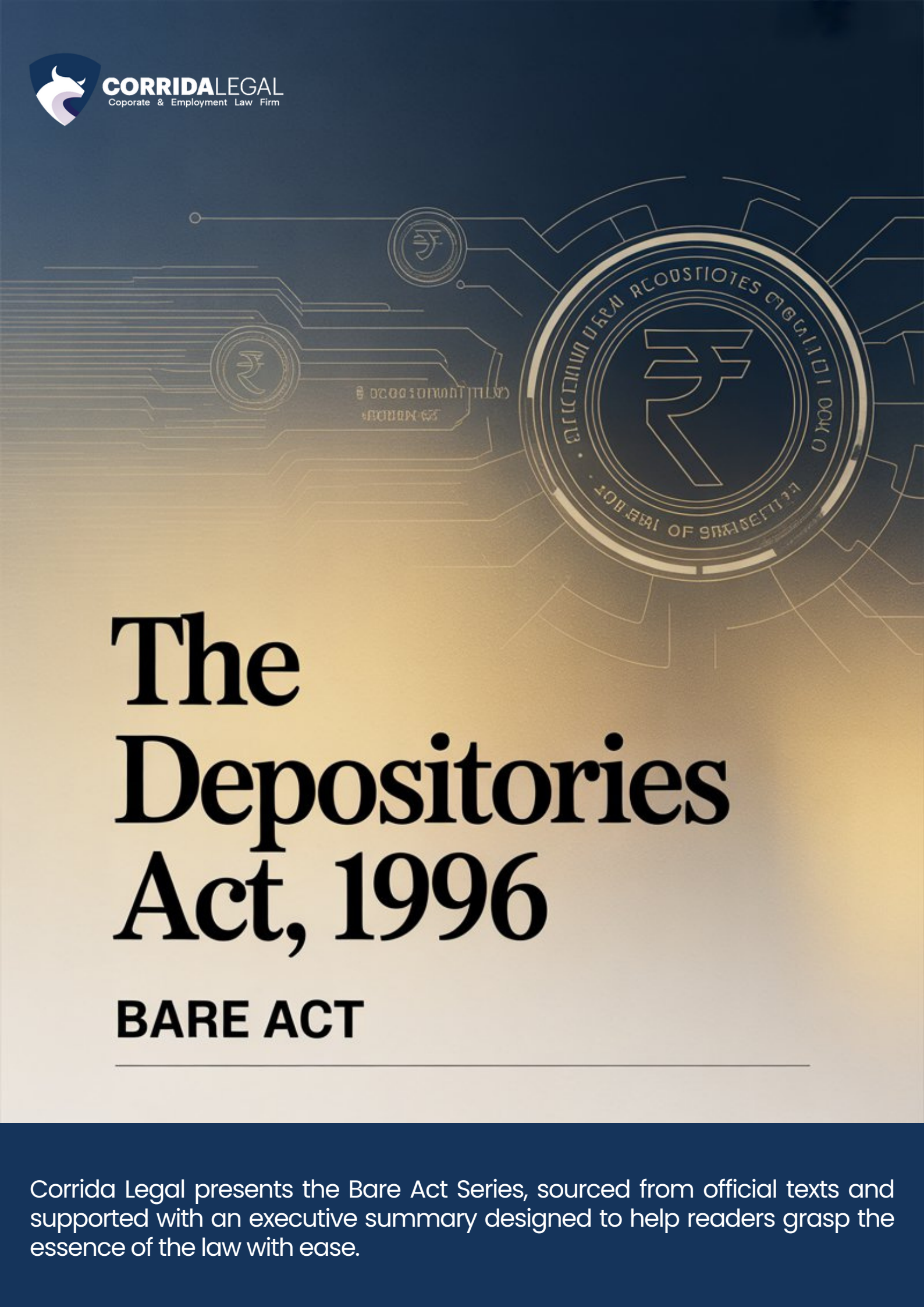




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The Depositories Act, 1996

BARE ACT

Corrida Legal presents the Bare Act Series, sourced from official texts and supported with an executive summary designed to help readers grasp the essence of the law with ease.

