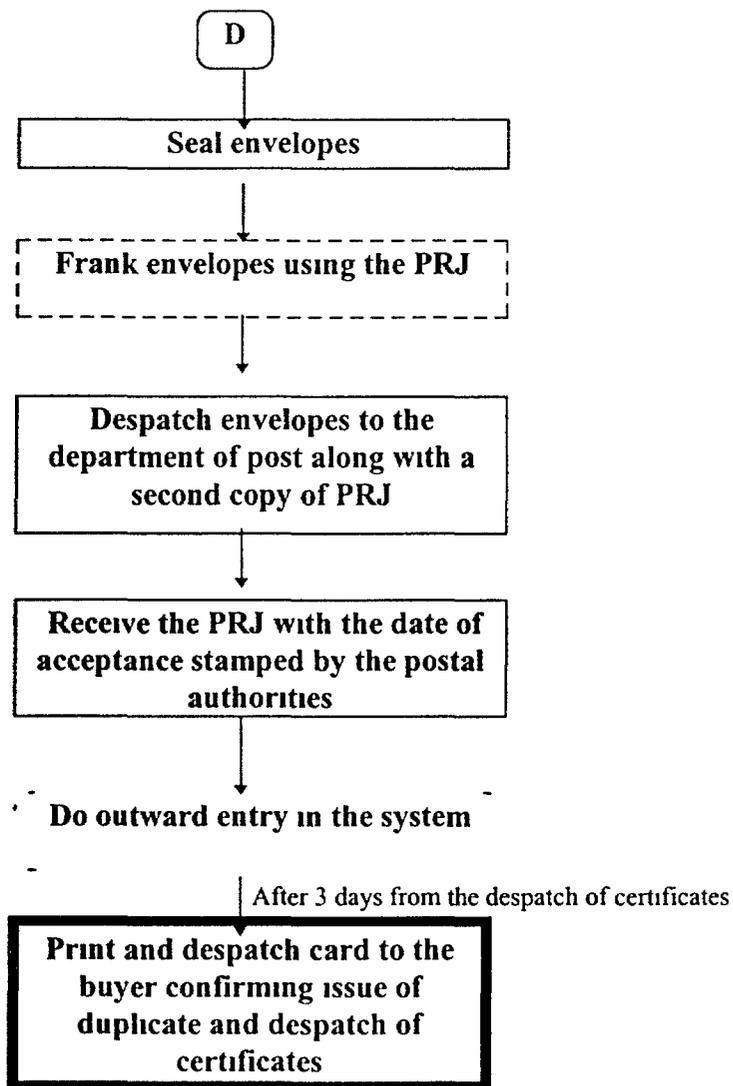




### Flow chart for Issue of Duplicate Certificate - In case of Mutilation







## References for Issue of Duplicate Certificate

### DUP01 Primary scrutiny of enclosures

Ensure the presence and validity of

- 1 Attested copy of FIR / court order / police complaint
- 2 Indemnity bond
- 3 Affidavit
- 4 Advertisement money or photocopy of advertisement published in the newspaper, if any

### DUP02 Issue of duplicate form

Inward number

Lodgement date

Company name

Folio number

Certificate numbers to be duplicated

Distinctive numbers

New certificate number (this is filled later)

### DUP03 Data entry

Inward number

Certificate numbers to be duplicated

### DUP04 Primary scrutiny of certificate

Ensure that the certificate sent is not fake or forged

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BANK MANDATE

## BANK MANDATE

### Activity Description

Mandate is a document whereby the share holder authorises the R&T to pay all his monetary entitlements on his behalf to his banker

Mandate can be of three types

- The investors bank name and account number is mentioned on the instrument but the instrument will be dispatched to the investors address
- The investors bank name and account number is mentioned on the instrument and the instrument will be dispatched to the investors bank directly
- The investors bank account gets credited through an Electronic Clearing Facility (ECS)

Currently the average time taken to complete this activity ranges between 5 to 7 days

### Process Overview

- Receive correspondence from the inward department
- Segregate by the type of mandate
- Verify signature
- Do data entry
- Generate edit checklist
- Verify and write corrections on the edit checklist
- Make changes into the system
- Print mandate register
- Print and despatch card to investor confirming registration of mandate

For detailed procedure of registering mandate refer flow chart

### Benchmark Service Standards

A benchmark standard of 3 days for normal volumes and 7 days for peak volumes is recommended

### Steps that can be eliminated

- No step can be eliminated

### Input documents

Correspondence

### Output documents

Edit checklist

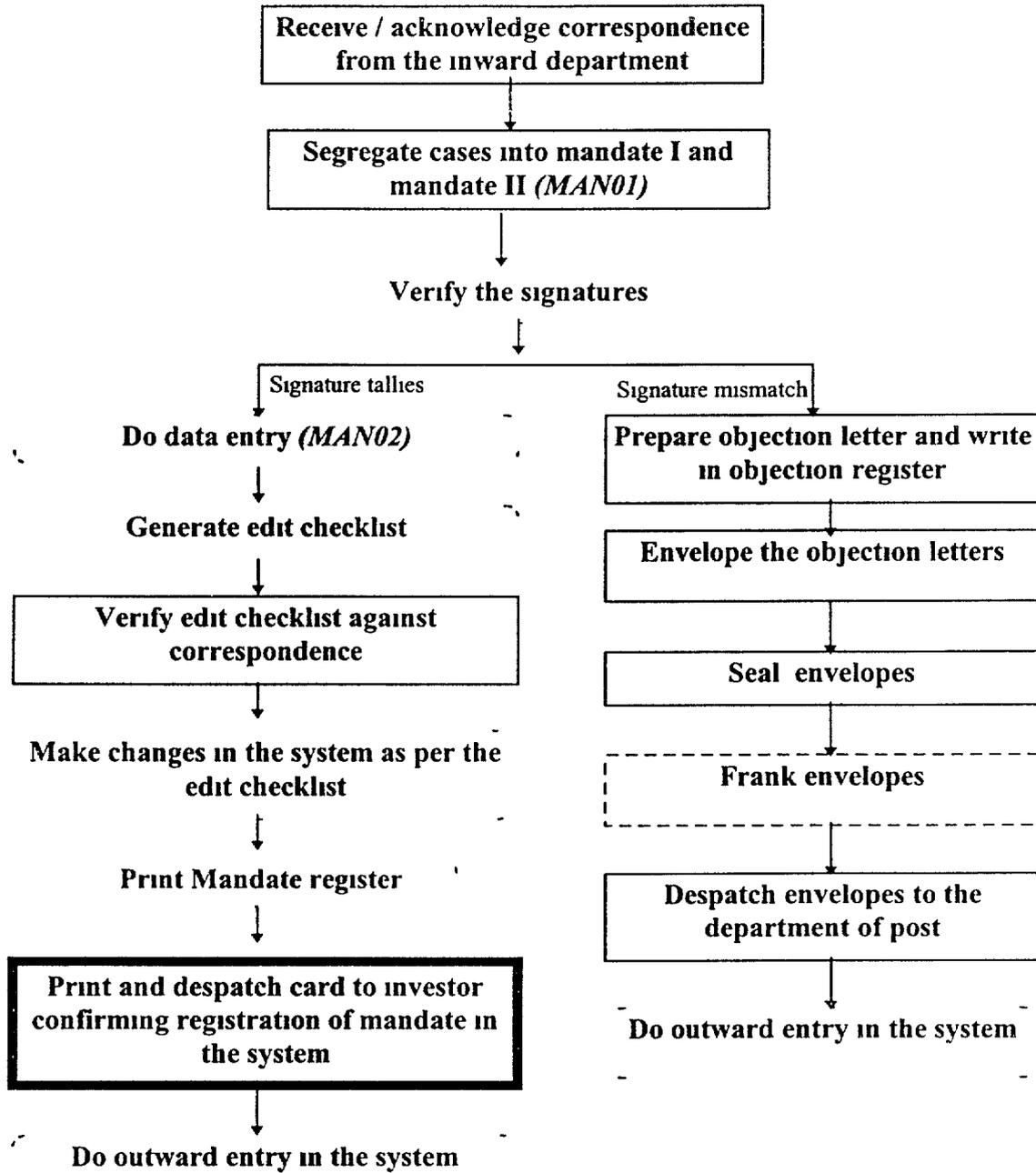
Post card

Mandate Register

### Registers to be maintained

Mandate Register

### Flow chart for Bank Mandate



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**References for Bank Mandate.****MAN01 Mandate I and Mandate II**

**In Mandate I**, the investors bank name and account number is mentioned on the warrants but the instrument will be dispatched to the investors address

**In Mandate II**, the investors bank name and account number is mentioned on the warrants and the instrument will be dispatched to the investors bank directly

**In Mandate III**, a floppy diskette containing necessary data on the formats prescribed is sent to the controlling bank and through it, to the Reserve Bank of India

**MAN02 Data entry**

**In Mandate I --**

Inward number

Investors bank name

Bank account number

**In Mandate II --**

Inward number

Investors bank name

Bank account number

Bank address

POWER OF ATTORNEY

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## POWER OF ATTORNEY (POA) (registration)

### Activity Description

Power of attorney (POA) is a document through which the share holder empowers a person/ (s) to execute the transaction on his behalf This document can be executed on a stamp paper of Rs 5/- POA document is registered by the R&T and thereafter empowering the authorised person to execute the transactions on behalf of the owner

POA can be  
General  
Specific, and  
Revocable or  
Irrevocable

Currently the average time taken to complete this activity ranges between 3 to 6 days

### Process Overview

- Receive correspondence from the inward department
- Do primary scrutiny of enclosures
- Verify signature
- Segregate clear and objection cases
- Segregate general and specific POA
- Register the POA
- Capture the signature
- Print and despatch card to communicating the registration number to the investor

For detailed procedure of registering mandate refer flow chart

### Benchmark Service Standards

Completion of registration POA by RTA should be completed within 4 days

### Steps that can be eliminated

- No steps in this activity can be eliminated

### Recommendations

- POA registration should be done on the system to make the process easier

### Input documents

Correspondence  
POA document

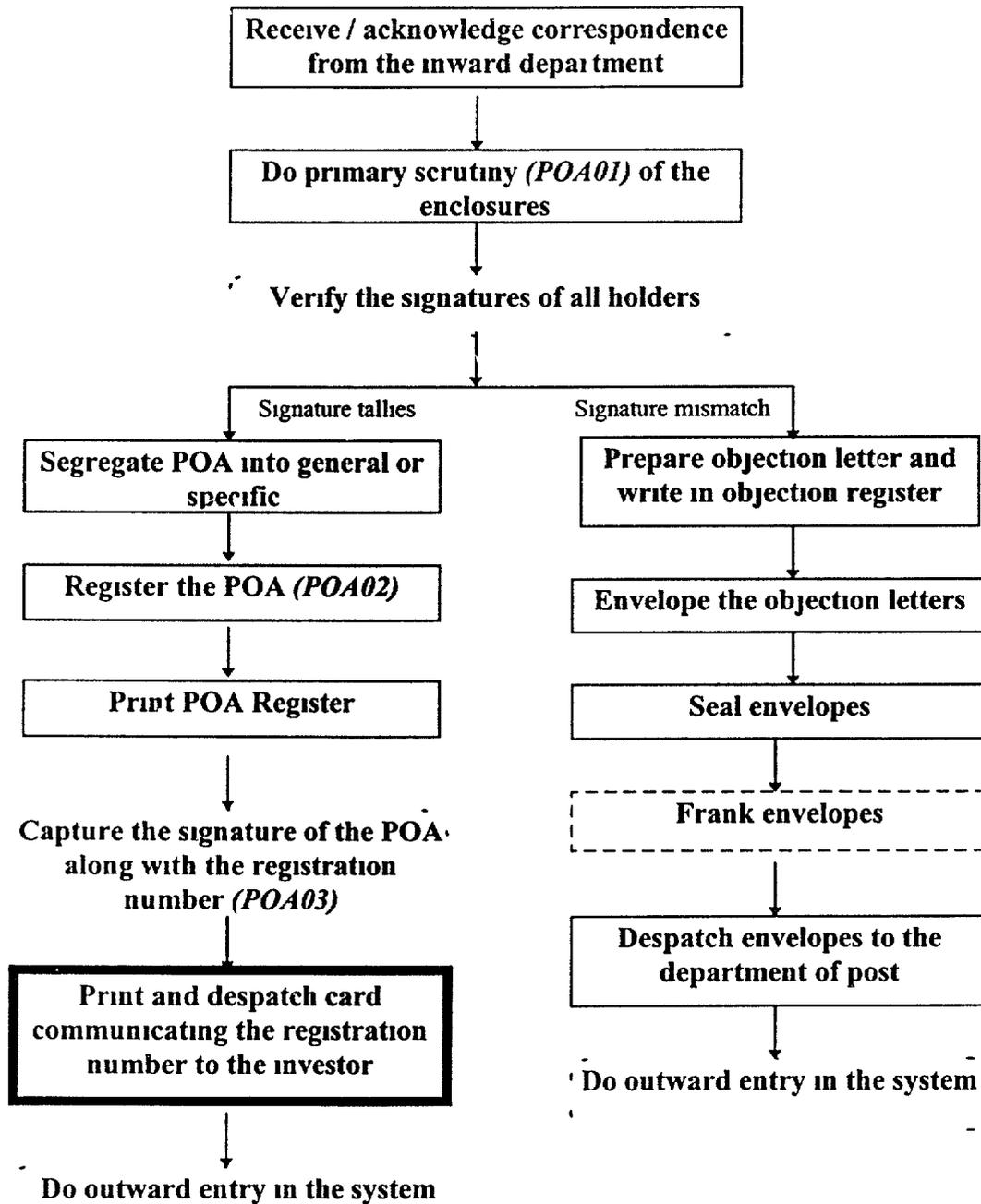
**Output documents**

Objection letter  
Objection register  
POA register

**Registers to be maintained**

POA register

### Flow chart for POA



## References for POA

**POA01 Primary scrutiny**

Ensure the POA documents are duly attested by a notary and that the POA contains specific power to deal in shares/securities

**POA02 Registration number**

This registration number should distinguish between general and specific POA

**POA03 Capture POA signature**

In case of specific POA, while scanning the signature, scan the POA details also

SPLITTING OF CERTIFICATE

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## SPLITTING OF CERTIFICATES

### Activity Description

A split certificate means a separate certificate claimed by a shareholder for a portion of his holding. A shareholder has a right to multiply his certificates in respect of the total number of shares held by him.

Currently the average time taken to complete this activity ranges between 15 to 30 days.

### Process Overview

- Receive correspondence from the inward department
- Do scrutiny of enclosures
- Segregate into clear and objection cases
- Fill split form
- Do data entry
- Generate the split number
- Print the split register
- Send split register for board approval
- On receipt of approval update the database
- Print Bulk postage registration journal, new certificates and covering letters
- Affix stamps on the new certificates
- Put the company seal and initial
- Collate the certificates and covering letters
- Envelope the certificates and covering letters
- Seal, frank and despatch the envelopes
- Print and despatch card to investor as advance intimation

For detailed procedure refer flow chart

### Benchmark Service Standards

As a standalone activity this can be processed in 8 days. However, it was observed that volumes being not very high, this activity gets processed along with a few other activities. We therefore suggest that the activity should be completed in 16 days for all normal volumes and within 30 days for peak volumes.

### Steps that can be eliminated

- Board of directors (BOD) approval can be eliminated

### Recommendations

- Fill a standardised split form to make the process easier
- A Card should be sent to the investor informing despatch of certificates

**Input documents**

Correspondence  
Certificates

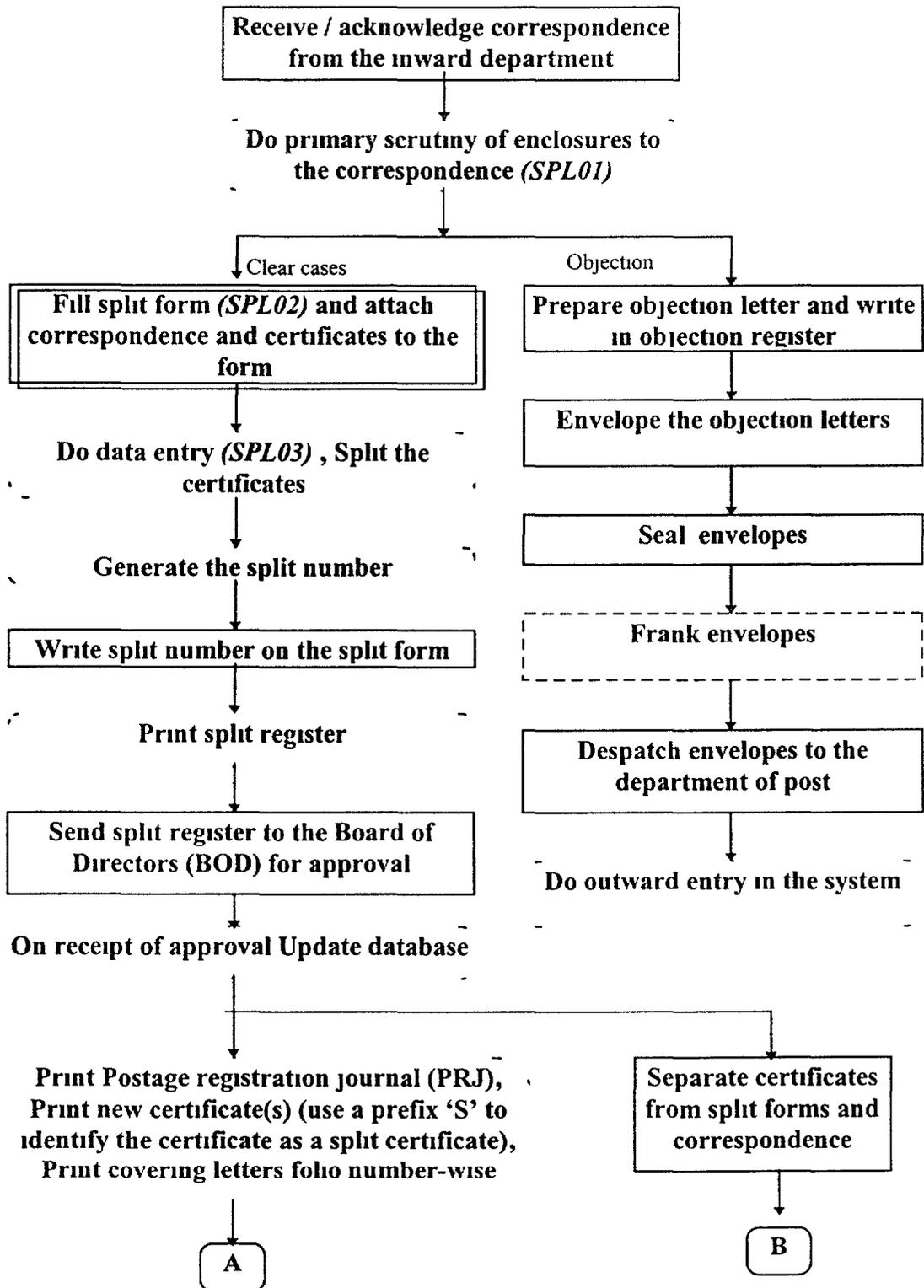
**Output documents**

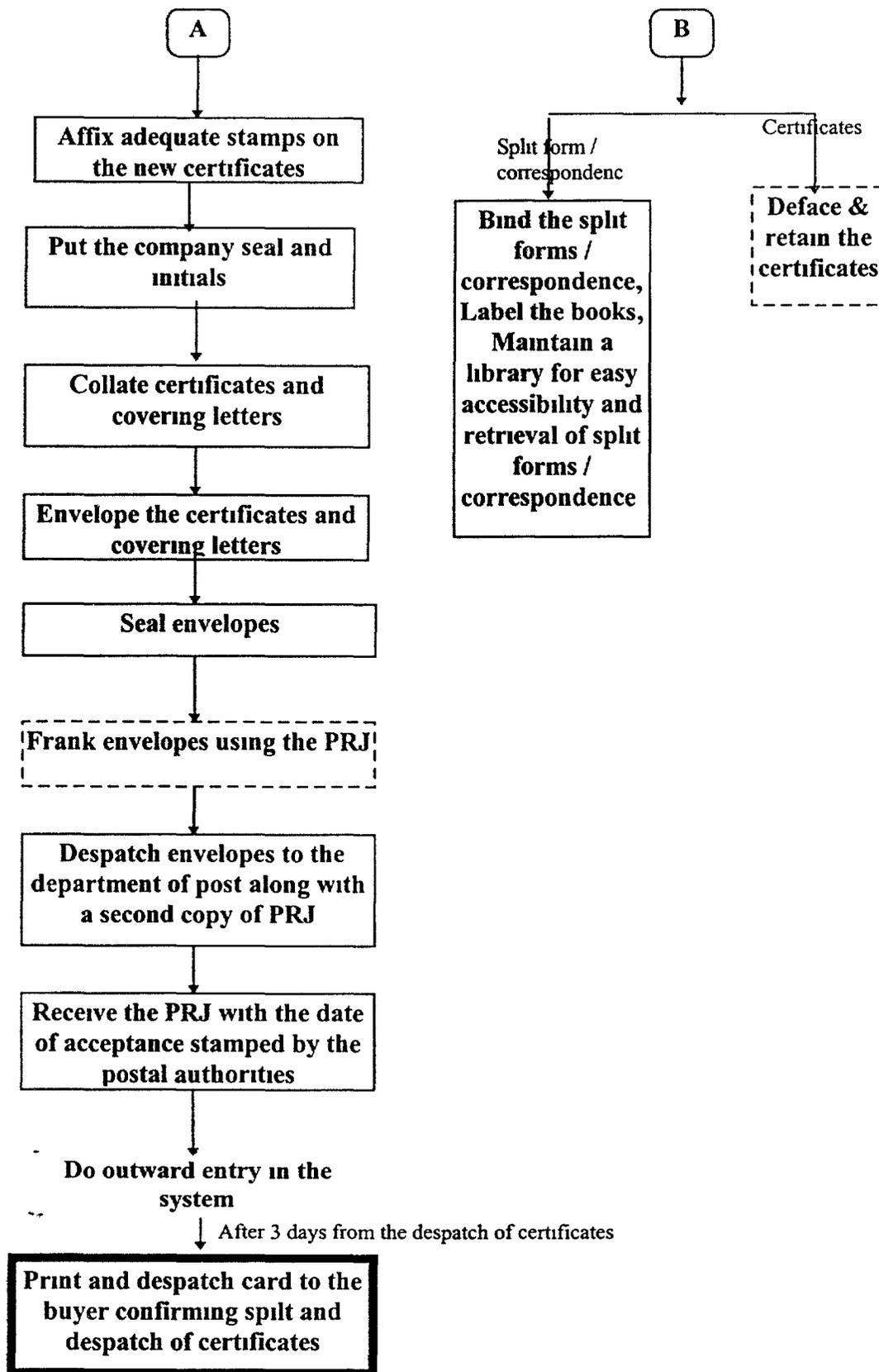
Split form  
Objection letter  
Objection register  
Split register  
Certificates  
Covering letter  
Postage registration journal  
Post card

**Registers to be maintained**

Split register  
Acknowledged Postage registration journal  
Bound correspondence / Split forms

### Flow chart for Splitting of Certificates





## References for Splitting of Certificates

### SPL01 Primary Scrutiny

Use an 'Enquiry' module to ensure that

- 1 all certificates received can be split into marketable lots
- 2 there is no stop transfer against any of the certificates

### SPL02 Split form

Inward number

Lodgement date

Company name

Folio number

Certificate numbers to be split

Distinctive numbers

New certificate number (this is filled later)

### SPL03 Data entry

Inward number

Folio number

Certificate numbers to be split

STATIONARY CONTROL

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## STATIONARY CONTROL

### Activity Description

Stationary maintenance is a very critical activity and should be carried out with adequate internal controls. To have optimum level of internal controls, the segregation of duty for this activity should be clearly identified and defined taking care that the utilisation registers are maintained by an independent department other than the EDP department. Controls should also be taken for safe storage and retrieval of the stationary.

