1. The Executive Directors/Managing Directors/ Administrators of all Stock Exchanges  
2. The Managing Director, NSDL  
3. The Executive Director, CDSL  

Dear Sirs,  

Sub: **Review of Dematerialisation Charges**  

1. Investors have been representing to SEBI seeking a reduction in the charges paid by them for dematerialisation of securities. The rationalization of charge structure for dematerialisation was discussed at the Secondary Market Advisory Committee of SEBI (SMAC).  

2. After careful consideration of the recommendations of the SMAC, as a first step, it has been decided to rationalize the existing charge structure as under:  

2.1 Effective from February 1, 2005:--  
   a) No investor shall be required to pay any charge towards opening of a Beneficiary Owner (BO) Account except for statutory charges as may be applicable;  
   b) No investor shall be required to pay any charge for credit of securities into his/her BO account; and  
   c) No custody charge shall be levied on any investor who would be opening a BO account on or after February 1, 2005.  

2.2 With effect from April 1, 2005 the custody charges shall not be levied on any investor. However, the Depositories may levy and collect the charges towards custody from the issuers, on a per folio (ISIN position) basis as at the end of the financial year, according to the table given below:  

Issuers to pay @ Rs.5.00 (*) per folio (ISIN position) in the respective depositories, subject to a minimum as mentioned below:  

<table>
<thead>
<tr>
<th>Nominal value of admitted securities (Rs.)</th>
<th>Annual Custodial Fee payable by a Issuer to each Depository (Rs.) (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 5 crore</td>
<td>4,000</td>
</tr>
<tr>
<td>Above 5 crore and upto 10 crore</td>
<td>10,000</td>
</tr>
<tr>
<td>Above 10 crore and upto 20 crore</td>
<td>20,000</td>
</tr>
<tr>
<td>Above 20 crore</td>
<td>30,000</td>
</tr>
</tbody>
</table>

* Plus service tax as applicable
The issuers would be required to pay custody charges to the Depository with whom they have established connectivity based on the total number of folios (ISIN positions) as on 31st March of the previous financial year or the minimum amount, as the case may be, by 30th April of the each financial year failing which Depositories may charge penal interest subject to a maximum of 12% p.a.

3. All the Stock Exchanges are advised to:-

   a) implement the above with immediate effect by making necessary amendments to the bye-laws and Listing Agreement, as applicable;

   b) to bring the provisions of this circular to the notice of the listed companies/Issuers and also to put up the same on the website for easy access to the investors; and

   c) communicate to SEBI the status of the implementation of the provisions of this circular and the action taken in this regard in Section II, item no. 13 of the Monthly Development Report for the month of February, 2005.

4. The Depositories are advised to:-

   a) make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately, as may be applicable/necessary;

   b) bring the provisions of this circular to the notice of the DPs of the Depositories and the issuers whose securities have been admitted into the depositories and also to disseminate the same on the website; and

   c) communicate to SEBI the status of the implementation of the provisions of this circular in the Monthly Development Report for the month of February, 2005.

5. This circular is being issued in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

V S SUNDARESAN