NOTE:

An Executive Summary of the Depositories Act, 1996 is included towards the end of this document, right after the full bare act of the statute. This summary helps professionals, business owners, compliance officers, HR managers, legal practitioners, and students quickly understand the key provisions relating to the establishment and regulation of depositories in securities markets, dematerialisation of securities, rights and obligations of depositories, participants, issuers, and beneficial owners, settlement of securities transactions, inspection and penalties for non-compliance, and enforcement mechanisms, without having to read the entire text.

The Depositories Act, 1996 Summary provides a clear, practical, and time-saving guide for anyone looking to understand India's securities depository framework, ensure compliance with SEBI regulations, manage demat operations effectively, and stay aligned with statutory requirements under the Depositories Act bare act.

THE DEPOSITORIES ACT, 1996

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THE DEPOSITORIES ACT, 1996

ACT NO. 22 OF 1996

[10th August, 1996.]

An Act to provide for regulation of depositories in securities and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Forty-seventh Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. Short title, extent and commencement.—(1) This Act may be called the Depositories Act, 1996.

(2) It extends to the whole of India.

(3) It shall be deemed to have come into force on the 20th day of September, 1995.

2. Definitions.—(1) In this Act, unless the context otherwise requires,—

(a) “beneficial owner” means a person whose name is recorded as such with a depository;

(b) “Board” means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(c) “bye-laws” means bye-laws made by a depository under section 26;

(d) “Company Law Board” means the Board of Company Law Administration constituted under section 10E of the Companies Act, 1956 (1 of 1956);

(e) “depository” means a company formed and registered under the Companies Act, 1956 (1 of 1956) and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(f) “issuer” means any person making an issue of securities;

(g) “participant” means a person registered as such under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(h) “prescribed” means prescribed by rules made under this Act;

(i) “record” includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by regulations;

(j) “registered owner” means a depository whose name is entered as such in the register of the issuer;

(k) “regulations” means the regulations made by the Board;

[(ka) “Securities Appellate Tribunal” means a Securities Appellate Tribunal established under sub-section (1) of section 15K of the Securities and Exchange Board of India Act, 1992 (15 of 1992);]

(l) “security” means such security as may be specified by the Board;

(m) “service” means any service connected with recording of allotment of securities or transfer of ownership of securities in the record of a depository.

(2) Words and expressions used herein and not defined but defined in the Companies Act, 1956 (1 of 1956) or the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or the Securities and Exchange Board of India Act, 1992 (15 of 1992), shall have the meanings respectively assigned to them in those Acts.

1. Ins. by Act 32 of 1999, s. 13 (w.e.f. 16-12-1999).

CHAPTER II

CERTIFICATE OF COMMENCEMENT OF BUSINESS

3. Certificate of commencement of business by depositories.—(1) No depository shall act as a depository unless it obtains a certificate of commencement of business from the Board.

(2) A certificate granted under sub-section (1) shall be in such form as may be specified by the regulations.

(3) The Board shall not grant a certificate under sub-section (1) unless it is satisfied that the depository has adequate systems and safeguards to prevent manipulation of records and transactions:

Provided that no certificate shall be refused under this section unless the depository concerned has been given a reasonable opportunity of being heard.

CHAPTER III

RIGHTS AND OBLIGATIONS OF DEPOSITORIES, PARTICIPANTS, ISSUERS AND BENEFICIAL OWNERS

4. Agreement between depository and participant.—(1) A depository shall enter into an agreement with one or more participants as its agent.

(2) Every agreement under sub-section (1) shall be in such form as may be specified by the bye-laws.

5. Services of depository.—Any person, through a participant, may enter into an agreement, in such form as may be specified by the bye-laws, with any depository for availing its services.