### Recommendations

- Stationary should be under lock and key of authorised personnel
- Appropriate controls for issue and consumption should be put in place including segregation of duties for receipt of stationery and issue for consumption
- Consumption must be properly scheduled

### Input documents

Stationary  
Delivery challan

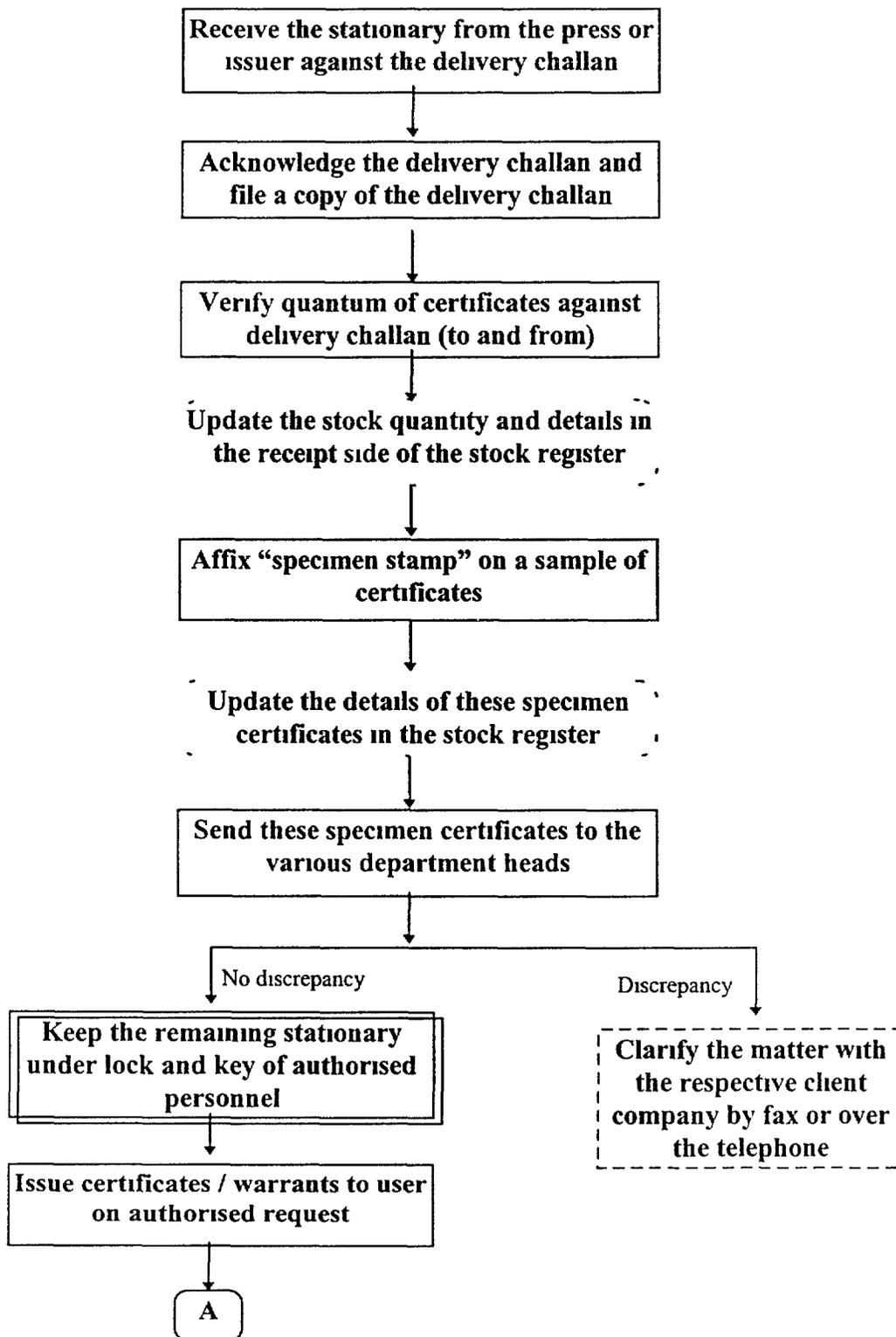
### Output documents

Stock Register

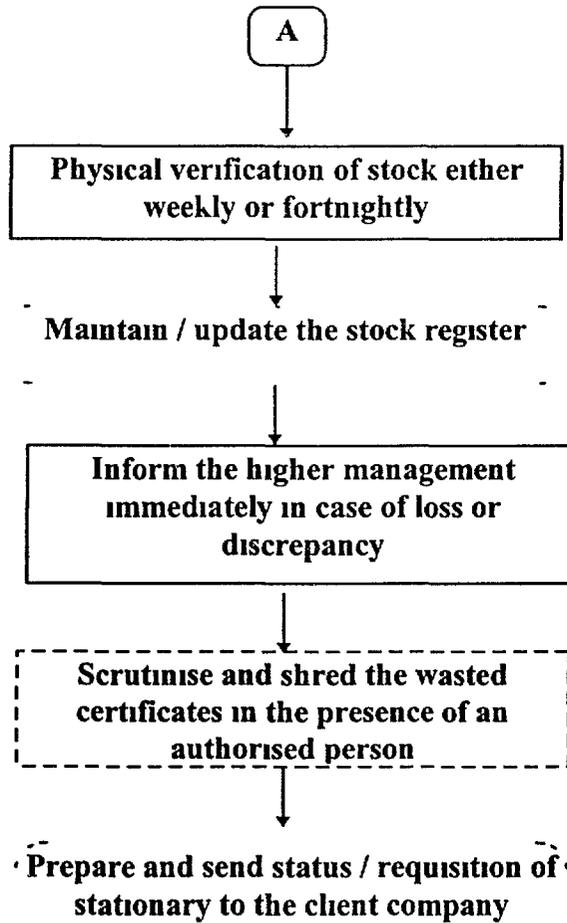
### Registers to be maintained

Stock Register

**Flow chart for Stationary Control**



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UNDELIVERED MAIL

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## UNDELIVERED MAIL

### Activity Description

When mail is returned undelivered a record of this is made in the system

### Process Overview

- Receive the undelivered mail
- Mark returned undelivered status in the system
- Print returned undelivered register
- Store the returned undelivered mail

For detailed procedure refer flow chart

### Steps that can be eliminated

- No steps in this activity can be eliminated

### Recommendations

- Mark the returned undelivered status in the system folio-number-wise for easier system based query
- RTAs should have a system of regular review and verification of all undelivered mail and take appropriate actions

In addition to the above we recommend that RTAs in consultation with their clients should establish norms for storage of undelivered mail on the following lines

- Dividend/Refund warrants and orders until the expiry of 6 months from the date of first issue and completion of reconciliation
- Certificates upto 6 months from the date of return Fresh certificates may be issued in lieu of old certificates

### Input documents

Undelivered mail

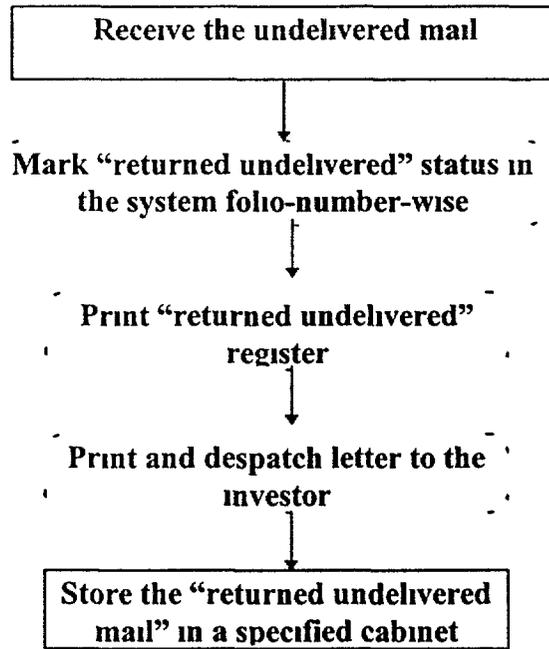
### Output documents

Returned Undelivered register

### Registers to be maintained

Returned Undelivered register

### Flow chart for Maintenance of Undelivered Mail



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## **Redespatch of undelivered mail**

### **Activity Description**

A 'returned undelivered mail' is redespatched, and a record of this is made in the system

### **Process Overview**

- Receive the request for redespatch of undelivered mail
- Redespatch the mail to investor
- Remove "returned undelivered" status in the system
- Print returned undelivered register
- Physically verify balance with the "returned undelivered" register

For detailed procedure refer flow chart

### **Steps that can be eliminated**

- No steps in this activity can be eliminated

### **Recommendations**

- Remove the returned undelivered status in the system folio-number-wise

### **Input documents**

Request

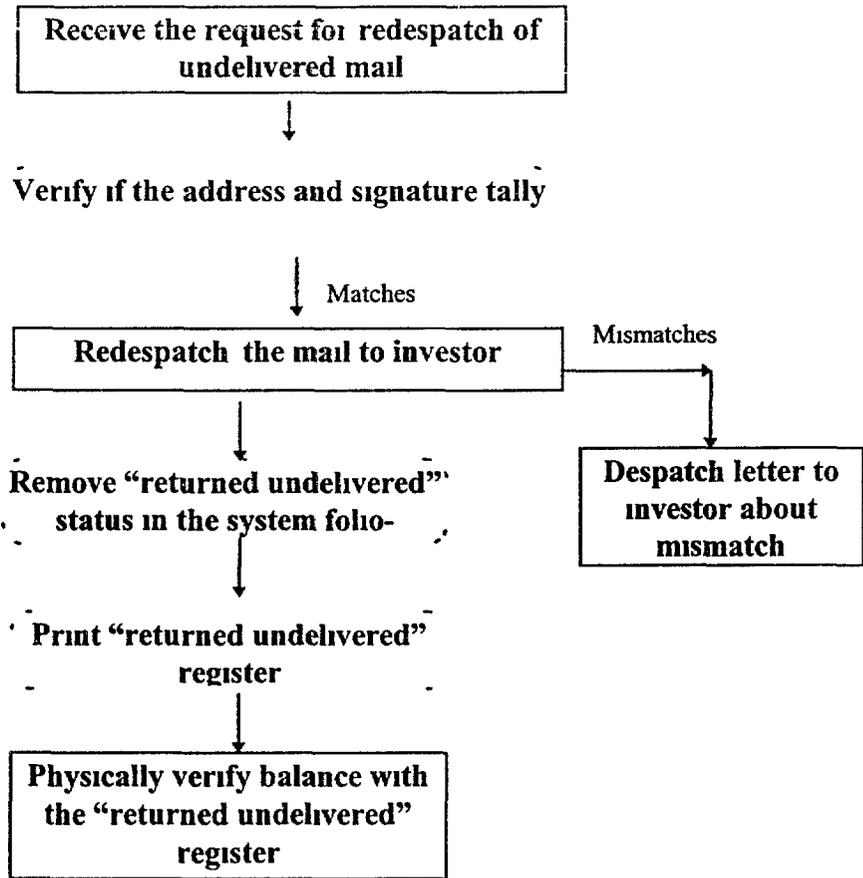
### **Output documents**

Returned Undelivered register

### **Register to be maintained**

Returned Undelivered register

**Flow chart for Redespach of Undelivered Mail**



PRIMARY MARKET / CORPORATE ACTION

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B1

INITIAL PUBLIC OFFERINGS

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## INITIAL PUBLIC OFFERING

### Activity Description

Initial public offering (IPO) is the issuance of shares to the public for the first time, by a new Company or an existing Pvt Company on its conversion to Public Ltd Company. The process results in creating for the first time, the company's shareholders registers and other relevant records on investors who applied to the issue. These records are subsequently used for providing investor service and facilitating transfer of ownership of shares.

The Companies Act' 56 and the SEBI guidelines regulate the IPOs.

### Process Overview

#### Pre-issue

- Execute MOU with the company
- Finalise bank branches and investor service centres list
- Check application forms for required content
- Issue instructions to bankers

#### During issue

- Collect daily figures from collecting branches of bankers and report to issuer
- Intimate date of closure of issue to collecting banks and stock exchanges
- Finalise post-issue stationary

#### Post-issue

- Receive applications along with bank schedules and branch final certificate
- Inward, scrutinise and do data entry
- Carry out edit validation and update the system
- Receive final bank certificates
- Tally the summary of respective bank schedules with the controlling bank schedule
- Generate rejection list, distribution summary and reversal list
- Obtain starting certificate number, distinctive number range and folio numbers from the issuer
- Intimate the basis of allotment to the stock exchanges, SEBI and BOD and obtain their approval
- Allot as per the basis of allotment
- Carry out a sample audit
- Generate new folios, assign the certificate numbers and distinctive numbers and print the allotment register
- Intimate the depository and DP in case of dematerialisation request
- Print Bulk postage registration journal (BPRJ), certificates, allotment advice cum allotment money due notice (if any), MIS reports and covering letters
- Ensure that the company seal is affixed and the certificates are signed
- Collate and despatch the envelopes

- Scan application / signatures in the system
- Do stationary reconciliation
- Arrange audit prior to listing
- Inform Stock Exchanges for listing of instrument
- Print and despatch card to investor as advance intimation

For detailed procedure refer flow chart

### **Benchmark Service Standards**

Allotment process to be completed within 25 days from closure of issue

Issue of refund orders to be completed within 30 days from the closure of issue

Despatch of certificates to be completed within 40 days from the closure of issue

### **Steps that can be eliminated**

- No steps in this activity can be eliminated

### **Recommendations**

- Scanning of signature should be compulsory as against maintaining signatures on cards
- A card should be sent to the investor informing despatch of certificates This may increase the cost of operation which may be added in the MOU with the issuer
- RAIN should persuade SEBI and banks to send the final bank certificates by the end of the 7<sup>th</sup> day from the date of the closure of the issue If this is achieved, the prevailing cycle can be brought down by another 7 days

### **Input documents**

Instructions from the issuer

Application forms

Bank schedules

Final bank certificates

Issue stationary

### **Output documents**

Inward register

Edit checklist

Reconciliation statement

Summary of bank schedules

Bank branch-wise controls of collections

Rejection list

Reversal list

Distribution summary

Allotment register and Register of Members

Certificates

Bulk postage registration journal

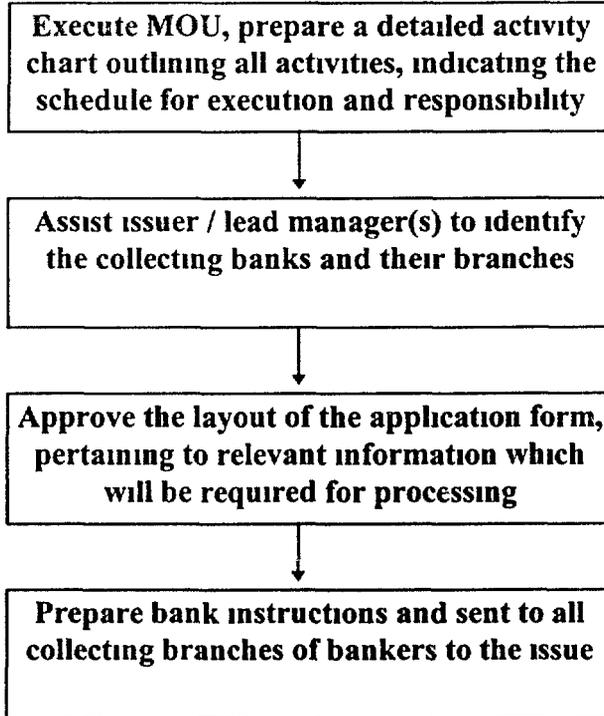
Refund orders and refund order register

Allotment advice cum allotment money due notices (AMDNs) and AMDN register  
Covering letter  
Post card  
Brokerage warrants and brokerage registers  
Stock Invest (SI) - allottees and non-allotees list  
SI - endorsement and depositing reports  
Listing reports  
SEBI reports - 7 day and 78 day reports

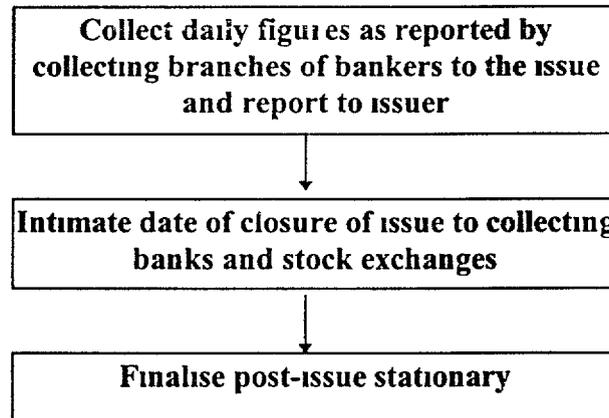
**Registers to be maintained**

Rejection list  
Distribution summary  
Allotment register and Register of Members  
Acknowledged Bulk postage registration journal  
Bound application forms  
Refund order register  
AMDN register  
Reversal list  
Bound bank schedules  
Brokerage statement  
Bank branch-wise controls of collections

