

Circular No.: NSDL/POLICY/2022/089

June 28, 2022

Subject: Operational Guidelines for capturing reasons for encumbrances and ultimate lender details in the Depository System.

Attention of Participants is invited to SEBI Circular No. SEBI/HO/CFD/DCR-3/P/CIR/2022/27 dated March 7, 2022 (NSDL circular no. NSDL/POLICY/2022/037 dated March 15, 2022) regarding automation of disclosure requirements under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011-System Driven Disclosures - Ease of doing business wherein SEBI had advised Depositories as under:

- i. All types of encumbrances as defined under Regulation 28 (3) of Takeover Regulations shall necessarily be recorded in the depository system.*
- ii. The depositories shall capture details of the ultimate lender along with name of the trustee acting on behalf of such ultimate lender such as banks, NBFCs, etc. In case of issuance of debentures, name of the debenture issuer shall be captured in the depository system.*
- iii. The depositories shall now capture the reasons for encumbrances in the depository system.*

In this context, Participants are requested to follow below mentioned operating guidelines for capturing reasons for all type of encumbrances and details of ultimate lender(s) where shares are pledged in favour of the Trustee by the Promoters:

1. At the time of execution of pledge/Hypothecation/NDU by a Promoter, Participants are advised to capture the reason code for the encumbrance as provided by the client and in case the encumbrance is in favor of a Trustee acting on behalf of ultimate lender(s), details of such ultimate lender(s) shall be provided by the client. In case encumbrance is created by the client for the purpose of issuance of debentures, name of the debenture Issuer shall be provided by the client. Illustrative examples for capturing name of ultimate lender(s) / debenture Issuer are enclosed as **Annexure A**.
2. For recording the details as mentioned above, following fields have been introduced in NSDL system:
 - a. Reason code for Encumbrance
 - b. Name of Ultimate Lender / Debenture Issuer



- Participants are requested to take note that name of ultimate lender / debenture issuer (in case encumbrance is in favor of a Trustee) and reason code for encumbrance, shall be obtained in the format enclosed as **Annexure B** along with Form 28 (Pledge/Hypothecation Form) and Form 39 (Hold on Securities for non-Disposal Undertaking/ Agreement) as the case may be.
- Following are the reasons for encumbrance along with their static data codes (NSDL vide Circular No. NSDL/POLICY/2022/079 dated June 02, 2022 has already notified the reason codes for encumbrance):

Code	Description
01	Collateral for issuance of Debentures by Company/Group Companies
02	Collateral for loans taken by the Company/Group Companies
03	Collateral for loans taken by the Third Party
04	Margin Pledge / MTF for trading on the Stock Exchange
05	Personal use by promoters and PACs

- In case of, Margin Pledge or Margin Trading Funding (MTF) executed by Promoters for trading on Stock Exchanges, the reason code "04-Margin Pledge / MTF for trading on the Stock Exchange" shall be captured by default in the system.
- In view of the above, a screen-based facility will be made available for capturing reasons for encumbrance and name of ultimate lender(s) / debenture issuer (in case encumbrance is in favor of a Trustee) in the NSDL system which will be released on EOD of **July 1, 2022**.
- Master of ultimate lender(s) shall be made available on NSDL i-assist. In case of addition of ultimate lender(s) / debenture issuer, please send email at ParticipantServices@nsdl.co.in with subject line as "**Addition of ultimate lender/debenture issuer**".
- List of Promoters shall be made available on NSDL i-assist portal under link [list of promoters](#).
- Participants are requested to take note that there is no change in existing process of Pledge / Hypothecation / NDU for clients other than Promoters.

Participants are requested to take note of the above and ensure compliance.

For and on behalf of
National Securities Depository Limited

**Arockiaraj
Manager**

Enclosed : Two

FORTHCOMING COMPLIANCE			
Particulars	Deadline	Manner of sending	Reference
Investor Grievance Report (Monthly)	By 10th of the following month.	Through e-PASS	Circular No. NSDL/POLICY/2015/0096 dated October 29, 2015
Annual System Audit Report (y early)	June 30	Through e-PASS	Circular No.: NSDL/POLICY/2022/068 dated May 13, 2022


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Annexure A

Illustrative examples for capturing name of ultimate lender(s)/debenture Issuer are as under:

Sr. No.	Encumbrance is in favour of	Reason code for encumbrance	Whether Name of ultimate lender(s) is required to captured in NSDL system	Whether Name of Debenture Issuer is required to captured in NSDL system
1.	Other than trustee	Yes	Not applicable	Not applicable
2.	Trustee	01	No	Yes
3.		02	Yes	No
4.		03	Yes	No
5.		05	Yes	No

Annexure B

DP NAME and Logo	ANNEXURE (applicable in case of Promoter)	 NSDL <small>Technology, Trust & Reach</small>															
DP ID	I	N							Client ID							Pledge/Hypothecation/NDU form Serial Number	
Sr. No.	ISIN	Reason Code for Encumbrance (Refer Instruction No.1)								Name of Ultimate Lender/Debenture Issuer							
1																	
2																	
3																	
4																	
5																	

1. _____ 2. _____ 3. _____
Authorised Signatory(ies)

Instructions:

- Reason codes to be filled out by the Client as per the following List.

Code	Description
01	Collateral for issuance of Debentures by Company/Group Companies
02	Collateral for loans taken by the Company/Group Companies
03	Collateral for loans taken by the Third Party
05	Personal use by promoters and PACs