6. Surrender of certificate of security.—(1) Any person who has entered into an agreement under section 5 shall surrender the certificate of security, for which he seeks to avail the services of a depository, to the issuer in such manner as may be specified by the regulations.

(2) The issuer, on receipt of certificate of security under sub-section (1), shall cancel the certificate of security and substitute in its records the name of the depository as a registered owner in respect of that security and inform the depository accordingly.

(3) A depository shall, on receipt of information under sub-section (2), enter the name of the person referred to in sub-section (1) in its records, as the beneficial owner.

7. Registration of transfer of securities with depository.—(1) Every depository shall, on receipt of intimation from a participant, register the transfer of security in the name of the transferee.

¹[(1A) Every depository on receipt of intimation from a participant register any transfer of security in favour of an asset reconstruction company as defined in clause (ba) of sub-section (1) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002) along with or consequent upon transfer or assignment of financial asset of any bank or financial institution under sub-section (1) of section 5 of that Act.

(1B) Every depository, on receipt of intimation from a participant, register any issue of new shares in favour of any bank or financial institution or asset reconstruction company or any other assignee of such bank or financial institution or asset reconstruction company, as the case may be, by conversion of part of their debt into shares pursuant to reconstruction of debts of the company agreed between the company and the bank or financial institution or asset reconstruction company.

Explanation.—For the purpose of this section, the expressions “asset reconstruction company”, “bank”, and “financial institution” shall have the meanings assigned to them respectively under clauses (ba), (c) and (m) of sub-section (1) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002).]

(2) If a beneficial owner or a transferee of any security seeks to have custody of such security, the depository shall inform the issuer accordingly.

8. Options to receive security certificate or hold securities with depository.—(1) Every person subscribing to securities offered by an issuer shall have the option either to receive the security certificates or hold securities with a depository.

(2) Where a person opts to hold a security with a depository, the issuer shall intimate such depository the details of allotment of the security, and on receipt of such information the depository shall enter in its records the name of the allottee as the beneficial owner of that security.

1. Ins. by Act 44 of 2016, s. 44 and the Second Schedule (w.e.f. 1-9-2016).

9. Securities in depositories to be in fungible form.—(1) All securities held by a depository shall be dematerialised and shall be in a fungible form.

¹[(2) Nothing contained in sections 153, 153A, 153B, 187B, 187C and 372 of the Companies Act, 1956 (1 of 1956) shall apply to a depository in respect of securities held by it on behalf of the beneficial owners.]

10. Rights of depositories and beneficial owner.—(1) Notwithstanding anything contained in any other law for the time being in force, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of a beneficial owner.

(2) Save as otherwise provided in sub-section (1), the depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it.

(3) The beneficial owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of his securities held by a depository.

11. Register of beneficial owner.—Every depository shall maintain a register and an index of beneficial owners in the manner provided in sections 150, 151 and 152 of the Companies Act, 1956 (1 of 1956).

12. Pledge or hypothecation of securities held in a depository.—(1) Subject to such regulations and bye-laws, as may be made in this behalf, a beneficial owner may with the previous approval of the depository create a pledge or hypothecation in respect of a security owned by him through a depository.

(2) Every beneficial owner shall give intimation of such pledge or hypothecation to the depository and such depository shall thereupon make entries in its records accordingly.

(3) Any entry in the records of a depository under sub-section (2) shall be evidence of a pledge or hypothecation.

13. Furnishing of information and records by depository and issuer.—(1) Every depository shall furnish to the issuer information about the transfer of securities in the name of beneficial owners at such intervals and in such manner as may be specified by the bye-laws.

(2) Every issuer shall make available to the depository copies of the relevant records in respect of securities held by such depository.

14. Option to opt out in respect of any security.—(1) If a beneficial owner seeks to opt out of a depository in respect of any security he shall inform the depository accordingly.

(2) The depository shall on receipt of intimation under sub-section (1) make appropriate entries in its records and shall inform the issuer.

(3) Every issuer shall, within thirty days of the receipt of intimation from the depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee, as the case may be.