**Flow chart for Initial Public Offering - Pre-issue**

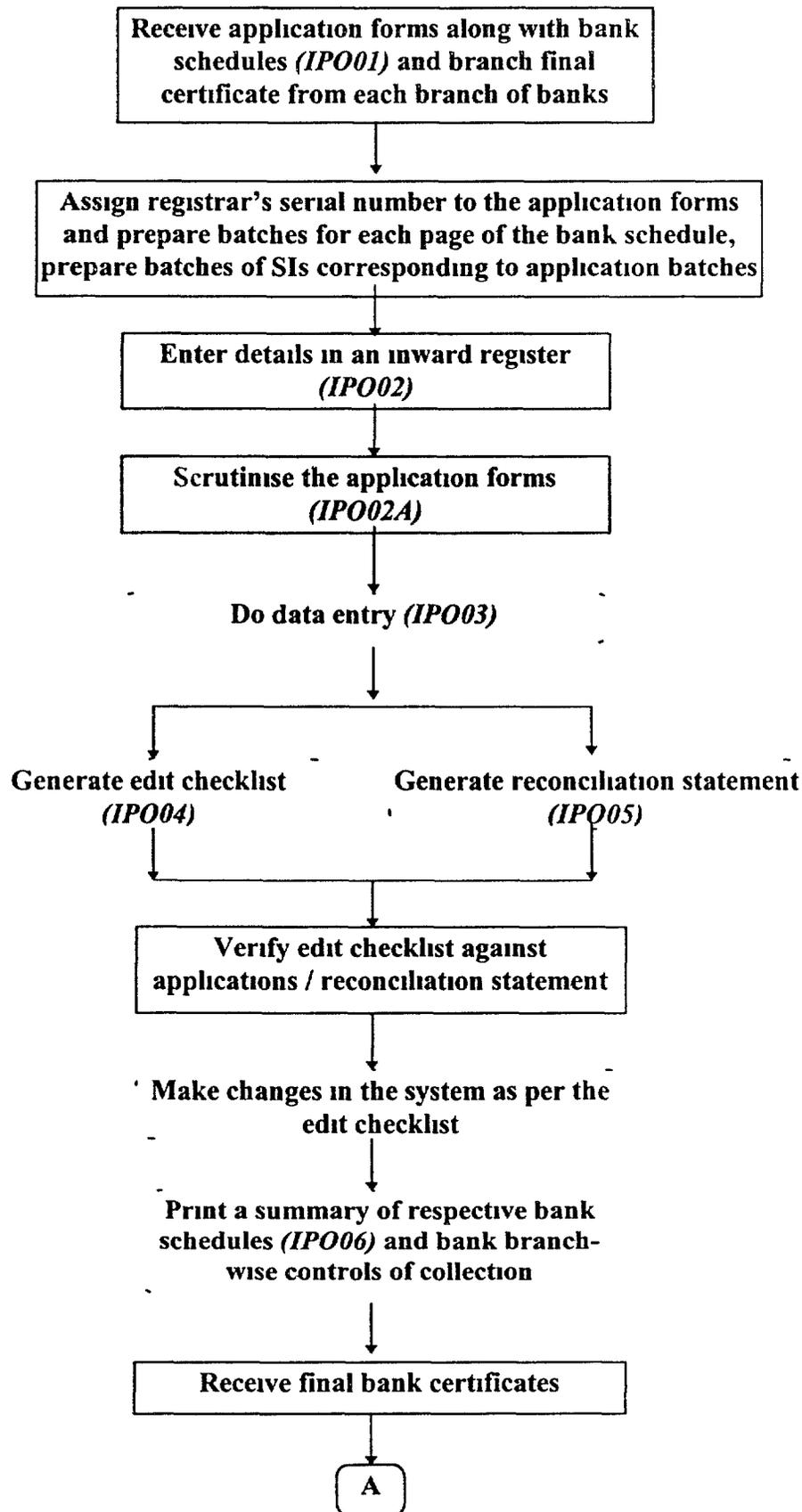


### Flow chart for Initial Public Offering - During issue

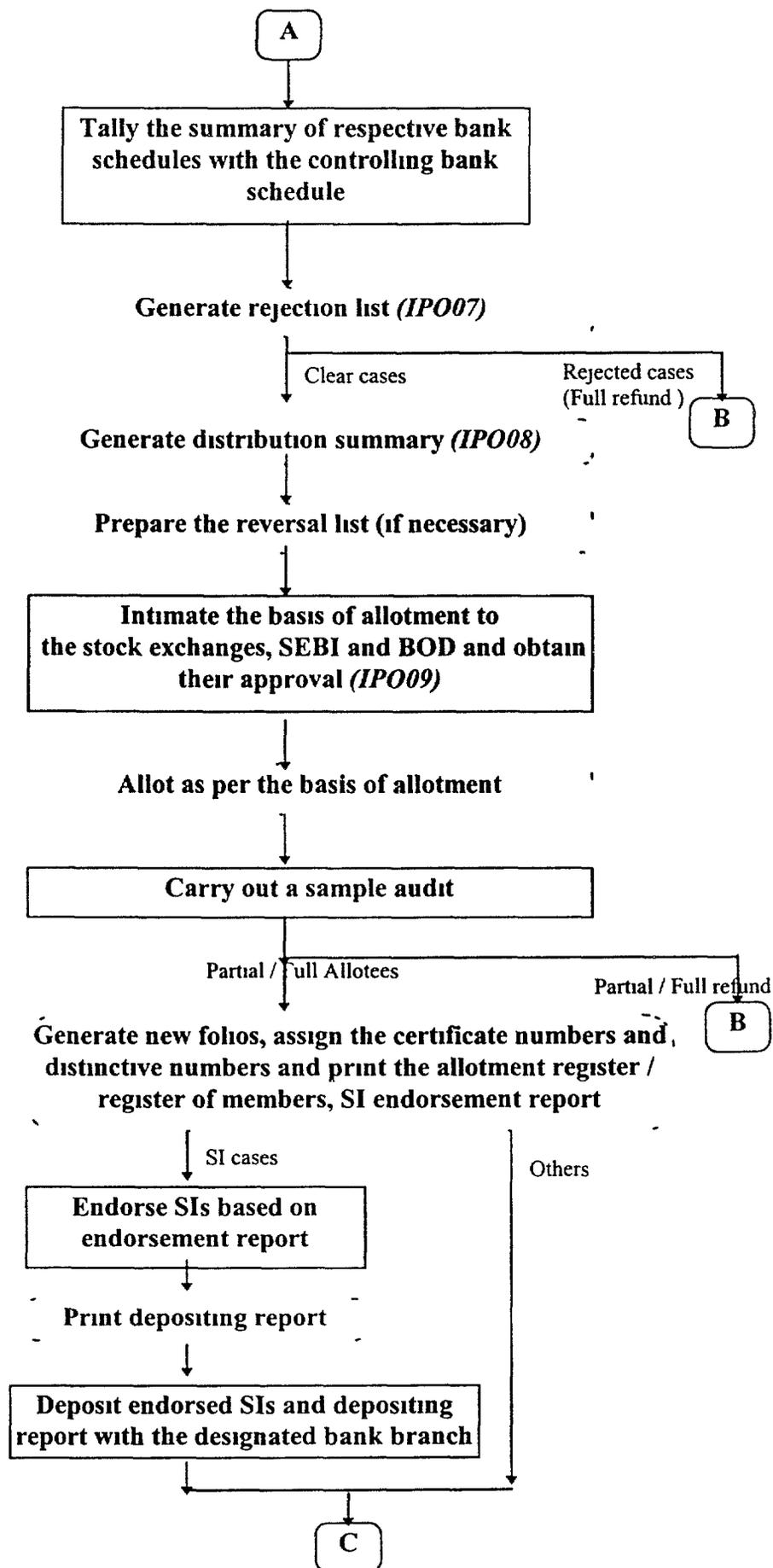


12/23

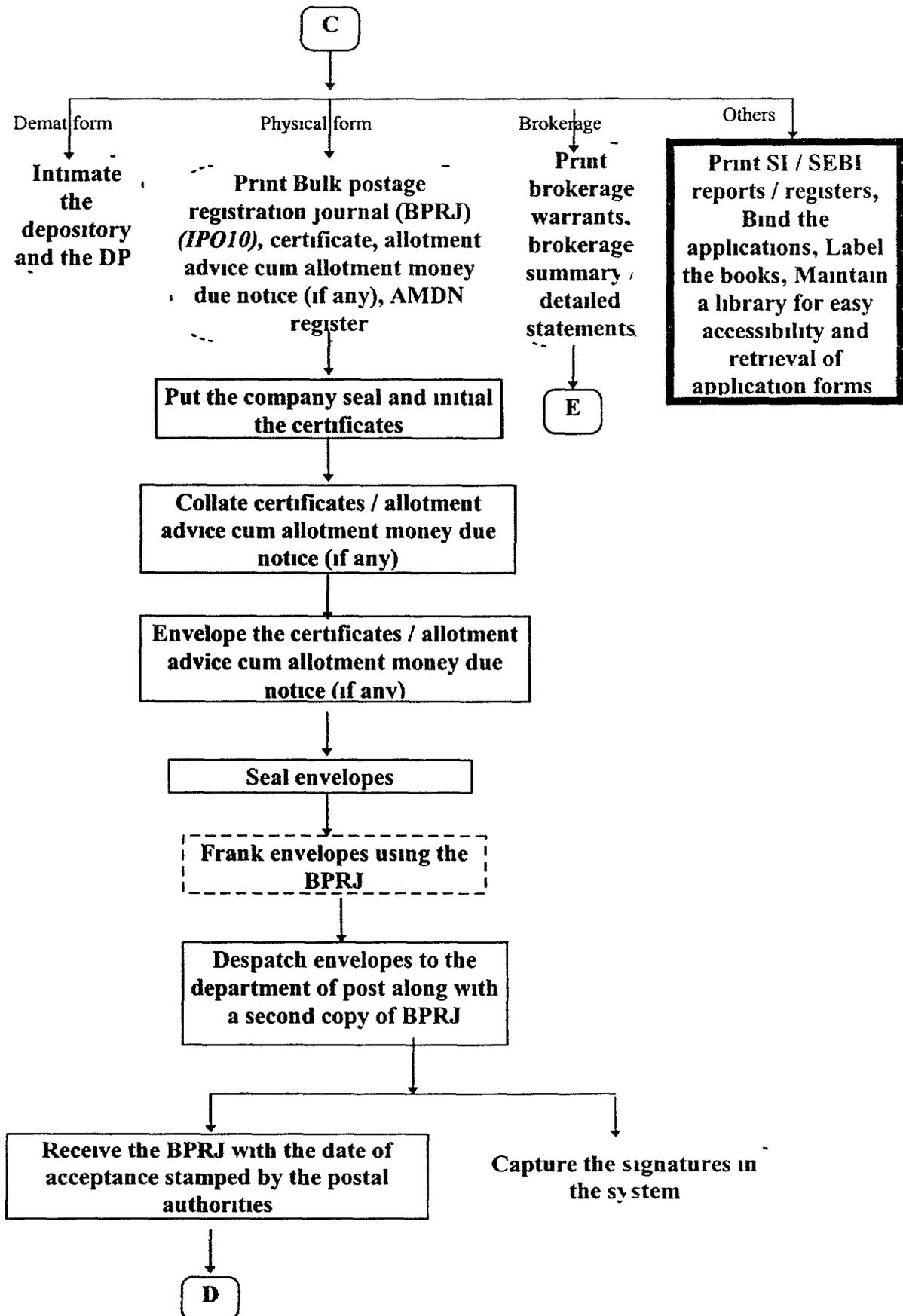
**Flow chart for Initial Public Offering - Post-issue**

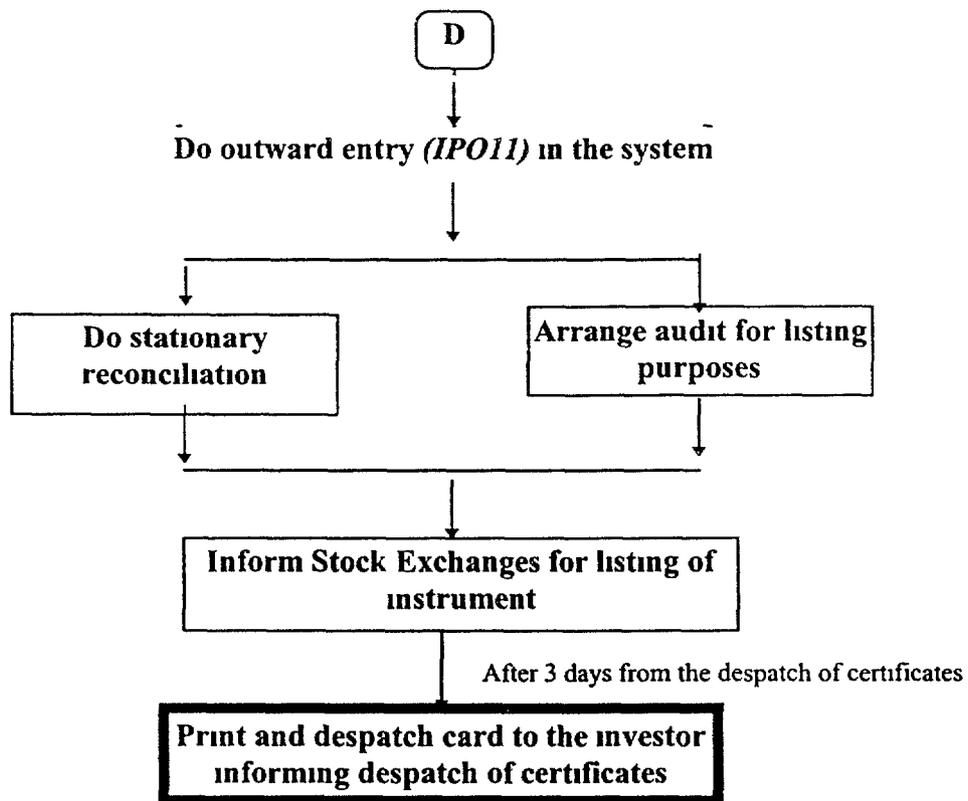


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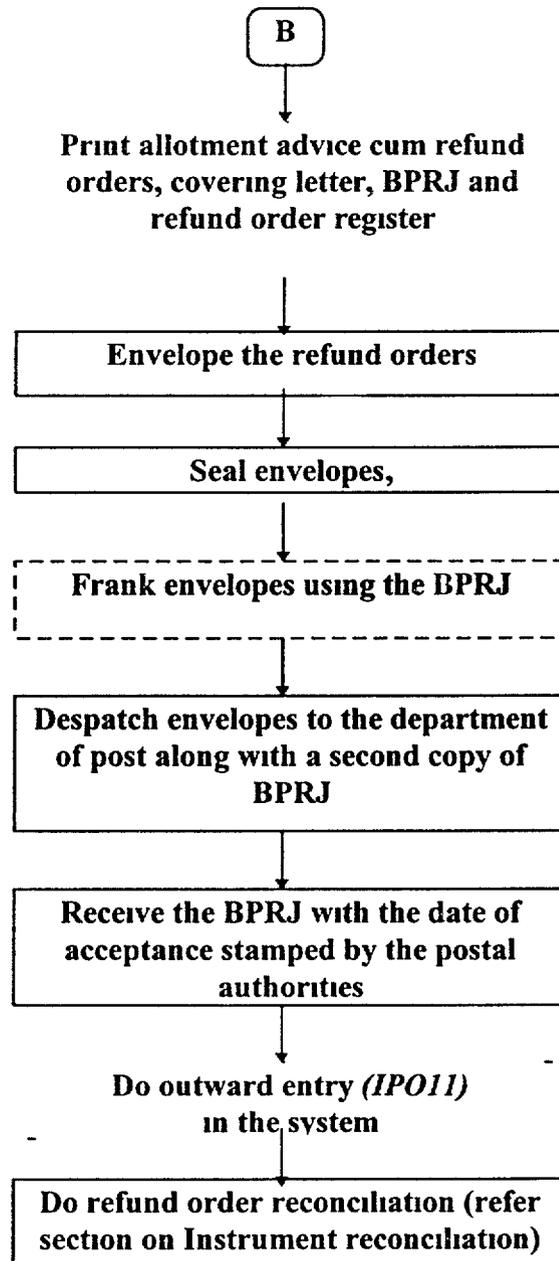


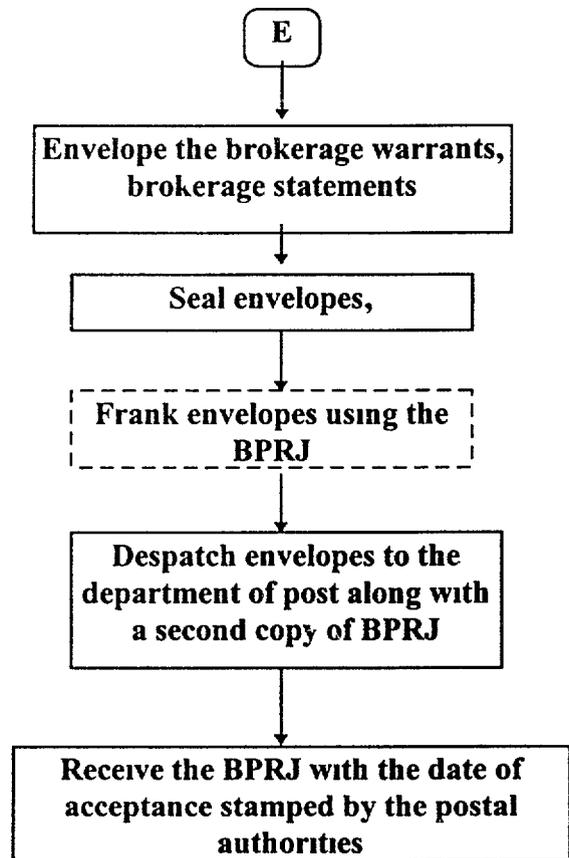
155





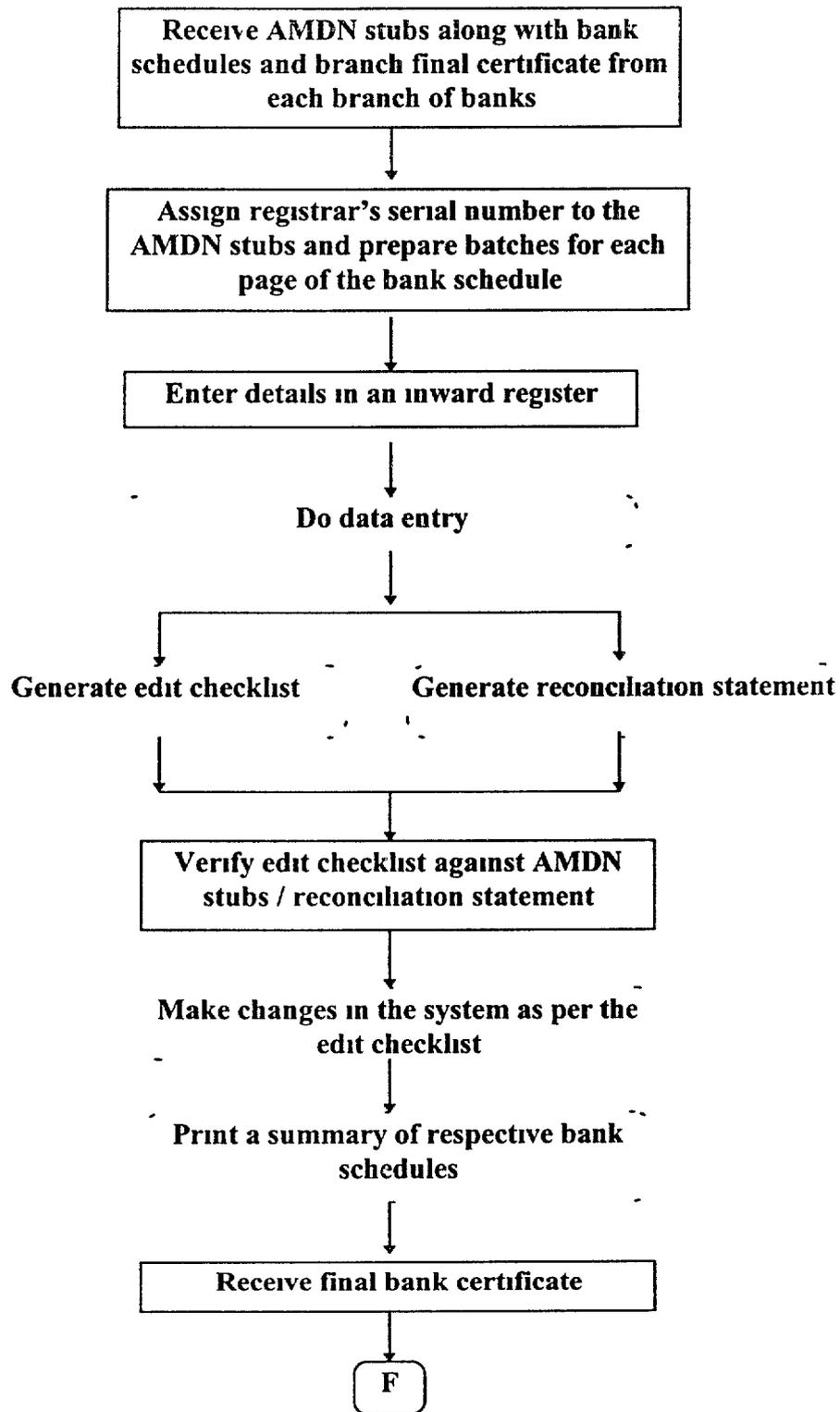
157

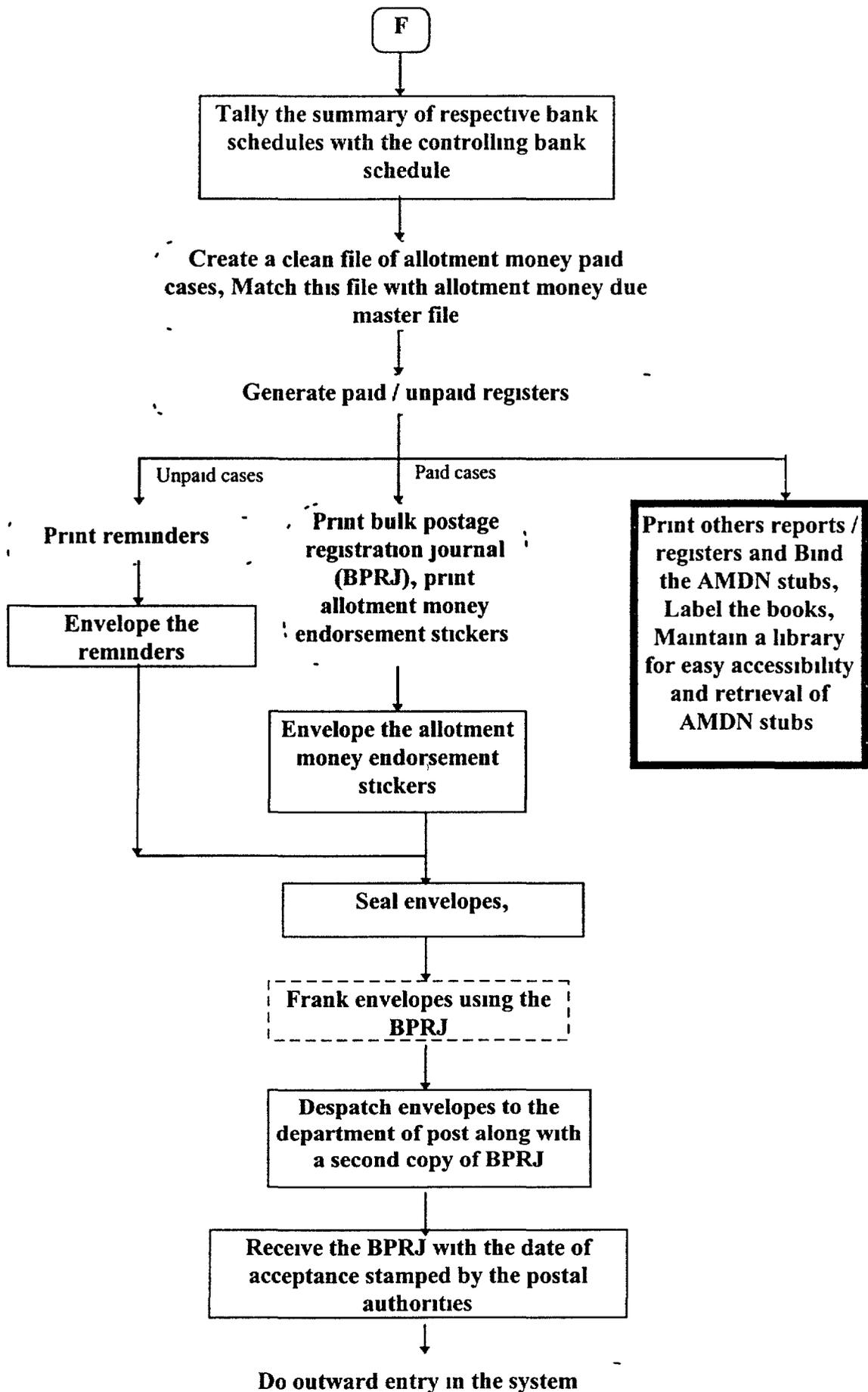




159

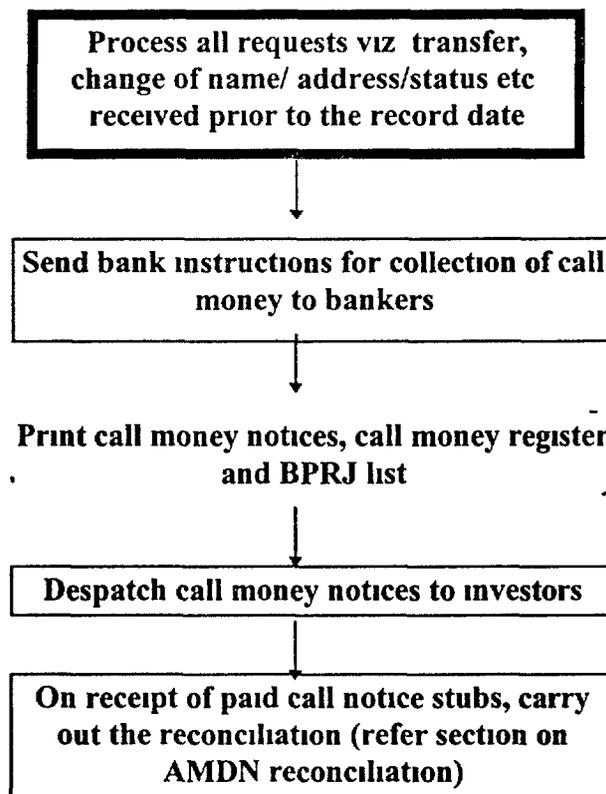
**Flow chart for AMDN reconciliation**





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### Flow chart for Call money processing



## References for Initial Public Offering

### IPO01 Receive application forms

Receive application forms from the banks segregated in the following manner --

- 1 Payment made by cash / cheque / demand draft
- 2 Payment made through stock invest

### IPO02 Inward register

Refer annexure 1

### IPO02A Scrutinise the application forms

Scrutinise the application with respect to the following

Multiple application

Application by minors

Absence of PAN / GIR number

Age column blank

Application with short payments

Cash application for Rs 20,000/- and above

Application with joint holder details without joint holders

Application with stale SI instruments

Application with incomplete SI instruments

Application with SI in the name other than the applicants name

Application with SI issued in different names from the same account number

More than one application with one SI instrument

Application with blank status code

### IPO03 Data entry

**From Bank Schedule --**

#### Header Entry

Bank serial number

#### Detailed Entry (page-wise)

Page number

Number of shares

Total amount

**From Application Forms --**

#### Header Entry

Bank serial number

#### Detailed Entry

Application serial number

Registrar's serial number

Applicants details

Number of shares applied for

Amount paid on application

Joint holder details

Broker code number

Rejection code (if any)

For Stockinvest

Stockinvest number

Stockinvest issue date

Stockinvest amount

Bank name and branch on which the SI is made

Demat request

DP account number

DP number

IPO04 Edit checklist

Refer annexure 2

IPO05 Bank reconciliation statement

Refer annexure 3

IPO06 Summary of bank schedule

Refer annexure 4

IPO07 Rejection list

The rejection list contains a list of inward numbers or application serial numbers that are rejected. System checks application with incomplete information / wrong details such as --

Application by minor

Application by firm / trust

Multiple application

Duplicate application

Age not mentioned

Mandate not mentioned

PAN not mentioned for application amount &gt; Rs 50000/-

Signature missing

IPO08 Distribution summary

Refer annexure 5

IPO09 Basis of allotment

Finalise the basis of allotment in consultation with the representatives from R&T, company, stock exchanges and SEBI if the issue is over subscribed

IPO10 Bulk postage registration journal BPRJ

Print BPRJ pin-code number-wise. Group certificates under common folios while assigning the registration number

Refer annexure 6

IPO11 Outward entry

Against each inward number post the despatch date as stamped on the BPRJ to reflect that the documents have been despatched as of that date

**Annexure for Initial Public Offering**

**Annexure 1 - Inward Register**

Bank branch code	Bank serial number range	Page number	RSN number range	Number of application forms	Number of shares / debentures applied for	Amount

Annexure 2 - Edit checklist

From Bank Schedule

Bank branch code	Page number	Number of shares	Total amount

From Application Forms --

Bank branch code	Application serial number	Inward number	Applicants details	Number of shares applied for	Amount paid on application	Joint holder details	Broker code number (For cash / cheque / demand draft)	Stock invest (SI) details			
								SI number	SI issue date	SI amount	Issuing bank serial number

10/11

Annexure 3 - Bank Reconciliation statement

Bank branch code	From Bank Schedule				From Application Forms				Differences	
	Page number	Number of applications	Number of shares	Total amount	Batch number	Number of applications	Number of shares applied for	Total application amount	Number of shares	Amount
	Cash/ SI Total	Cheque/	DD							
	Cash/ SI Total	Cheque/	DD							
Control total (at branch level)										
Final Total										

Annexure 4 - Summary of Bank statement

Bank branch code	Total number of applications received	Total number of shares applied for	Total application amount

Annexure 5 - Distribution Summary

Quantum of shares applied (1)	Number of applications (2)	Total number of shares applied (1)*(2)

**Annexure 6 - Bulk Postage Registration Journal**

Pin code	Registration number	Folio number	Name and Address	Certificate details	Franking amount (computed mathematically using system )

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RIGHTS ISSUE

## RIGHTS ISSUE

### Activity Description

Issue of fresh capital by company to its existing shareholders / or new investors in a pre-determined proportion

The Companies Act and the SEBI guidelines regulate the issue

### Process Overview

Several steps amongst the steps listed out in section 'B1' are common to public issue and rights issue processing. The important steps are

- Process all requests viz transfer, change of name / address / status etc received prior to the record date
- Issue letter of offer within 6 weeks from the record date
- Print and despatch right forms / split forms
- Receive rights forms / split forms with bank schedules and branch final certificates
- Inward, scrutinise and do data entry
- Carry out edit validation and update the system
- Verify signature of holders who have renounced
- Receive final bank certificate
- Tally the summary of respective bank schedules with the controlling bank schedule
- Generate summary for additional shares
- Intimate the basis of allotment to the stock exchanges, SEBI and BOD and obtain their approval
- Complete allotment and print allotment register
- Print Bulk postage registration journal (BPRJ), certificates, allotment advice cum allotment money due notice (if any), MIS reports and covering letters
- Put the company seal and initial the certificates
- Collate and despatch the envelopes
- Scan application / signatures of renounees in the system
- Do stationary reconciliation
- Carry out audit for listing purposes
- Inform Stock Exchanges for listing of instrument
- Print and despatch card to investor as advance intimation

For detailed procedure refer flow chart

### Benchmark Service Standards

Issue of certificates along with partial / full refund orders to be completed within 30 days from the closure of issue

### Steps that can be eliminated

- No steps in this activity can be eliminated

**Recommendations**

- Scanning of signature should be compulsory as against maintaining signatures on cards
- A Card should be sent to the investor informing despatch of certificates
- RAIN should persuade SEBI and banks to send the final bank certificates by the end of the 7<sup>th</sup> day from the date of the closure of the rights issue

**Input documents**

Letter of offer  
Rights / Split / duplicate form  
Bank schedules  
Final bank statement

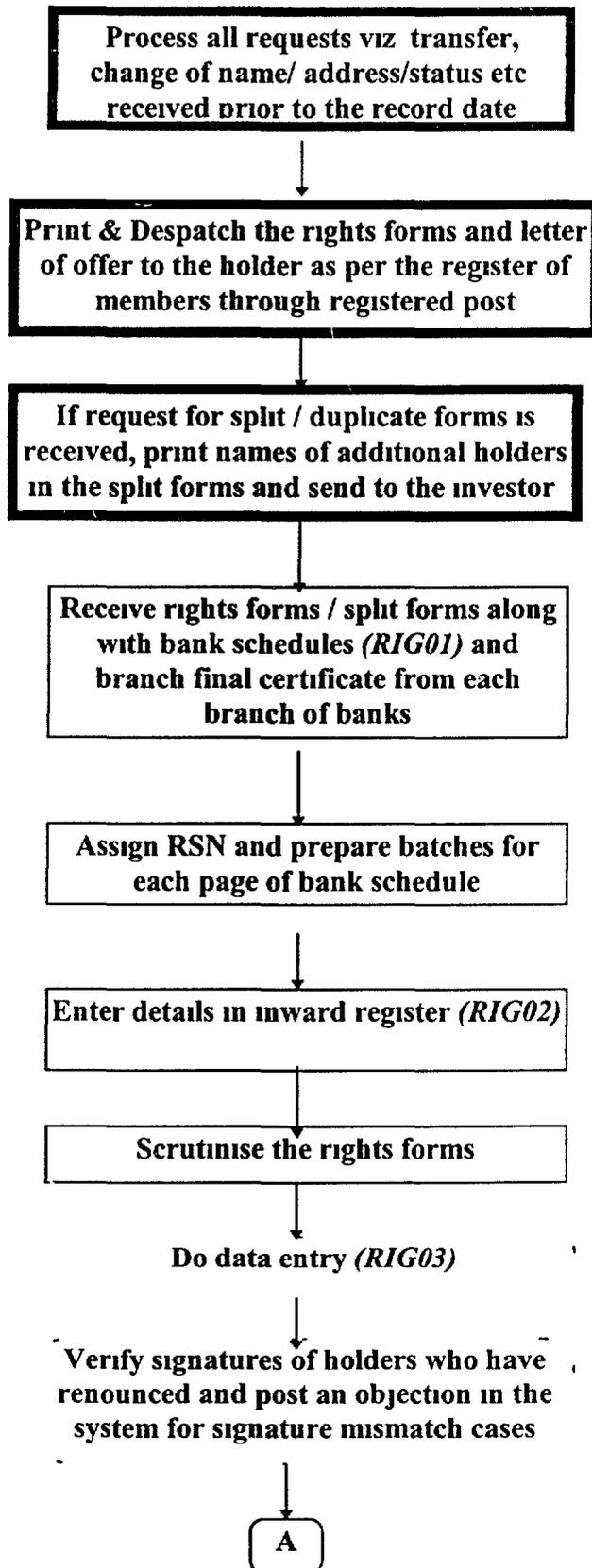
**Output documents**

Inward register  
Edit checklist  
Reconciliation statement  
Summary of bank schedules  
Bank branch-wise controls of collections  
Rejection list  
Distribution summary  
Allotment register and Register of Members  
Certificates  
Bulk postage registration journal  
Refund orders and refund order register  
Allotment advice cum allotment money due notices (AMDNs) and AMDN register  
Covering letter for full refund  
Post card  
SI - allottees and non-allotees list  
SI - endorsement and depositing reports  
Listing reports  
SEBI reports - 7 day and 78 day reports

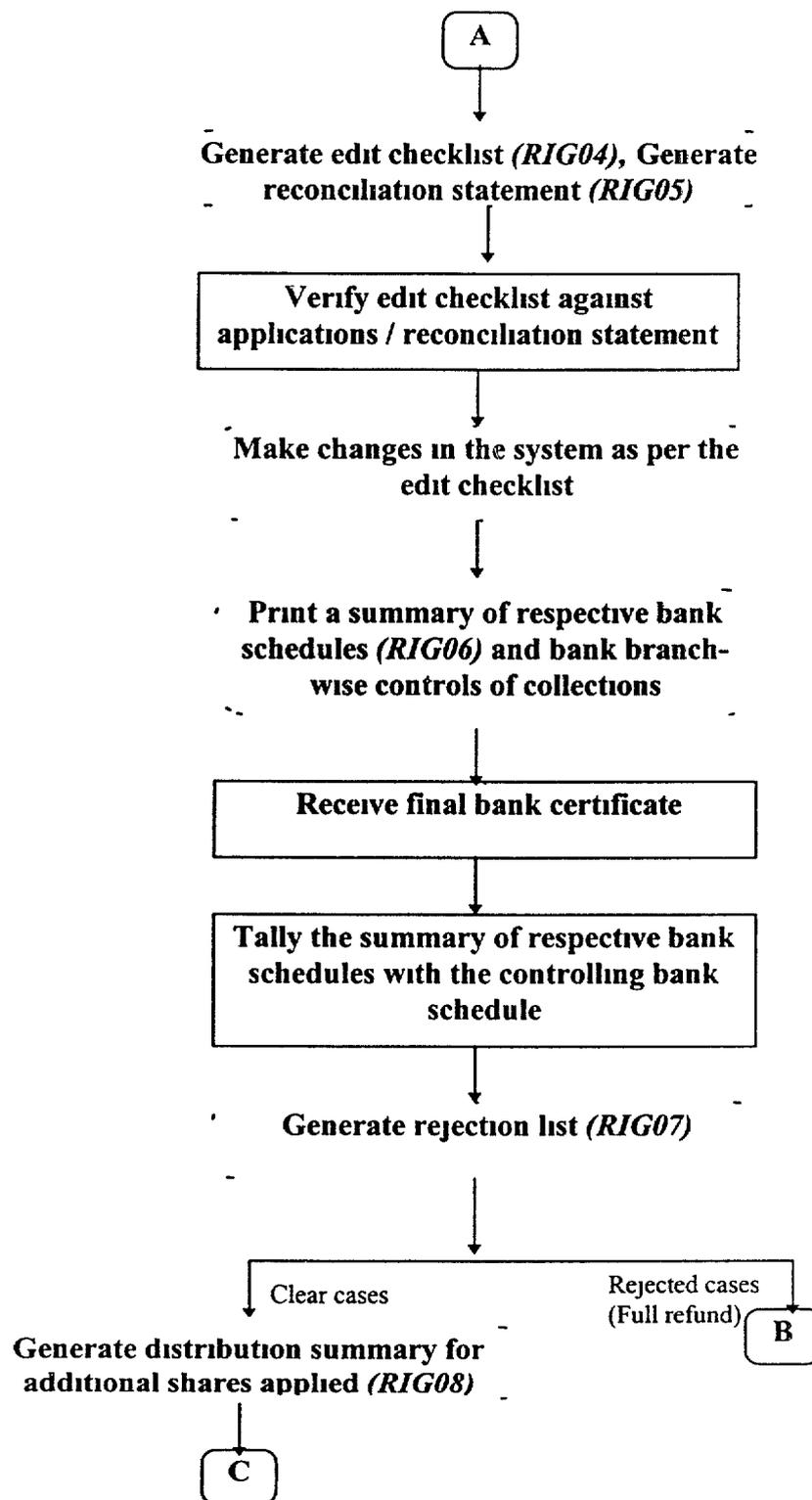
**Registers to be maintained**

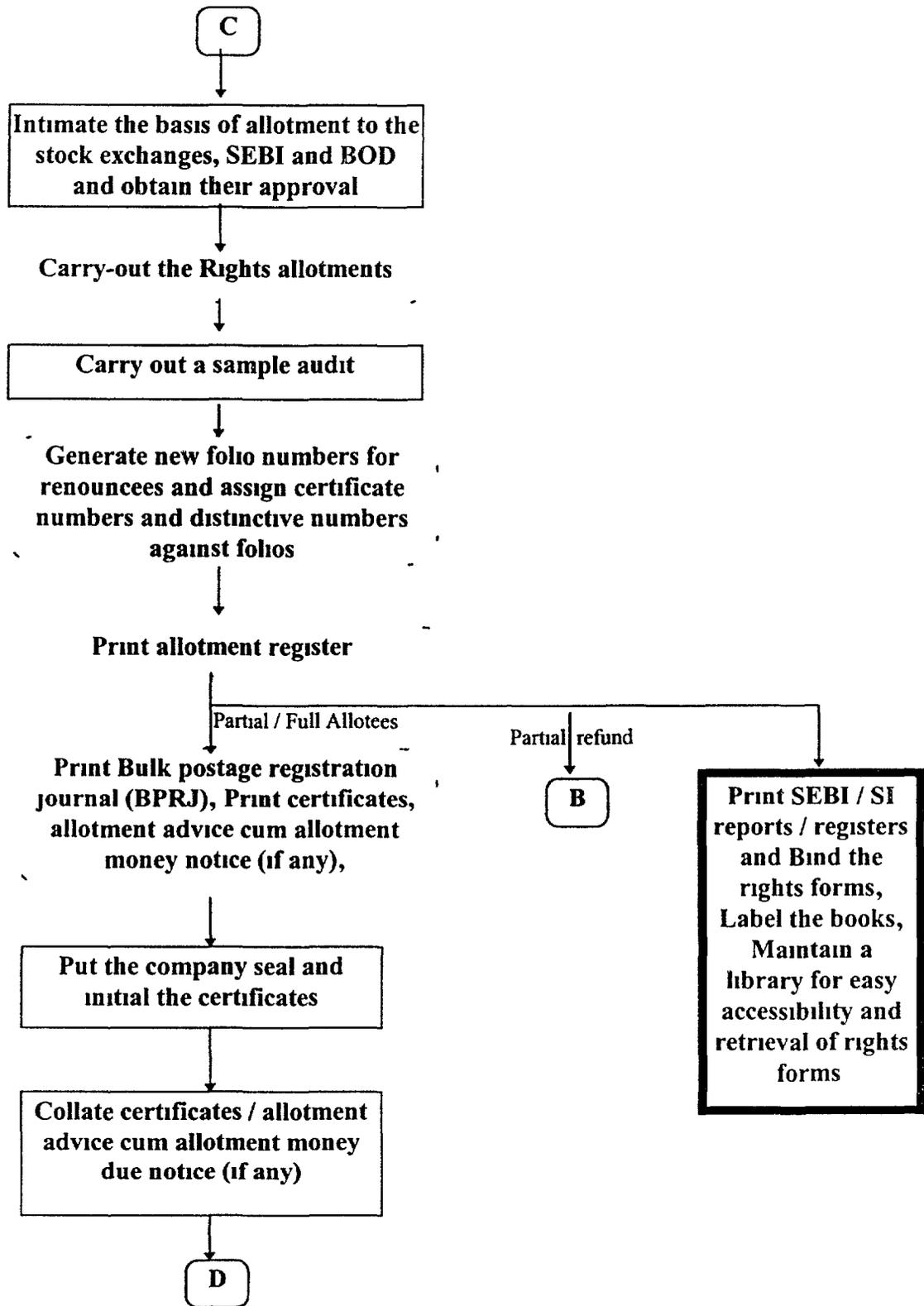
Rejection list  
Distribution summary  
Allotment register and Register of Members  
Acknowledged Bulk postage registration journal  
Bound rights application forms  
AMDN register  
Bound bank schedules  
Bank branch-wise controls of collections