15. Act 18 of 1891 to apply to depositories.—The Bankers' Books Evidence Act, 1891 shall apply in relation to a depository as if it were a bank as defined in section 2 of that Act.

16. Depositories to indemnify loss in certain cases.—(1) Without prejudice to the provisions of any other law for the time being in force, any loss caused to the beneficial owner due to the negligence of the depository or the participant, the depository shall indemnify such beneficial owner.

(2) Where the loss due to the negligence of the participant under sub-section (1) is indemnified by the depository, the depository shall have the right to recover the same from such participant.

17. Rights and obligations of depositories, etc.—(1) Subject to the provisions of this Act, the rights and obligations of the depositories, participants and the issuers whose securities are dealt with by a depository shall be specified by the regulations.

(2) The eligibility criteria for admission of securities into the depository shall be specified by the regulations.

1. Subs. by Act 8 of 1997, s. 22, for sub-section (2) (w.e.f. 15-1-1997).

CHAPTER IV

ENQUIRY AND INSPECTION

18. Power of Board to call for information and enquiry.—(1) The Board, on being satisfied that it is necessary in the public interest or in the interest of investors so to do, may, by order in writing,—

(a) call upon any issuer, depository, participant or beneficial owner to furnish in writing such information relating to the securities held in a depository as it may require; or

(b) authorise any person to make an enquiry or inspection in relation to the affairs of the issuer, beneficial owner, depository or participant, who shall submit a report of such enquiry or inspection to it within such period as may be specified in the order.

(2) Every director, manager, partner, secretary, officer or employee of the depository or issuer or the participant or beneficial owner shall on demand produce before the person making the enquiry or inspection all information or such records and other documents in his custody having a bearing on the subject matter of such enquiry or inspection.

19. Power of Board to give directions in certain cases.—¹[1] Save as provided in this Act, if after making or causing to be made an enquiry or inspection, the Board is satisfied that it is necessary—

(i) in the interest of investors, or orderly development of securities market; or

(ii) to prevent the affairs of any depository or participant being conducted in the manner detrimental to the interests of investors or securities market,

it may issue such directions—

(a) to any depository or participant or any person associated with the securities market; or

(b) to any issuer,

as may be appropriate in the interest of investors or the securities market.

²[*Explanation.*—For the removal of doubts, it is hereby declared that power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.]

³[(2) Without prejudice to the provisions contained in sub-section (1) and section 19H, the Board may, by order, for reason to be recorded in writing, levy penalty under sections 19A, 19B, 19D, 19E, 19F, 19FA and 19G after holding an inquiry in the prescribed manner.]

⁴[**19A. Penalty for failure to furnish information, return, etc.**—Any person, who is required under this Act or any rules or regulations or bye-laws made thereunder,—

(a) to furnish any information, document, books, returns or report to the Board, fails to furnish the same within the time specified therefor ⁵[or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to a penalty ⁶[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees] for each such failure;

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations or bye-laws, fails to file return or furnish the same within the time specified therefor, he ⁵[or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents] shall be liable to a penalty ³[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees];

(c) to maintain books of account or records, fails to maintain the same, he shall be liable to a penalty ³[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees].

1. Section 19 numbered as sub-section (1) thereof by Act 13 of 2018, s. 192 (w.e.f. 8-3-2019).

2. Ins. by Act 27 of 2014, s. 41 (w.e.f. 8-9-2014).

3. Ins. by Act 13 of 2018, s. 192 (w.e.f. 8-3-2019).

4. Ins. by Act 1 of 2005, s. 17 (w.e.f. 12-10-2004).

5. Ins. by Act 13 of 2018, s. 193 (w.e.f. 8-3-2019).

6. Subs. by Act 27 of 2014, s. 42, for certain words (w.e.f. 8-9-2014).

19B. Penalty for failure to enter into an agreement.—If a depository or participant or any issuer or its agent or any person, who is registered as an intermediary under the provisions of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), and is required under this Act or any rules or regulations, made thereunder, to enter into an agreement, fails to enter into such agreement, such depository or participant or issuer or its agent or intermediary shall be liable to a penalty ¹[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees] for every such failure.