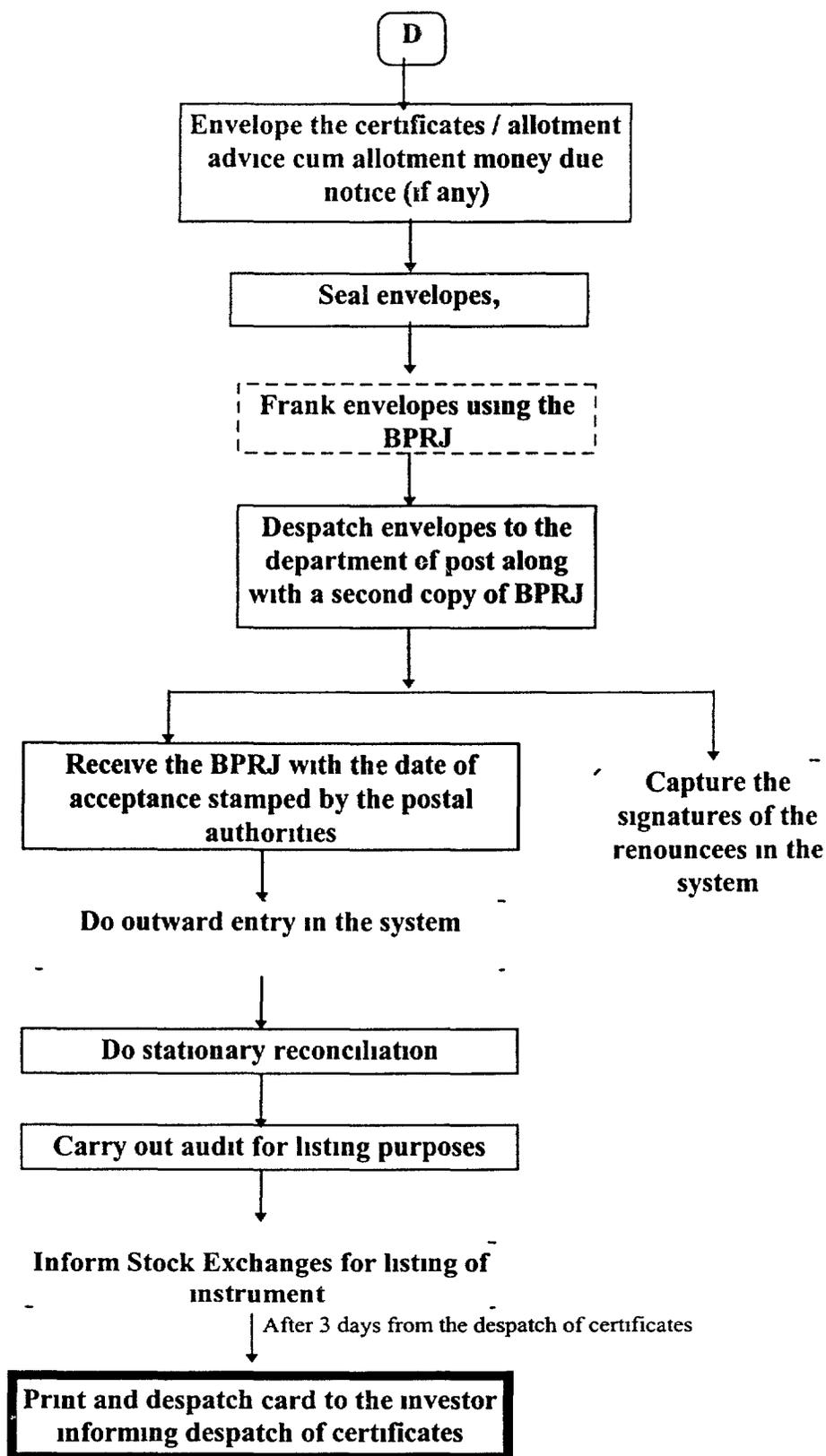
### Flow chart for Rights Issue

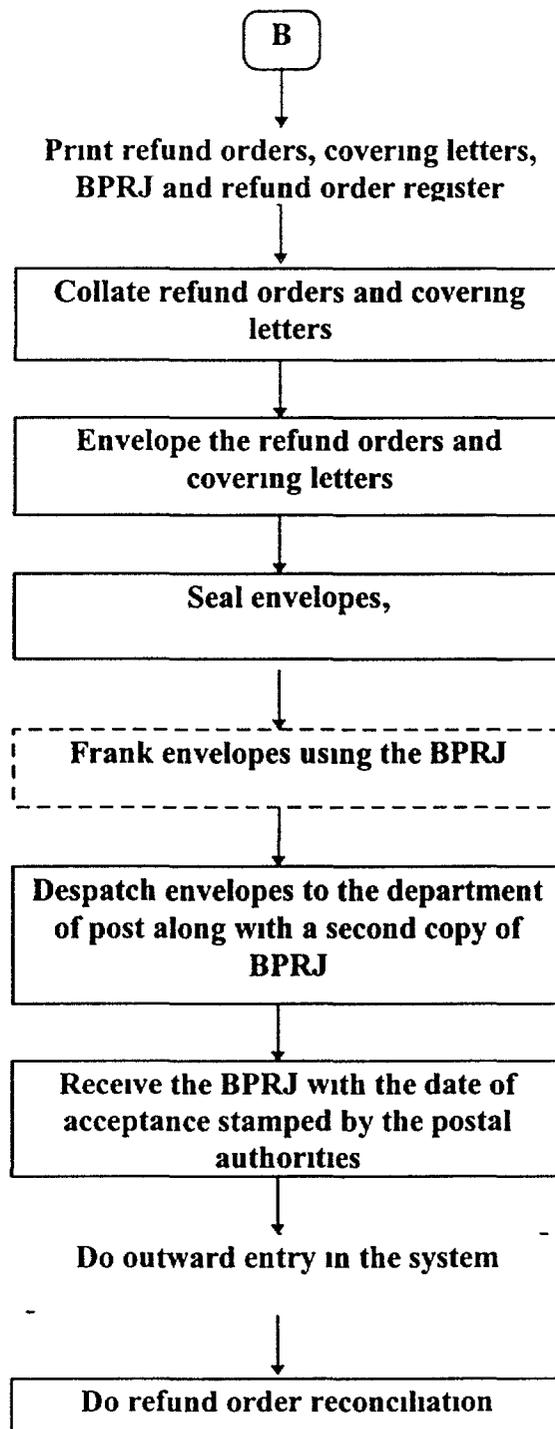


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## References for Rights Issue

### RIG01 Receive rights forms

Receive rights forms from the banks segregated in the following manner --

- 1 Payment made by cash / cheque / demand draft
- 2 Payment made through stock invest

### RIG02 Inward register

Refer annexure 1

### RIG03 Data entry

**From Bank Schedule --**

#### Header Entry

Bank serial number

#### Detailed Entry (page-wise)

Page number

Number of shares

Total amount

**From Rights Forms --**

#### Header Entry

Bank serial number

#### Detailed Entry

Folio number

Rights form serial number

Inward number

Type of application

(FA for fully applied, PA for Partly applied, FR for Fully applied, FM for Fully applied and more)

Number of shares applied for

Number of additional shares

Amount paid on the rights form

Renouncee details if any

#### For Stockinvest (only in case of excess applied for or renouncee cases)

Stockinvest number

Stockinvest issue date

Stockinvest amount

Bank name and branch on which the SI is made

### RIG04 Edit checklist

Refer annexure 2

### RIG05 Bank reconciliation statement

Refer annexure 3

### RIG06 Summary of bank schedule

Refer annexure 4

**RIG07 Rejection list**

The rejection list contains a list of inward numbers or rights form serial numbers that are rejected System checks application with incomplete information / wrong details such as --

Application by minor

Application by firm / trust

Age not mentioned

Mandate not mentioned

**RIG08 Distribution summary for additional shares applied**

Refer annexure 5

**Annexures for Rights Issue**

**Annexure 1 - Inward Register**

Bank branch code	Bank serial number range	Page number	RSN number range	Number of rights forms	Number of shares / debentures applied for	Amount

Annexure 2 - Edit checklist

From Bank Schedule --

Bank branch code	Page number	Number of shares	Total amount

From Rights Forms --

Bank branch code	Rights form serial number	RSN number	Type of application	Number of shares applied for	Amount paid on rights form	Renounee details	Stock invest (SI) details (only in case of excess applied for or renounee cases)			
							SI number	SI issue date	SI amount	Issuing bank serial number

Annexure 3 - Bank Reconciliation statement

Bank branch code	From Bank Schedule				From Application Forms				Differences	
	Page number	Number of applications	Number of shares	Total amount	Batch number	Number of applications	Number of shares applied for	Total application amount	Number of shares	Amount
	Cash/ SI Total	Cheque/	DD							
	Cash/ SI Total	Cheque/	DD							
Control total (at branch level)										
Final Total										

Annexure 4 - Summary of Bank statement

Bank branch code	Total number of applications received	Total number of shares applied for	Total application amount

Annexure 5 - Distribution Summary for additional shares applied for

Quantum of shares applied	Number of folios	Total number of shares applied

135

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BONUS ISSUE

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## BONUS ISSUE

### Activity Description

Issue of shares by capitalisation of reserves Unlike, IPO / rights etc shareholders do not apply and hence there are no applications to be processed in this activity The process begins with announcements by general meeting of the companies, of its intentions to issue bonus shares

### Process Overview

- Obtain bonus ratio as an input to the system
- Process all requests viz transfer, change of name/ address/status etc received prior to the record date
- Carry-out the allotment and assign certificate number and distinctive number to the folio
- Generate and print bonus register, fractional entitlement register
- Obtain BOD approval
- Print Bulk postage registration journal (BPRJ), certificates, MIS reports and covering letters
- Put the company seal and initial the certificates
- Collate and despatch the envelopes
- Print and despatch card to investor as advance intimation
- Print and despatch fractional warrants after sale of consolidated fractional entitlements

For detailed procedure refer flow chart

### Benchmark Service Standards

Issue of certificates to be completed within 15 days from the date of allotment

### Steps that can be eliminated

- No steps in this activity can be eliminated

### Recommendations

- A Card should be sent to the investor informing despatch of certificates

### Input documents

Companies resolutions and correspondence  
File of registered holders as on the record date

### Output documents

Bonus register  
Bulk postage registration journal  
Certificates  
Covering letters

Post card

Fractional entitlement register

Disbursement register

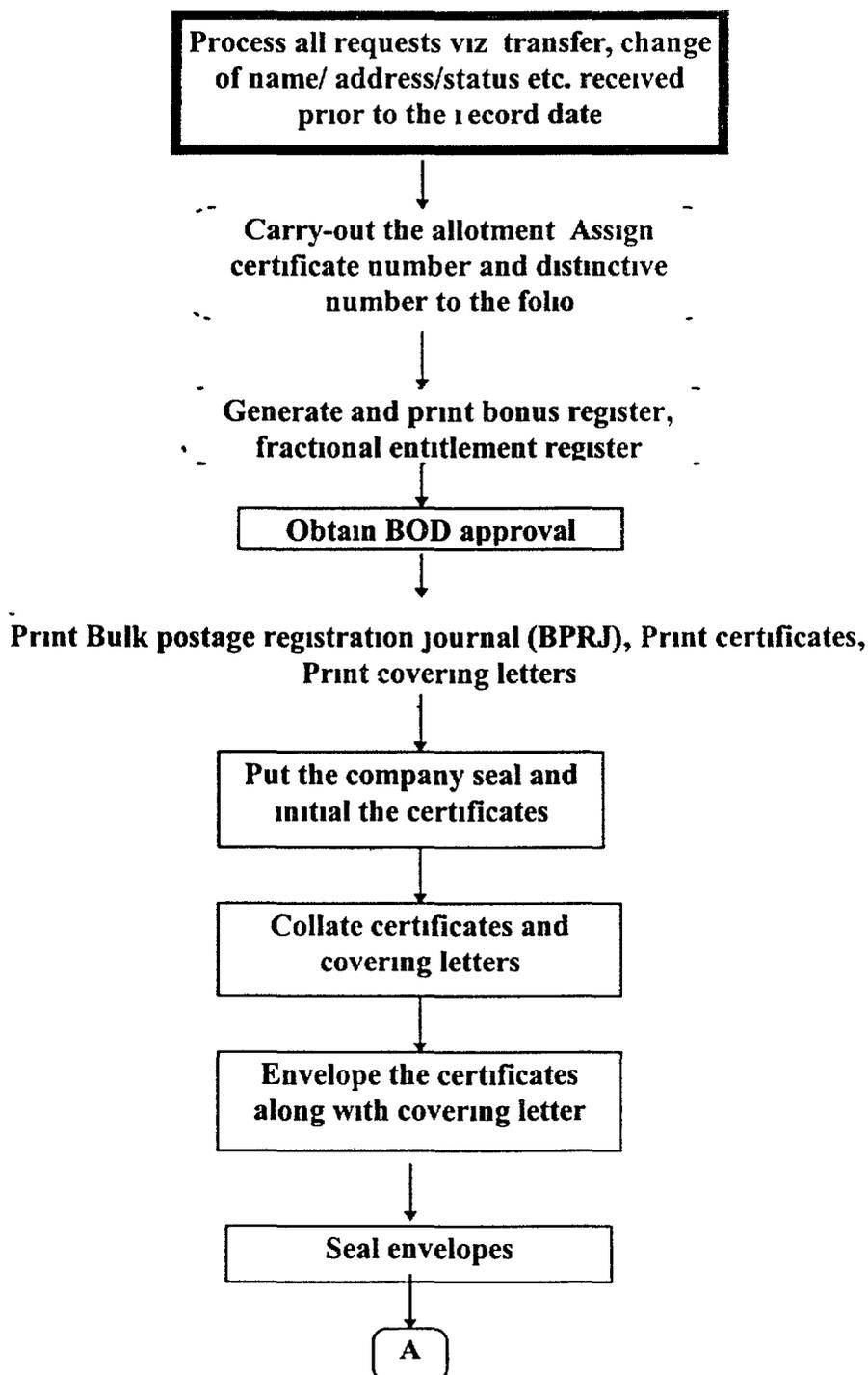
**Registers to be maintained**

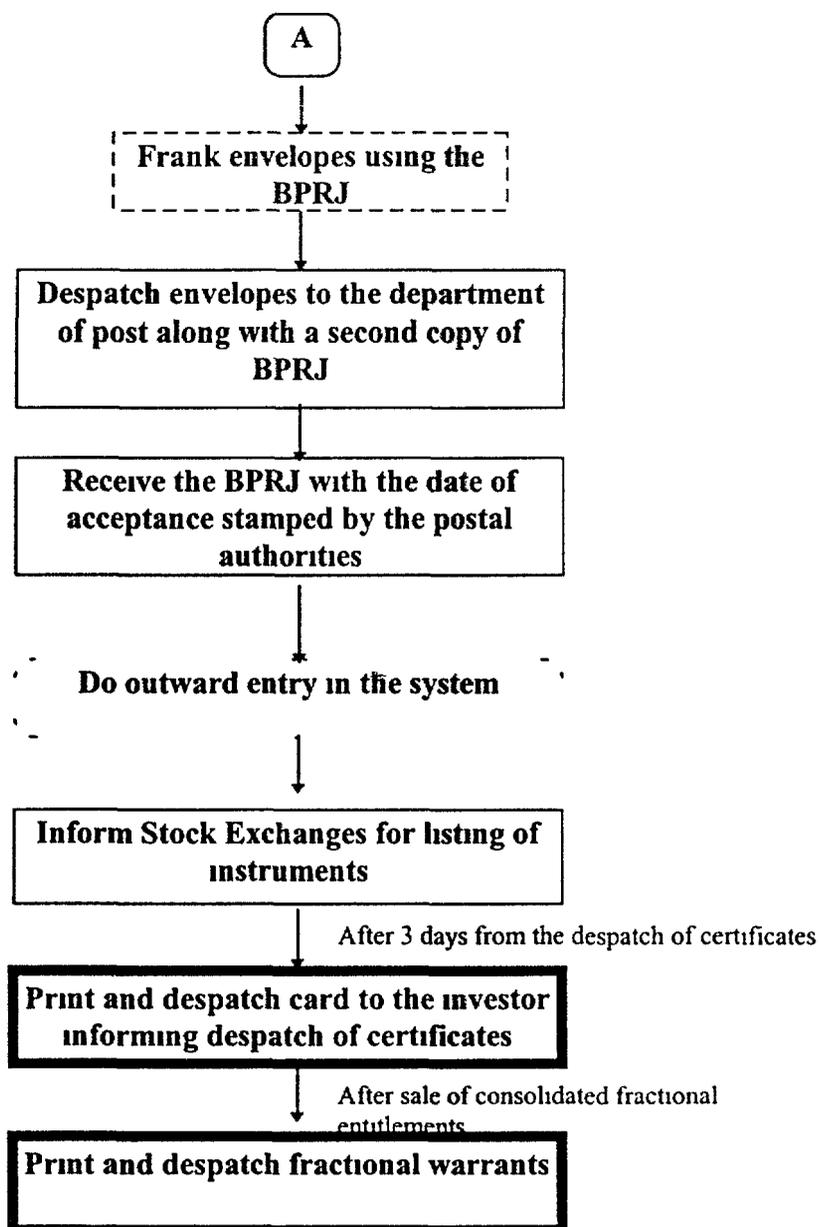
Bonus register

Fractional entitlement register

Acknowledged Bulk postage registration journal

### Flow chart for Bonus Issue





CONVERSION OF INSTRUMENTS

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## CONVERSION OF INSTRUMENTS

### Activity Description

Conversion is a process whereby the company converts a form of holding to another form of holding (allotment letter conversion into debenture certificates debenture certificates conversion into share certificates etc )

A convertible debenture, by terms of its issue, gives the holder the right to exchange debenture wholly or in part with shares

### Process Overview

As per the terms of the issue, a company may or may not require the certificates to be returned by the investor for carrying out the conversion process. If the certificates are not required, then the conversion is carried out internally as per the holdings on the record date. If the certificates are required, the process followed is very similar to rights processing.

The steps are

- Process all requests viz transfer, change of name / address / status etc received prior to the record date
- Do the conversion in the system as on the record date
- Intimate all Stock Exchanges of the conversion
- For Instrument B, recall the instruments and despatch fresh instruments

Instrument A

For detailed procedure refer flow chart

### Steps that can be eliminated

- No steps in this activity can be eliminated

### Input documents

Application form  
Certificates

### Output documents

Inward register  
Edit checklist  
Conversion allotment register  
Certificates  
Bulk postage registration journal  
Covering letter  
Post card

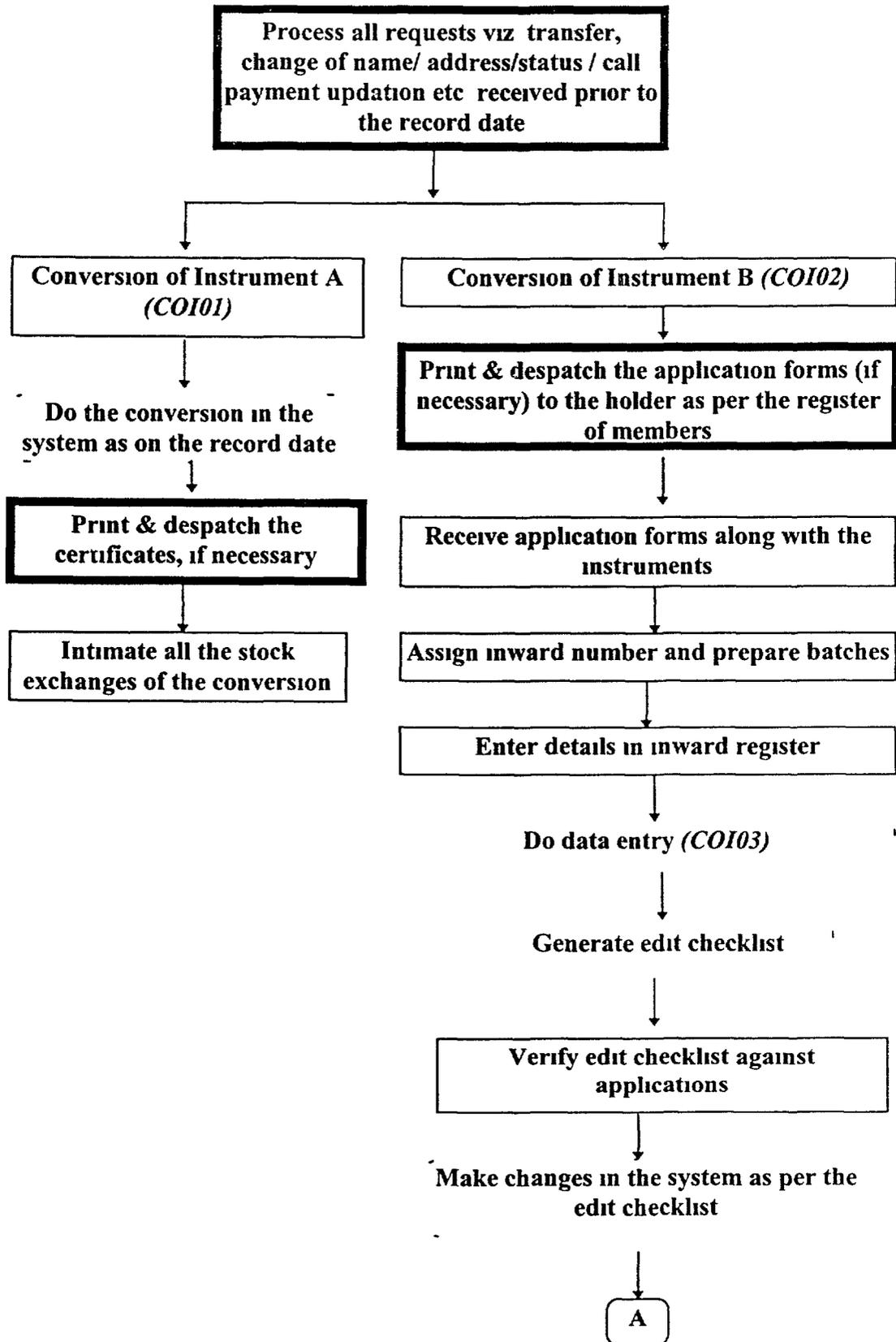
**Registers to be maintained**

Conversion allotment register

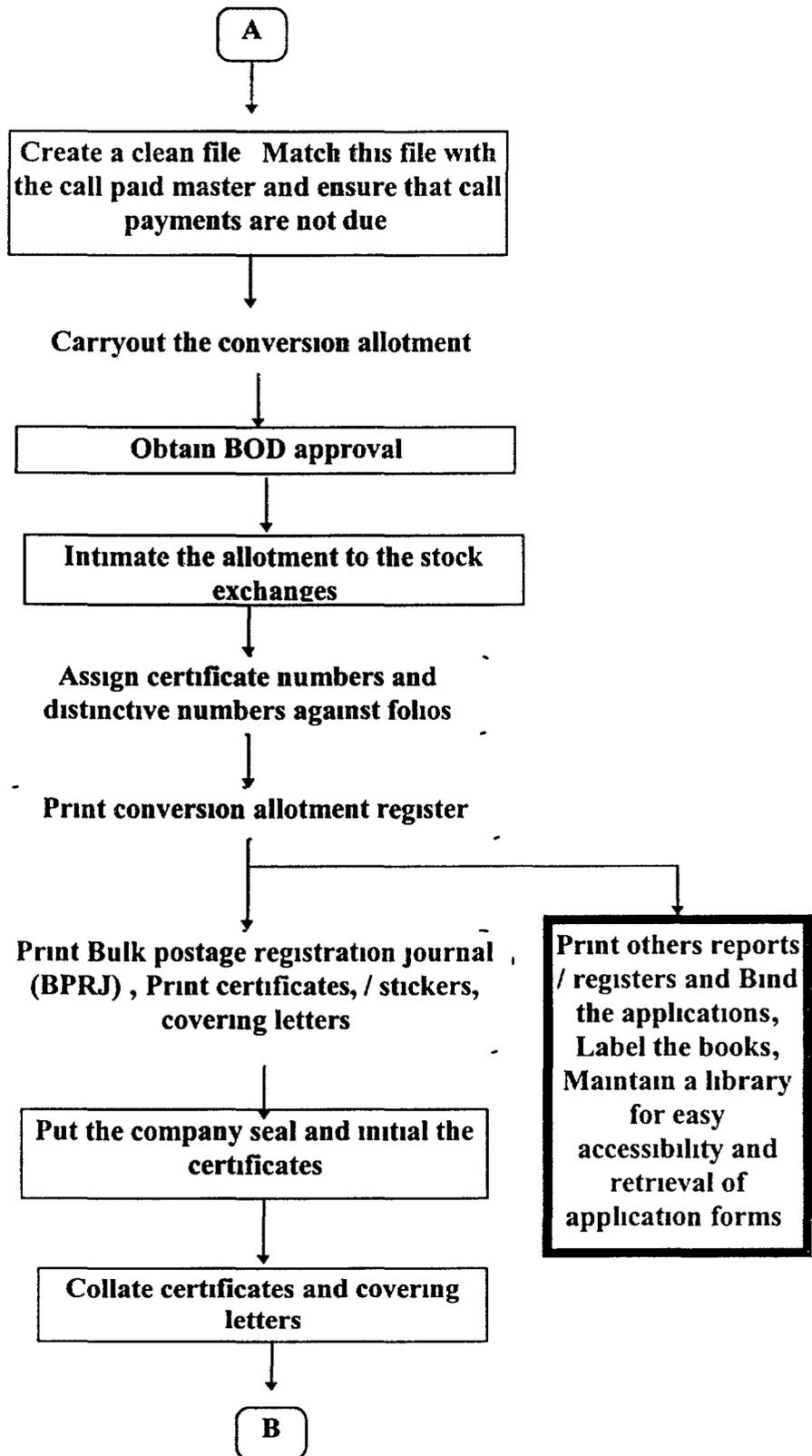
Acknowledged Bulk postage registration journal

Bound application forms

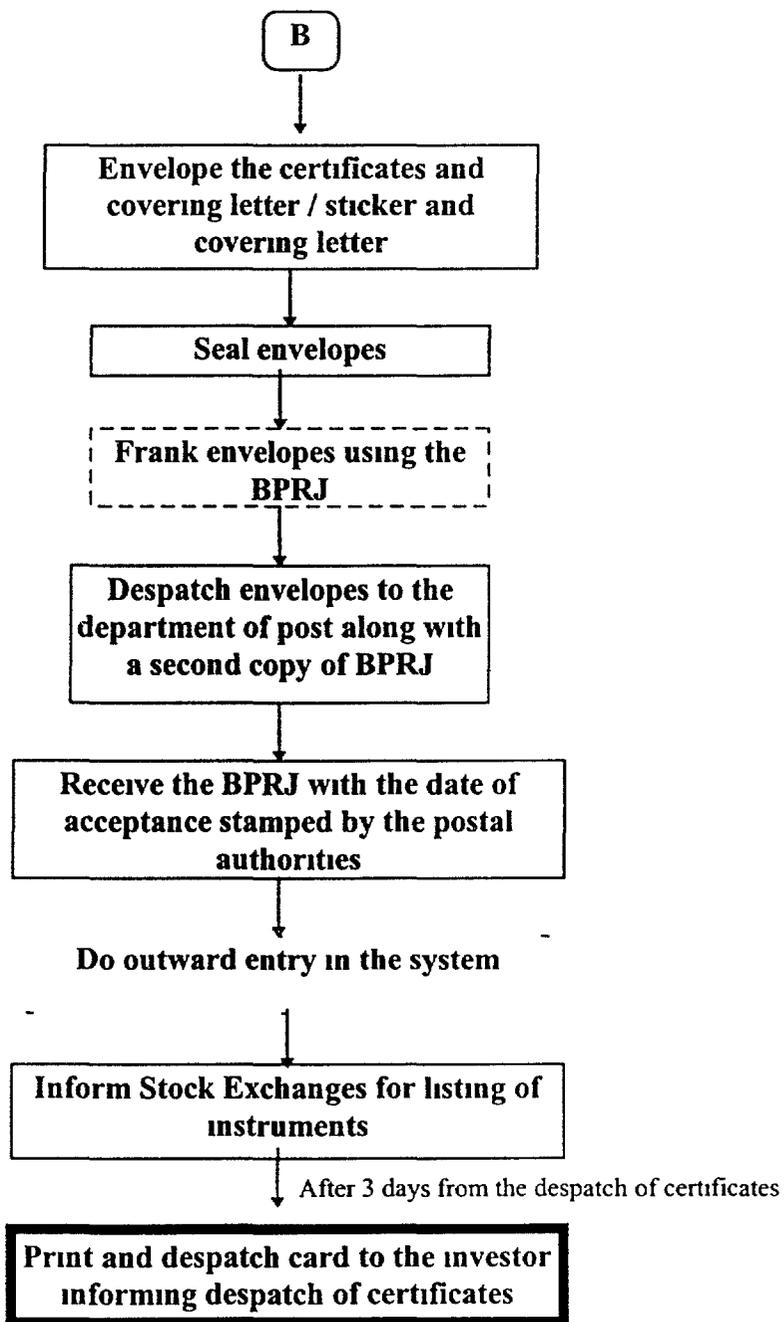
**Flow chart for Conversion of Instruments**



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## References for Conversion of Instruments

### COI01 Instrument A

These instruments refer to instruments of which the ratio of conversion and the date of conversion is fixed and mentioned on the face of the instruments from the beginning viz debenture cum share certificate

### COI02 Instrument B

These instruments refer to instruments of which the ratio of conversion and the date of conversion is not known and is at the discretion of the company. In such cases, the ratio of conversion and the date of conversion is not mentioned on the face of the instruments. As a result the instruments are recalled, conversion carried out and fresh instruments despatched.

### COI03 Data entry

Inward number

Folio number

Application form serial number

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DIVIDEND / INTEREST PROCESSING

7/1/88

## **DIVIDEND / INTEREST**

### **Activity Description**

A corporate benefit, in the form of profit distribution to the holders as on the record date whereby the company entitles its current share holders of monetary benefits as declared by it in annual general meeting (AGM)

Dividend is declared by AGM of the company

Interest is the sum paid to the debenture holders by the company as per the terms of the issue

Dividend is paid on shares and interest on debentures

### **Process Overview**

- Obtain bank approval for dividend / interest stationary
- Process all requests viz transfer, change of name / address / status etc received prior to the record date
- Compute and tally the dividend / interest amount
- Generate and print dividend / interest register
- Print Bulk postage registration journal (BPRJ), dividend / interest warrants / Electronic clearing services (ECS) intimation slips
- Organise for despatch of the envelopes / ECS slips

For detailed procedure refer flow chart

### **Benchmark Service Standards**

Distribution of warrants should be completed within 7 days from the date of warrant, but not later than the 41st day from AGM

Revalidation and despatch of warrants should be completed within 3 days from the receipt of request along with the original warrant

Duplicate warrants should be issued within 7 days after the expiry of 14 weeks from the date of original warrant

### **Steps that can be eliminated**

- No steps in this activity can be eliminated

### **Input documents**

Dividend / interest warrant stationary and company correspondence

File of registered holders as on the record date

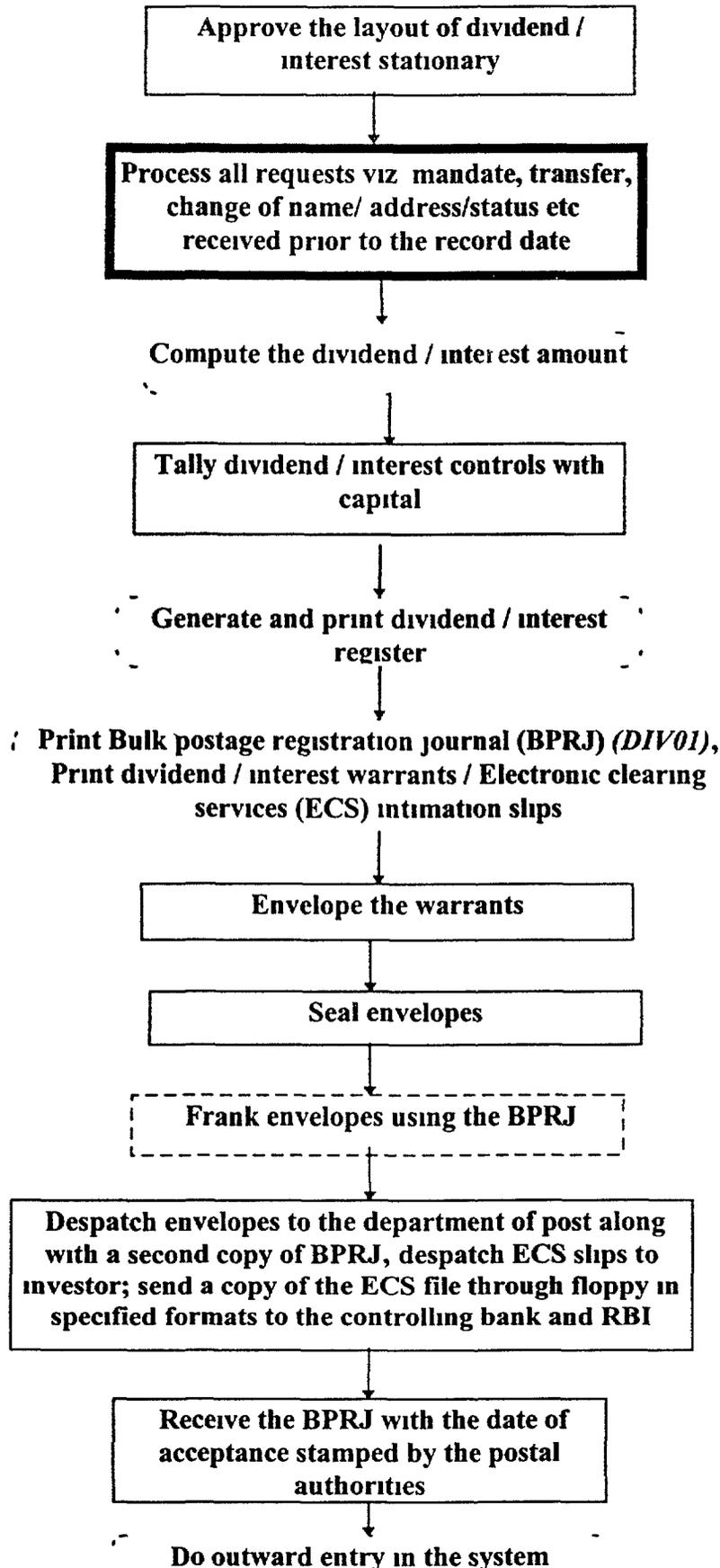
**Output documents**

Dividend / Interest register  
Bulk postage registration journal  
Dividend / Interest warrants  
ECS slips  
Covering letters

**Registers to be maintained**

Dividend / Interest register  
Acknowledged Bulk postage registration journal

**Flow chart for Dividend / Interest Processing**



301

## References for Dividend / Interest Processing

### DIV01 Bulk postage registration journal BPRJ

Print BPRJ pin-code number-wise Against each registration number, print the following

Folio number

Address

Warrant details

Franking amount (computed mathematically using system )

B6

REDEMPTION OF DEBENTURES

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## REDEMPTION OF DEBENTURES

### Activity Description

Redemption of debentures is the process of paying the principal amount back to the debenture holders by a company based on the terms of the issue

### Process Overview

- Process all requests viz transfer, change of name / address / status etc received prior to the record date
- Print and despatch redemption forms
- Inward and do data entry
- Carry out edit validation and update the system
- Compute the redemption amount and print redemption register
- Update the database
- Print Bulk postage registration journal (BPRJ), redemption cheques, MIS reports and covering letters
- Despatch the envelopes
- Print and despatch card to investor as advance intimation

For detailed procedure refer flow chart

### Steps that can be eliminated

- No steps in this activity can be eliminated

### Recommendations

- Redemption forms should reach investors minimum 7 days prior to the redemption date
- Redemption processing should be completed and cheques despatched within 10 days from the receipt of redemption forms from the investor
- A Card should be sent to the investor informing despatch of cheques

### Input documents

Redemption form  
Debenture certificates

### Output documents

Edit checklist  
Error checklist  
Redemption register  
Objection letter  
Bulk postage registration journal  
Redemption cheques  
Reminder letters  
Post card

Registers to be maintained

Redemption register

Acknowledged Bulk postage registration journal

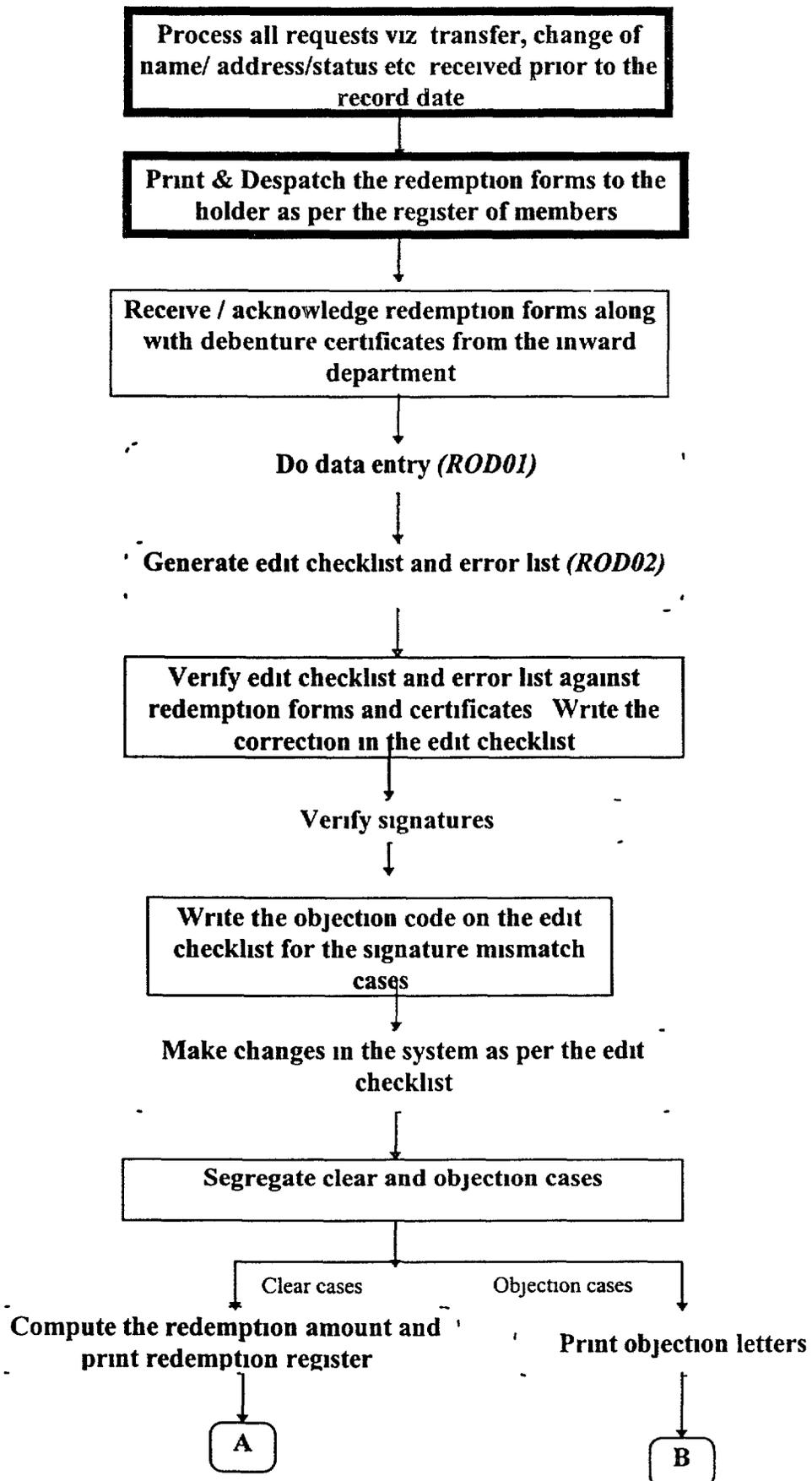
205

**Registers to be maintained**

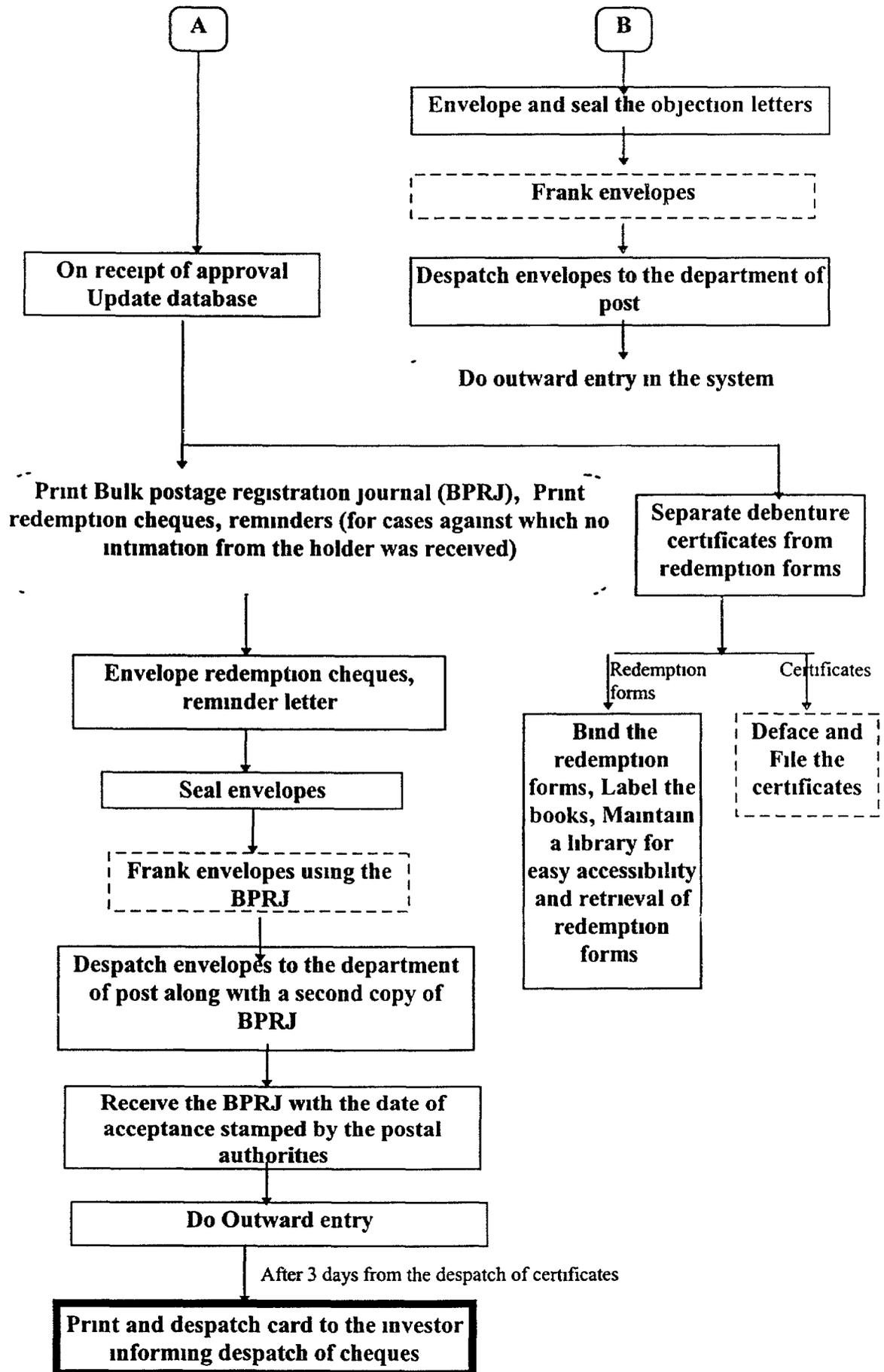
Redemption register

Acknowledged Bulk postage registration journal

**Flow chart for Redemption of Debentures**



207



209

## References for Redemption of Debentures

### ROD01 Data entry

Lot number

Inward number

Folio number

Certificate number

### ROD02 Error list

The error list is a print-out of only the logical errors (not 100% of data entry) detected by the system (through programs) This list also reflects if there is any stop transfer in the system against any certificate

**Annexures for Redemption of Debentures**

**Annexure 1 - Error list**

Lot number	Inward number	Error narration (description of error)

210

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WARRANT / INTEREST RECONCILIATION

## **INSTRUMENT RECONCILIATION**

### **Activity Description**

Instrument reconciliation is a process of reconciling the paid instruments as received from the bank against the instrument master and generating the paid / unpaid status of the instruments