19C. Penalty for failure to redress investors' grievances.—If any depository or participant or any issuer or its agent or any person, who is registered as an intermediary under the provisions of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), after having been called upon by the Board in writing, to redress the grievances of the investors, fails to redress such grievances within the time specified by the Board, such depository or participant or issuer or its agents or intermediary shall be liable to a penalty ²[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees].

19D. Penalty for delay in dematerialisation or issue of certificate of securities.—If any issuer or its agent or any person, who is registered as an intermediary under the provisions of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), fails to dematerialise or issue the certificate of securities on opting out of a depository by the investors, within the time specified under this Act or regulations or bye-laws made thereunder or abets in delaying the process of dematerialisation or issue the certificate of securities on opting out of a depository of securities, such issuer or its agent or intermediary shall be liable to a penalty ³[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees].

19E. Penalty for failure to reconcile records.—If a depository or participant or any issuer or its agent or any person, who is registered as an intermediary under the provisions of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), fails to reconcile the records of dematerialised securities with all the securities issued by the issuer as specified in the regulations, such depository or participant or issuer or its agent or intermediary shall be liable to a penalty ⁴[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees].

19F. Penalty for failure to comply with directions issued by Board under section 19 of the Act.—If any person fails to comply with the directions issued by the Board under section 19, within the time specified by it, he shall be liable to a penalty ⁵[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees].

⁶[**19FA. Penalty for failure to conduct business in a fair manner.**—Where a depository fails to conduct its business with its participants or any issuer or its agent or any person associated with the securities markets in a fair manner in accordance with the rules, regulations made by the Board or directions issued by the Board under this Act, it shall be liable to penalty which shall not be less than five crore rupees but which may extend to twenty-five crore rupees or three times the amount of gains made out of such failure, whichever is higher.]

19G. Penalty for contravention where no separate penalty has been provided.—Whoever fails to comply with any provision of this Act, the rules or the regulations or bye-laws made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be ⁷[liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees].

1. Subs. by Act 27 of 2014, s. 43, for certain words (w.e.f. 8-9-2014).

2. Subs. by s. 44, *ibid.*, for certain words (w.e.f. 8-9-2014).

3. Subs. by s. 45, *ibid.*, for certain words (w.e.f. 8-9-2014).

4. Subs. by s. 46, *ibid.*, for certain words (w.e.f. 8-9-2014).

5. Subs. by s. 47, *ibid.*, for certain words (w.e.f. 8-9-2014).

6. Ins. by Act 13 of 2018, s. 194 (w.e.f. 8-3-2019).

7. Subs. by Act 27 of 2014, s. 48, for certain words (w.e.f. 28-3-2014).

19H. Power to adjudicate.—(1) For the purpose of adjudging under sections 19A, 19B, 19C, 19D, 19E, ¹[19F, 19FA and 19G, the Board may] appoint any officer not below the rank of a Division Chief of the Securities and Exchange Board of India to be an adjudicating officer for holding an inquiry in the prescribed manner after giving any person concerned a reasonable opportunity of being heard for the purpose of imposing any penalty.

(2) While holding an inquiry, the adjudicating officer shall have power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document, which in the opinion of the adjudicating officer, may be useful for or relevant to the subject-matter of the inquiry and if, on such inquiry, he is satisfied that the person has failed to comply with the provisions of any of the sections specified in sub-section (1), he may impose such penalty as he thinks fit in accordance with the provisions of any of those sections.

²[(3) The Board may call for and examine the record of any proceedings under this section and if it considers that the order passed by the adjudicating officer is erroneous to the extent it is not in the interests of the securities market, it may, after making or causing to be made such inquiry as it deems necessary, pass an order enhancing the quantum of penalty, if the circumstances of the case so justify:

Provided that no such order shall be passed unless the person concerned has been given an opportunity of being heard in the matter:

Provided further that nothing contained in this sub-section shall be applicable after an expiry of a period of three months from the date of the order passed by the adjudicating officer or disposal of the appeal under section 23A, whichever is earlier.]