### **Process Overview**

- Receive the instrument stubs and bank statement
- Do data entry
- Reconcile bank statement and instrument entry
- Generate paid / unpaid register

For detailed procedure refer flow chart

### **Steps that can be eliminated**

- No steps in this activity can be eliminated

### **Input documents**

Instrument master file  
Instruments stubs  
Bank statement

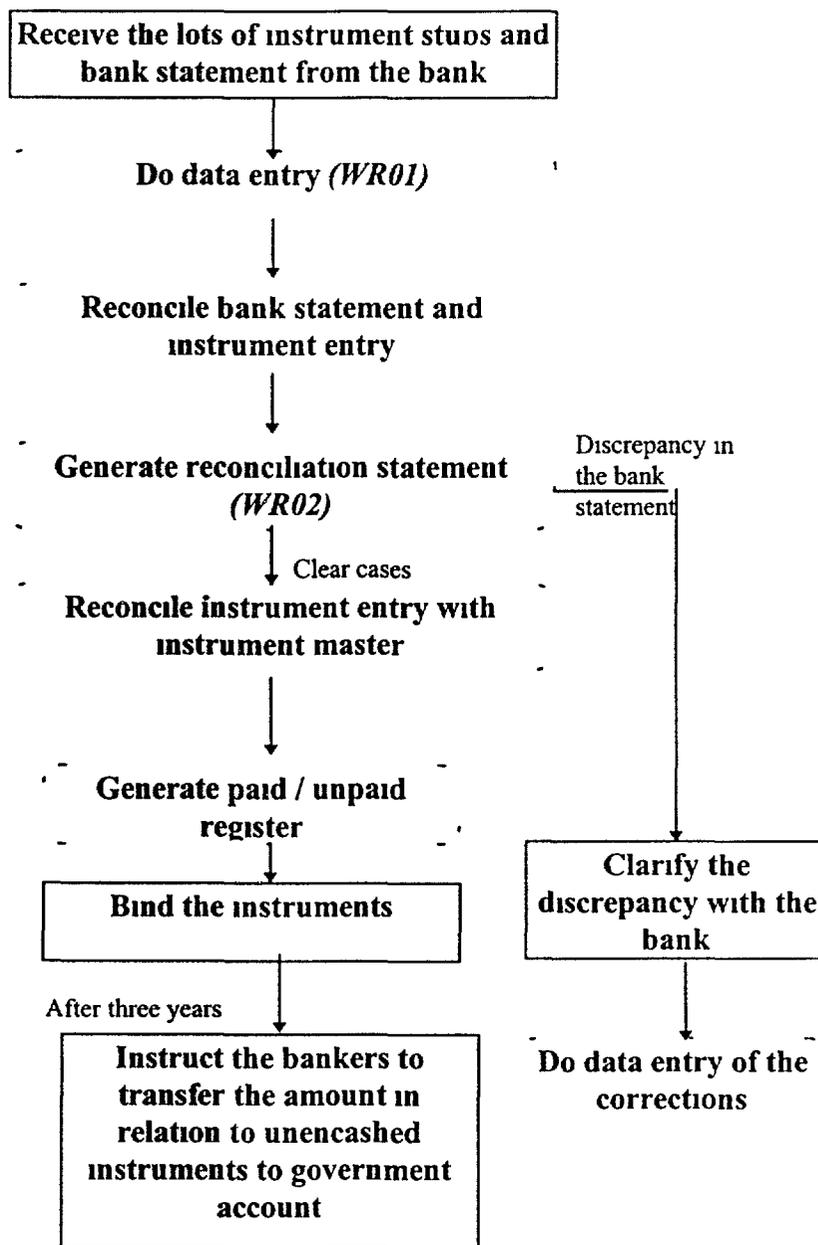
### **Output documents**

Reconciliation statement  
Paid / Unpaid register

### **Registers to be maintained**

Paid / Unpaid register  
Bound instruments

**Flow chart for Instrument Reconciliation**



## References for Instrument Reconciliation

### WR01 Data entry

*From the Bank statement*

- 1 Bank code
- 2 Total number of instruments
- 3 Total amount

*From the instruments*

- 1 Bank code
- 2 Instrument number
- 3 Instrument amount

### WR02 Reconciliation statement

This statement reflects any discrepancy, in the bank statement as against the actual instruments

Refer annexure 1

**Annexure for Instrument Reconciliation**

**Annexure 1 Reconciliation statement**

<i>Based on the Bank statement entry</i>			<i>Based on the instrument entry</i>		
Bank code	Total number of instruments	Total amount	Total number of instruments	Total amount	Discrepancy amount

2/5

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DEPOSITORY ACTIVITIES

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DEMATERIALIZATION OF SECURITIES

## DEPOSITORY - DEMATERIALISATION

### Activity Description

Dematerialisation is the process by which a holder can get physical certificates converted into electronic balances maintained in its account with the depository participant (DP)

An investor subscribing to securities offered by an Issuer through primary market issues may also be provided an option to receive the allotted securities in the dematerialised form instead of physical certificates

Securities held in dematerialised form are fungible, i.e. they do not bear any distinguishing features

### Process Description

If the request for dematerialisation received from the depository tallies with the request and certificates received from the DP, the certificates are scrutinised for validity, signatures are verified and the depository and DP are intimated about the dematerialisation status

*Note The despatches could be made through speed post / couriers*

For detailed procedure refer flow chart

### Benchmark Service Standards

Benchmark standards for the activity has not been estimated as National Securities Depository Limited (NSDL) in consultation with RTAs has estimated a service standard

### Input documents

Dematerialisation request in electronic form from depository  
Dematerialisation request form (DRF) from DP  
Certificates

### Output documents

DRF received register  
Mismatch / discrepancy letter  
Edit checklist  
Error checklist  
Dematerialisation register  
Rejection memo  
Objection memo  
Register of destroyed certificates  
Postage registration journal  
Covering letter

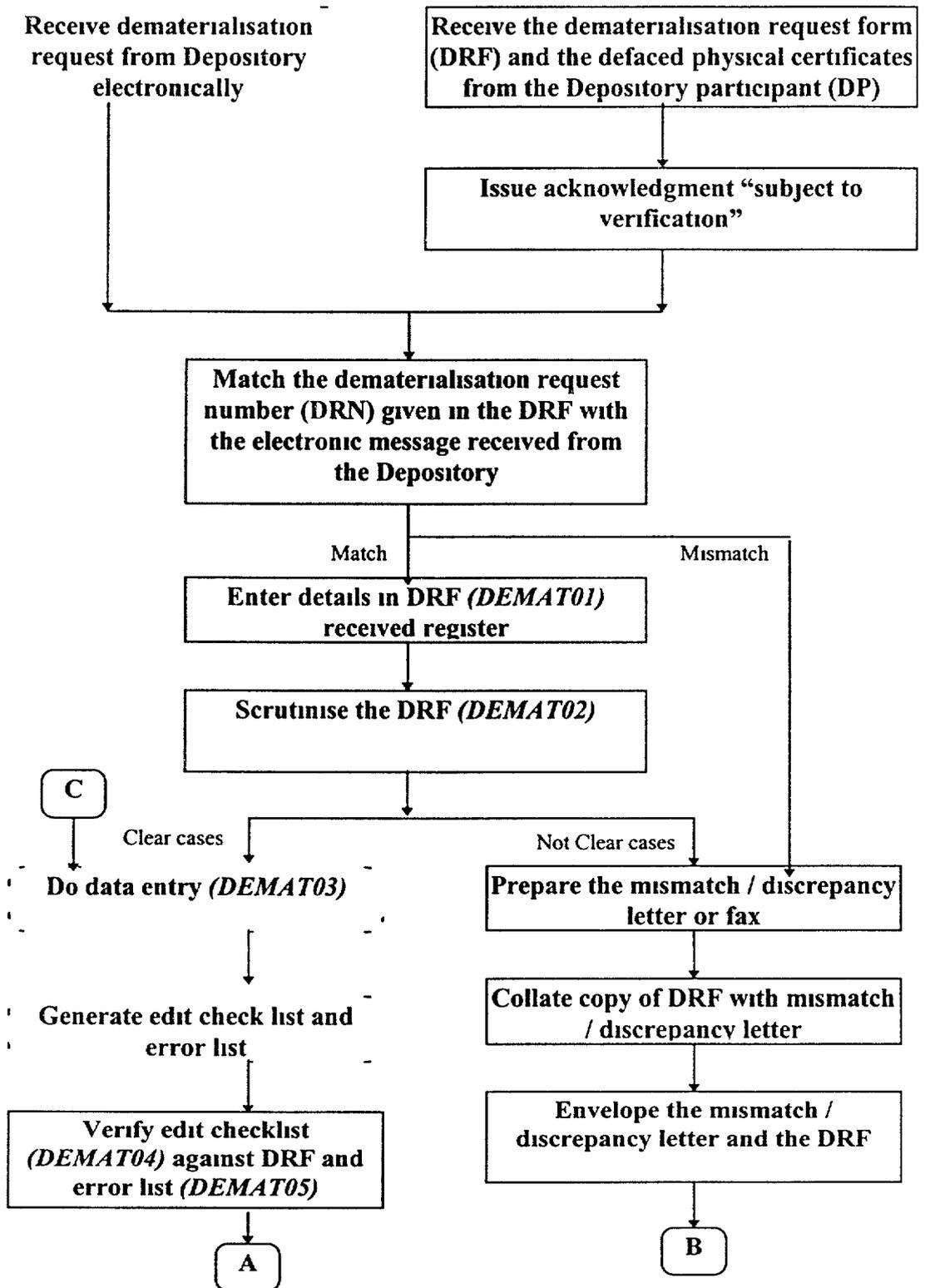
**Registers to be maintained**

Dematerialisation register

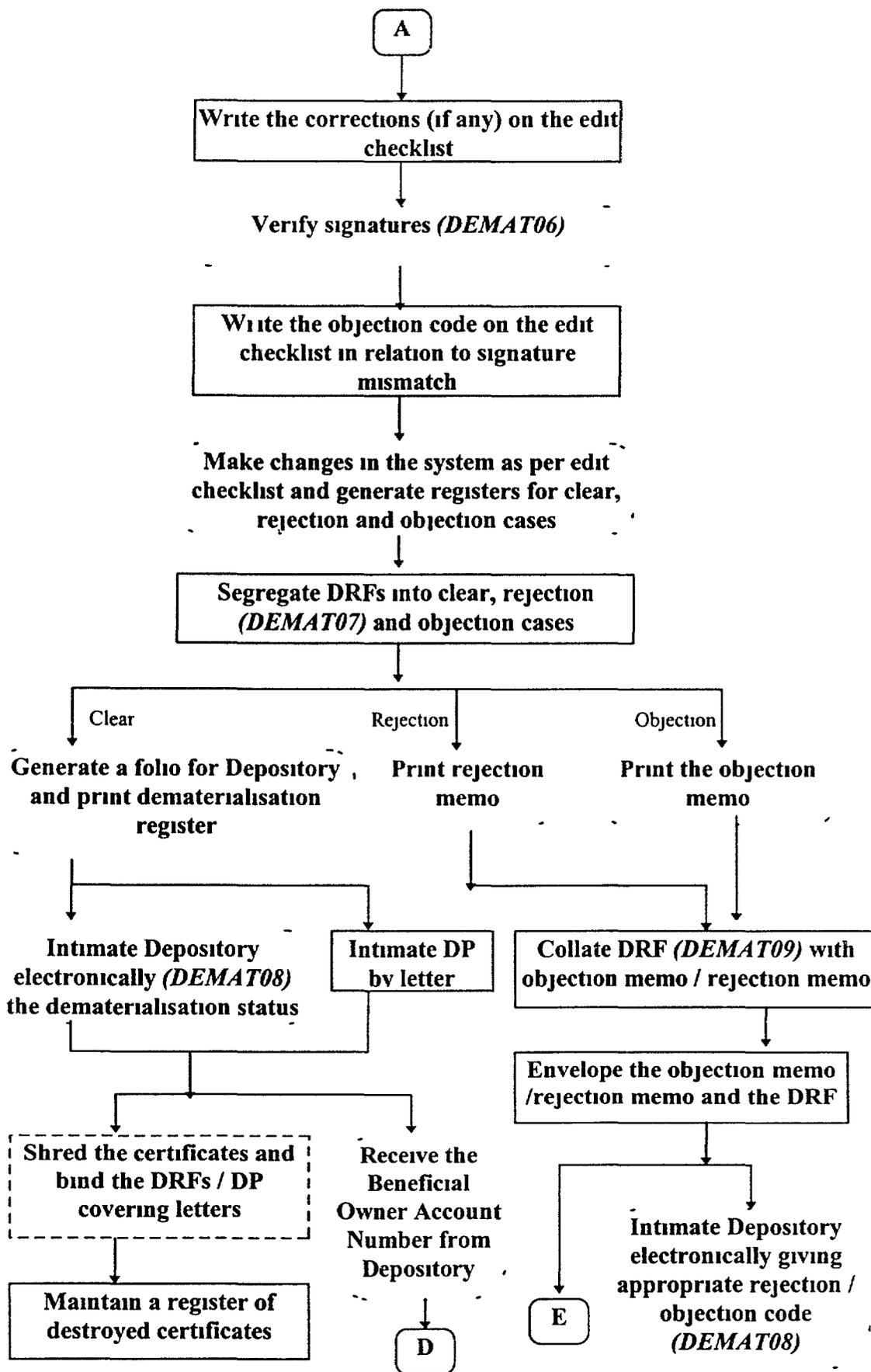
Register of destroyed certificates

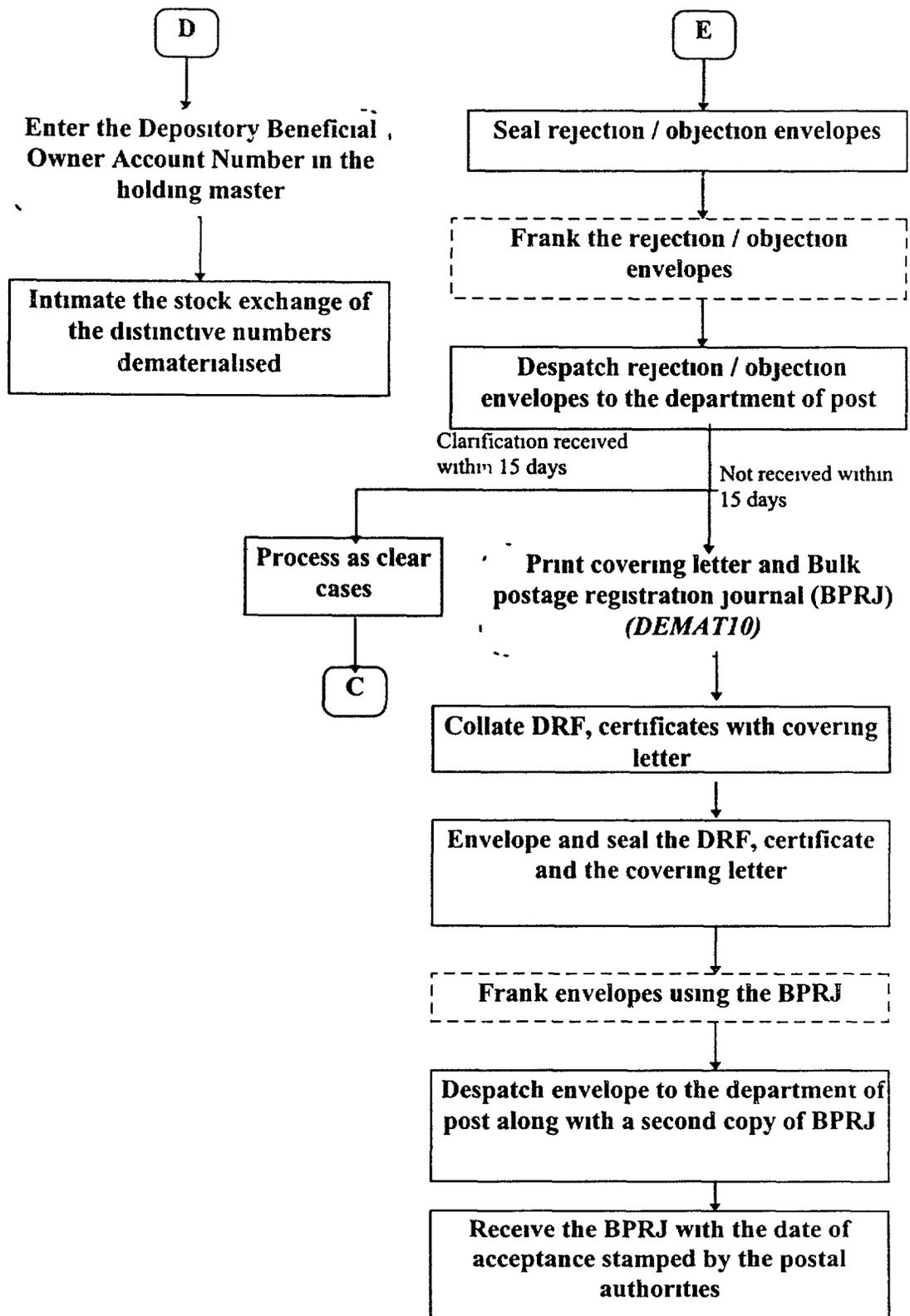
Acknowledged Postage registration journal

**Flow chart for Depository - Dematerialisation**

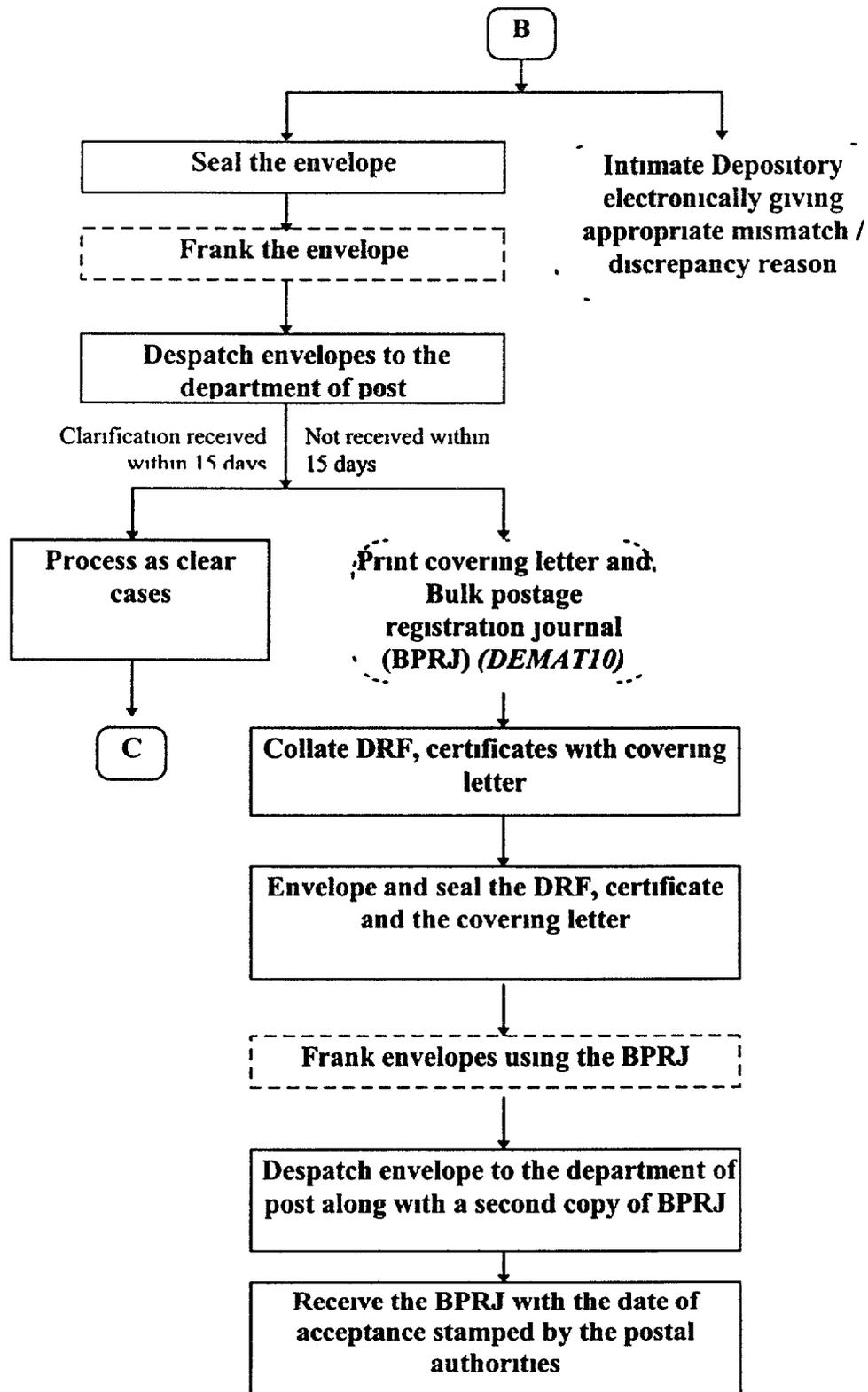


220





222



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## References for Depository - Dematerialisation

### DEMAT01 DRF received register

Refer annexure 1

### DEMAT02 Scrutiny

- 1 DRF form is completely filled and signed
- 2 Number of certificates attached tallies with the number mention in the DRF
- 3 Details of distinctive numbers entered in the DRF tallies with the physical certificates
- 4 Certificates are be marked by the client "Surrendered for dematerialisation"
- 5 DRF contains DP authorisation
- 6 Pattern of holdings mentioned in the DRF match that of the certificate
- 7 Separate DRF is filled in for
  - Securities having different International Securities Identification Numbers (ISIN)
  - For lock-in and free securities