19-I. ³[Factors to be taken into account while adjudging quantum of penalty].—While adjudging adjudging the quantum of penalty under ⁴[section 19 or section 19H, the Board or the adjudicating officer] shall have due regard to the following factors, namely:—

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
- (b) the amount of loss caused to an investor or group of investors as a result of the default;
- (c) the repetitive nature of the default.

⁵[*Explanation.*—For the removal of doubts, it is clarified that the power of ⁶*** to adjudge the quantum of penalty under sections 19A to 19F shall be and shall always be deemed to have been exercised under the provisions of this section.]

⁷ [19-IA. **Settlement of Administrative and Civil Proceedings.**—(1) Notwithstanding anything contained in any other law for the time being in force, any person, against whom any proceedings have been initiated or may be initiated under section 19 or section 19H, as the case may be, may file an application in writing to the Board proposing for settlement of the proceedings initiated or to be initiated for the alleged defaults.

(2) The Board may, after taking into consideration the nature, gravity and impact of defaults, agree to the proposal for settlement, on payment of such sum by the defaulter or on such other terms as may be determined by the Board in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 (15 of 1992).

(3) For the purpose of settlement under this section, the procedure as specified by the Board under the Securities and Exchange Board of India Act, 1992 (15 of 1992) shall apply.

1. Subs. by Act 13 of 2018, s. 195, for “19F and 19G, the Board shall” (w.e.f. 8-3-2019).

2. Ins. by Act 27 of 2014, s. 49 (w.e.f. 18-7-2013).

3. Subs. by Act 13 of 2018, s. 196, for “Factors to be taken into account by adjudicating officer” (w.e.f. 8-3-2019).

4. Subs. by s. 196, *ibid.*, for “section 19H, the adjudicating officer” (w.e.f. 8-3-2019).

5. Ins. by Act 7 of 2017, s. 149 (31-3-2017).

6. The words “of an adjudicating officer” omitted by Act 13 of 2018, s. 196 (w.e.f. 8-3-2019).

7. Ins. by Act 27 of 2014, s. 50 (w.e.f. 20-4-2007).

(4) No appeal shall lie under section 23A against any order passed by the Board or the adjudicating officer under this section.]

¹[(5) All settlement amounts, excluding the disgorgement amount and legal costs, realised under this Act shall be credited to the Consolidated Fund of India.]

²**[19-IB. Recovery of amounts.—**(1) If a person fails to pay the penalty imposed ³[under this Act] or or fails to comply with a direction of disgorgement order issued under section 19 or fails to pay any fees due to the Board, the Recovery Officer may draw up under his signature a statement in the specified form specifying the amount due from the person (such statement being hereafter in this Chapter referred to as certificate) and shall proceed to recover from such person the amount specified in the certificate by one or more of the following modes, namely:—

- (a) attachment and sale of the person's movable property;
- (b) attachment of the person's bank accounts;
- (c) attachment and sale of the person's immovable property;
- (d) arrest of the person and his detention in prison;
- (e) appointing a receiver for the management of the person's movable and immovable properties,

and for this purpose, the provisions of sections 220 to 227, 228A, 229, 232, the Second and Third Schedules to the Income-tax Act, 1961 (43 of 1961), and the Income-tax (Certificate Proceedings) Rules, 1962 as in force from time to time, in so far as may be, apply with necessary modifications as if the said provisions and the rules thereunder were the provisions of this Act and referred to the amount due under this Act instead of to income-tax under the Income-tax Act, 1961.