### DEMAT03 Data entry

DP-ID

DRN

DRF received date

Name of the Company

Folio number

Certificate number

Distinctive number

Number of shares

Clients Details

### DEMAT04 Edit checklist

The edit checklist is a print-out of the entire data entry (100% print-out)

Refer annexure 2

### DEMAT05 Error list

The error list is a print-out of only the logical errors (not 100% of data entry) detected by the system (through programs) This list also reflects if there is any stop transfer in the system against any certificate

Refer annexure 3

**DEMAT06 Signature verification**

On entry of folio, the system retrieves the following

Folio name

Signature

**DEMAT07 Rejection**

Fake certificates

Certificates reported stolen

Duplicate certificates already issued against the received certificate

Forged endorsement

Court injunction pending

DRF sent to the incorrect registrar

**DEMAT08 Intimate Depository by doing data entry in the depository interface module as follows**

Date of reply

Number of securities confirmed

Number of securities pending

Objection code

Number of securities rejected

Rejection code

**DEMAT09. Collate DRF with objection /rejection memo**

1 Attach a photocopy of the DRF to the objection memo

2 Attach the original DRF to the rejection memo

**DEMAT10 . Bulk postage registration journal (BPRJ)**

Print BPRJ pin-code number-wise

Refer annexure 4

**Annexures for Depository - Dematerialisation**

Annexure 1 - DRF received register

DRN	DP-ID	DRF received date	Number of certificates received as mentioned in the DRF	Number of certificates actually received (enter after the scrutiny)

226

Annexure 2 - Edit checklist

DP-ID	DRN	DRF received date	Name of the Company	Folio number	Certificate number	Distinctive number	Number of shares	Clients Details

2017

Annexure 3 - Error checklist

DRN	Error narration (description of error)

82

**Annexure 4 - Bulk Postage Registration journal**

Pin-code	Registration number	Certificate details	DRN	DP-ID	Franking amount (computed mathematically using system )

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REMATERIALISATION OF SECURITIES

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## **DEPOSITORY - REMATERIALISATION**

### **Activity Description**

Rematerialisation is the process by which an investor can get electronic holdings converted into physical certificates

### **Process Description**

If the request for rematerialisation received from the depository matches with the DP, scrutinise the rematerialisation request form, print certificates for clear cases and despatch to investor

For detailed procedure refer flow chart

### **Benchmark Service Standards**

Benchmark standards for the activity has not been estimated as NSDL in consultation with RTAs has estimated a service standard

### **Input documents**

Rematerialisation request from depository electronically  
Rematerialisation request form (RRF)  
Stationary (new certificates)

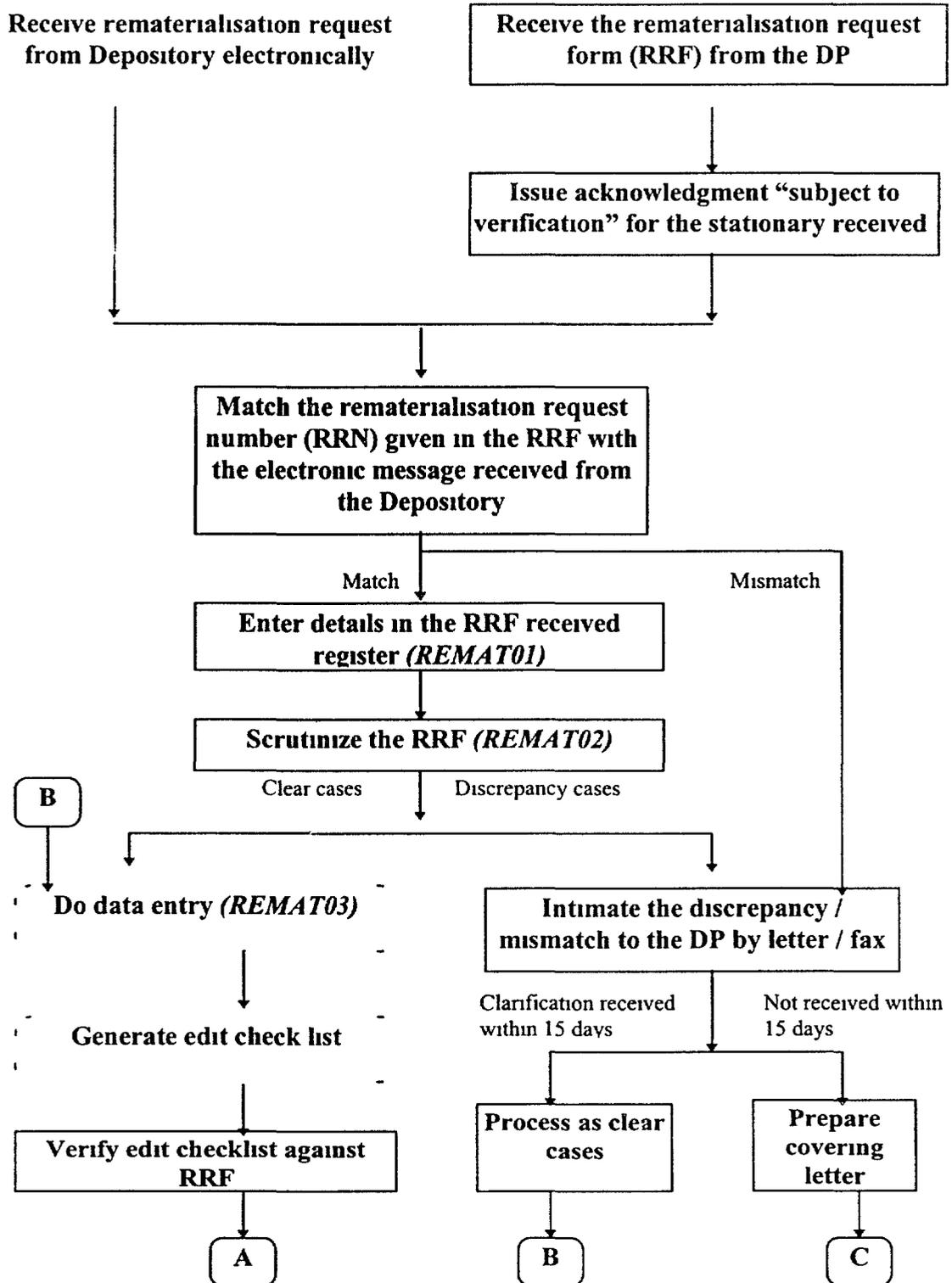
### **Output documents**

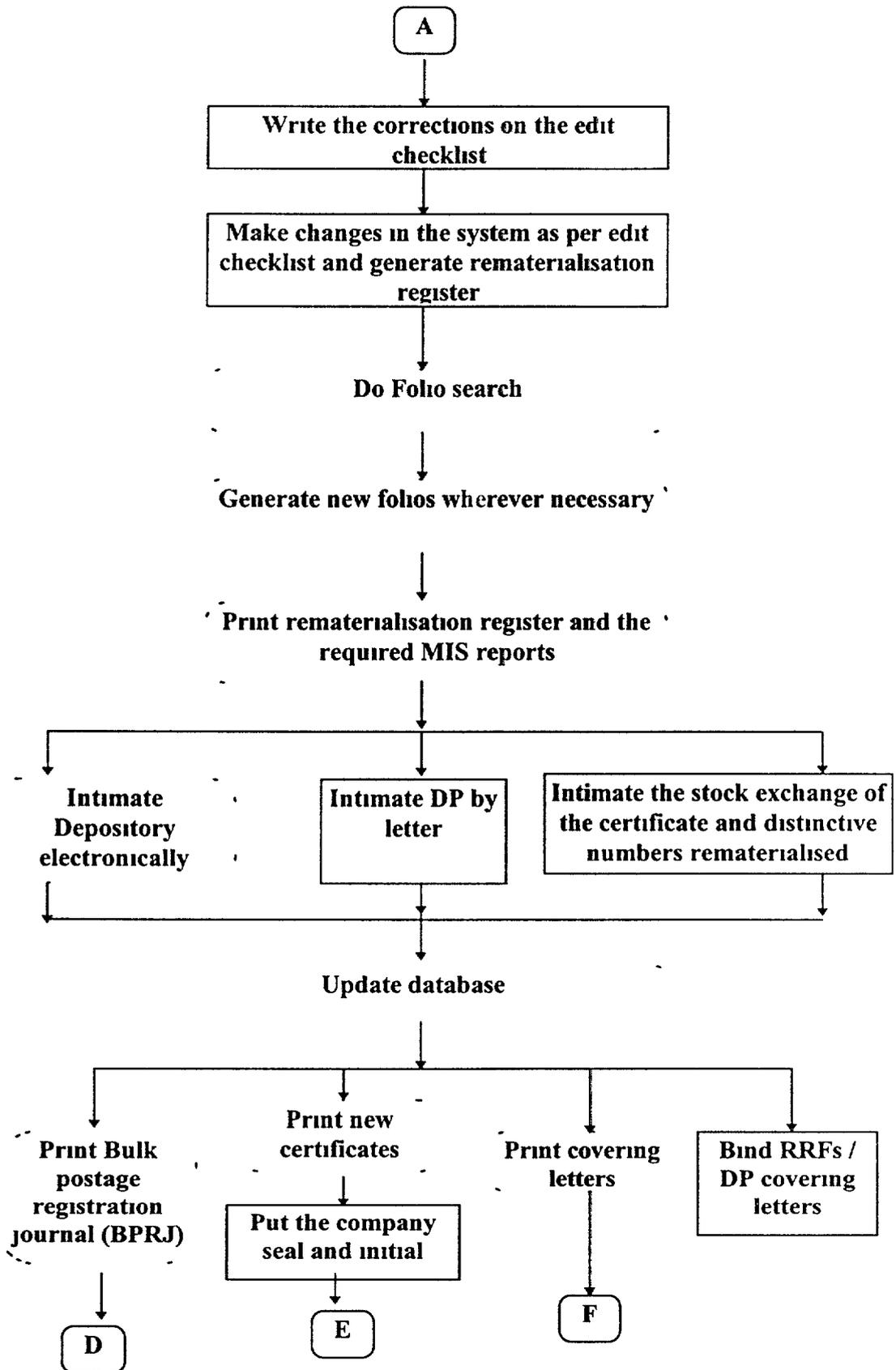
RRF received register  
Mismatch / discrepancy letter  
Edit checklist  
Rematerialisation register  
Bulk postage registration journal  
Certificates  
Covering letters  
Card

### **Registers to be maintained**

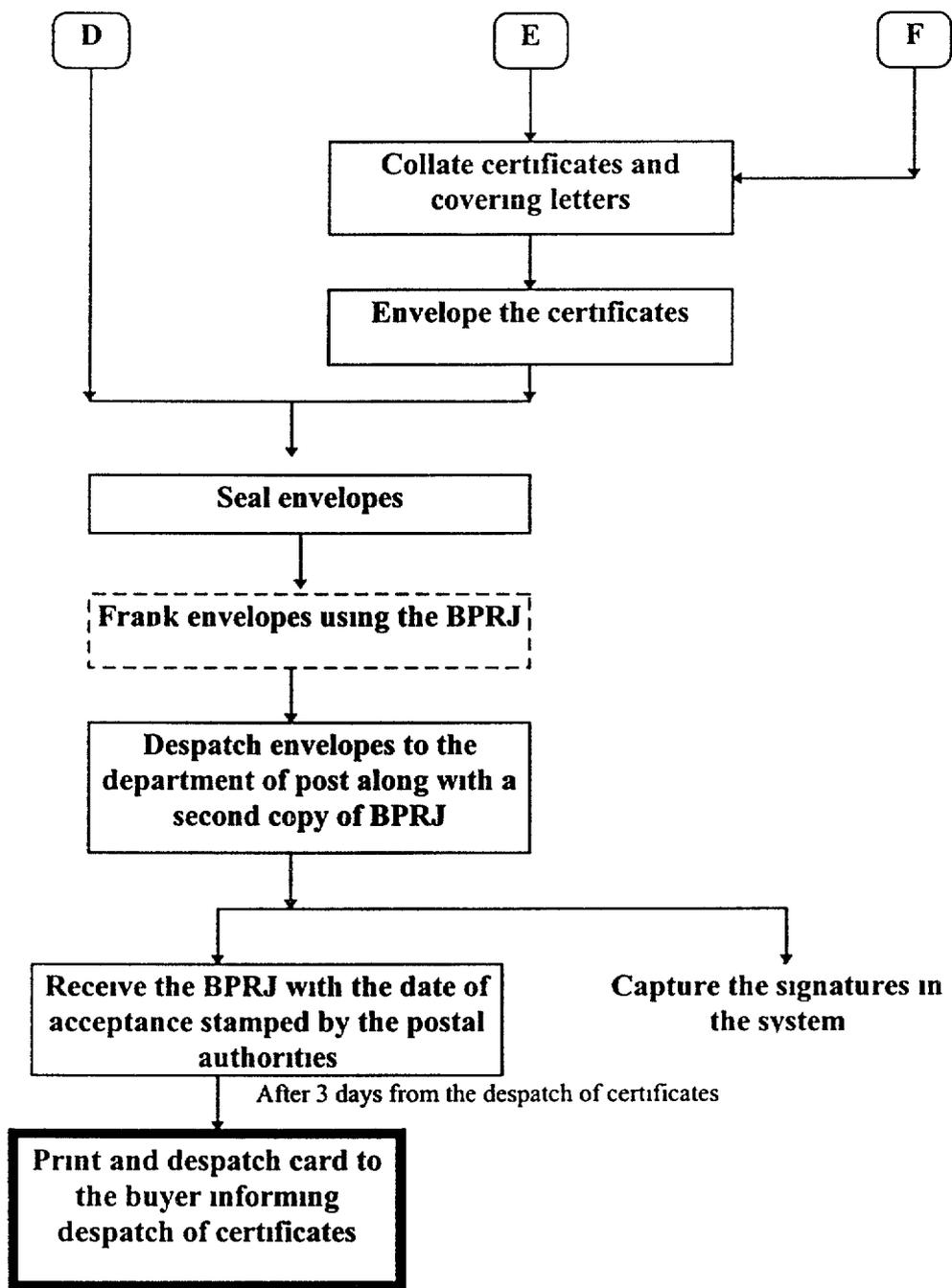
Rematerialisation register

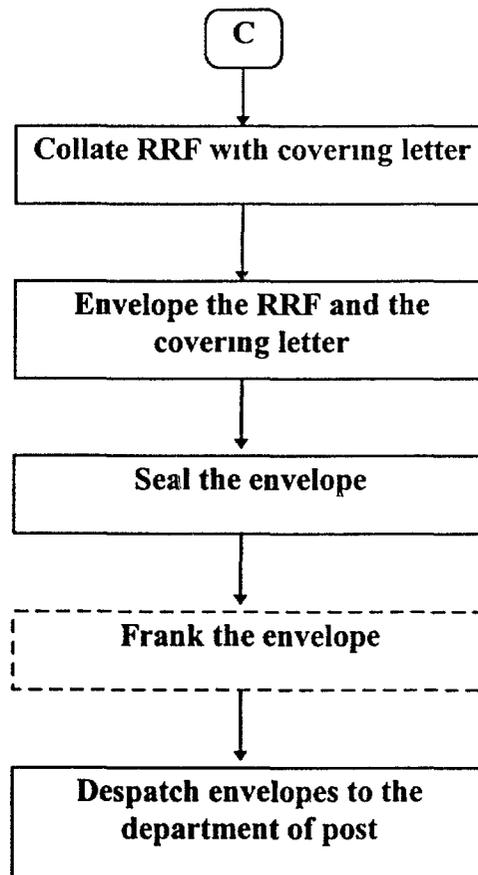
### Flow chart for Depository - Rematerialisation





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## References for Depository - Rematerialisation

### REMAT01 - RRF received register

Refer annexure 1

### REMAT02 Scrutiny

- 1 RRF form is completely filled and signed
- 2 RRF contains Number of certificates to be rematerialised
- 3 RRF contains DP authorisation
- 4 Separate RRF is filled in for
  - Securities having different International Securities Identification Numbers (ISIN)
  - For lock-in and free securities

### REMAT03 Data entry

DP-ID

RRN

RRF received date

Name of the Company

Number of shares

Clients Details

### Annexures for Depository - Rematerialisation

Annexure 1 - RRF received register

RRN	DP-ID	RRF received date	Number of certificates to be rematerialised

237

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DEPOSITORY - BONUS ISSUE

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## DEPOSITORY - BONUS ISSUE

### Activity Description

The purpose of Bonus Issue is to capitalise the free reserves and to issue capital as fully paid-up shares without any payment in cash from the shareholders. It is a non-monetary corporate benefit.

### Process Description

Bonus shares are allotted to holders of a company as on the record date.

For detailed procedure refer flow chart.

*Note: The flowchart describes the methodology to carry out bonus processing in a completely dematerialised scenario.*

### Input documents

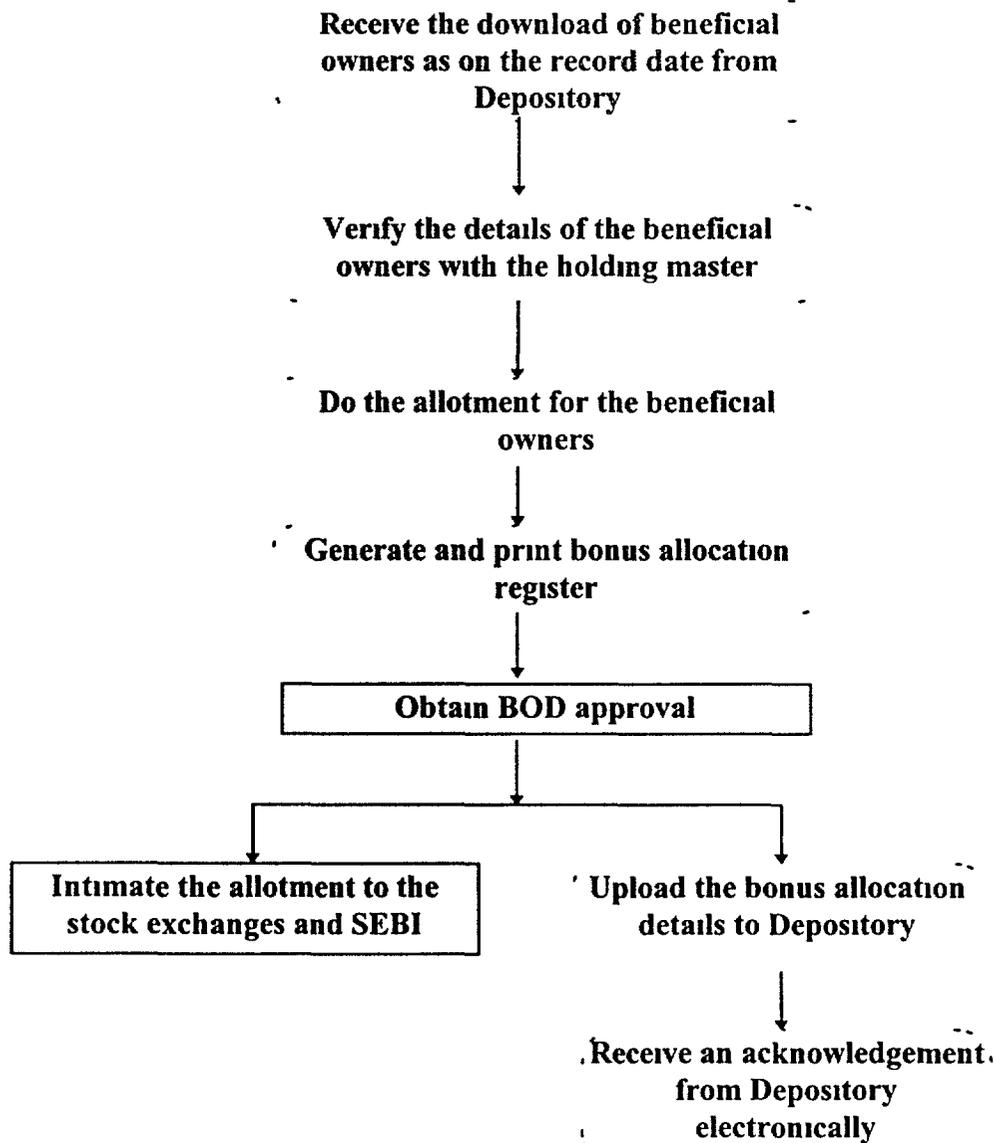
File of beneficial owners from the depository.

### Output documents

Bonus allocation register

File of bonus allocation details

### Flow chart for Depository - Bonus Issue



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DEPOSITORY - DIVIDEND / INTEREST

## DEPOSITORY - DIVIDEND / INTEREST

### Activity Description

Dividend is the portion of profits of the company which is allocated to the holders of shares in the company. It is a corporate benefit whereby the company entitles its current share holders of monetary benefits as declared by it in annual general meeting.

Interest is the sum paid to the debenture holder by the company out of the capital periodically.

Dividend is paid on shares and interest on debentures.

### Process Description

The rate of dividend/interest is applied on the holdings of investors as on the corporate action date, dividend/interest warrants printed and mailed to investors.

For detailed procedure refer flow chart.

*Note: The flowchart describes the methodology to carry out dividend/interest processing in a completely dematerialised scenario.*

### Input documents

File of beneficial holders from depository.

### Output documents

Dividend / Interest allocation register

Dividend / Interest warrants

Bulk postage registration journal

### Registers to be maintained

Dividend / Interest allocation register

Acknowledged Bulk postage registration journal

### Flow chart for Depository - Dividend / Interest