Explanation 1.—For the purposes of this sub-section, the person's movable or immovable property or monies held in bank accounts shall include any property or monies held in bank accounts which has been transferred, directly or indirectly on or after the date when the amount specified in certificate had become due, by the person to his spouse or minor child or son's wife or son's minor child, otherwise than for adequate consideration, and which is held by, or stands in the name of, any of the persons aforesaid; and so far as the movable or immovable property or monies held in bank accounts so transferred to his minor child or his son's minor child is concerned, it shall, even after the date of attainment of majority by such minor child or son's minor child, as the case may be, continue to be included in the person's movable or immovable property or monies held in bank accounts for recovering any amount due from the person under this Act.

Explanation 2.—Any reference under the provisions of the Second and Third Schedules to the Income-tax Act, 1961 (43 of 1961) and the Income-tax (Certificate Proceedings) Rules, 1962 to the assessee shall be construed as a reference to the person specified in the certificate.

Explanation 3.—Any reference to appeal in Chapter XVIII and the Second Schedule to the Income-tax Act, 1961 (43 of 1961), shall be construed as a reference to appeal before the Securities Appellate Tribunal under section 23A of this Act.

(2) The Recovery Officer shall be empowered to seek the assistance of the local district administration while exercising the powers under sub-section (1).

(3) Notwithstanding anything contained in any other law for the time being in force, the recovery of amounts by a Recovery Officer under sub-section (1), pursuant to non-compliance with any direction issued by the Board under section 19, shall have precedence over any other claim against such person.

1. Ins. by Act 13 of 2018, s. 197 (w.e.f. 8-3-2019).

2. Ins. by Act 27 of 2014, s. 51 (w.e.f. 18-7-2013).

3. Subs. by Act 13 of 2018, s. 198, for "by the adjudicating officer" (w.e.f. 8-3-2019).

(4) For the purposes of sub-sections (1), (2) and (3), the expression „Recovery Officer“ means any officer of the Board who may be authorised, by general or special order in writing, to exercise the powers of a Recovery Officer.]

¹[**19-IC. Continuance of proceedings.**—(1) Where a person dies, his legal representative shall be liable to pay any sum which the deceased would have been liable to pay if he had not died, in the like manner and to the same extent as the deceased:

Provided that, in case of any penalty payable under this Act, a legal representative shall be liable only in case the penalty has been imposed before the death of the deceased person.

(2) For the purposes of sub-section (1),—

(a) any proceeding for disgorgement, refund or an action for recovery before the Recovery Officer under this Act, except a proceeding for levy of penalty, initiated against the deceased before his death shall be deemed to have been initiated against the legal representative, and may be continued against the legal representative from the stage at which it stood on the date of the death of the deceased and all the provisions of this Act shall apply accordingly;

(b) any proceeding for disgorgement, refund or an action for recovery before the Recovery Officer under this Act, except a proceeding for levy of penalty, which could have been initiated against the deceased if he had survived, may be initiated against the legal representative and all the provisions of this Act shall apply accordingly.

(3) Every legal representative shall be personally liable for any sum payable by him in his capacity as legal representative if, while his liability for such sum remains undischarged, he creates a charge on or disposes of or parts with any assets of the estate of the deceased, which are in, or may come into, his possession, but such liability shall be limited to the value of the asset so charged, disposed of or parted with.

(4) The liability of a legal representative under this section shall be limited to the extent to which the estate of the deceased is capable of meeting the liability.

Explanation.—For the purposes of this section “legal representative” means a person who in law represents the estate of a deceased person, and includes any person who intermeddles with the estate of the deceased and where a party sues or is sued in a representative character, the person on whom the estate devolves on the death of the party so suing or sued.]

19J. Crediting sums realised by way of penalties to Consolidated Fund of India.—All sums realised by way of penalties under this Act shall be credited to the Consolidated Fund of India.]

CHAPTER V

²[MISCELLANEOUS]

³[**20. Offences.**—(1) Without prejudice to any award of penalty by the adjudicating officer ⁴[or the Board] under this Act, if any person contravenes or attempts to contravene or abets the contravention of the provisions of this Act or of any rules or regulations or bye-laws made thereunder, he shall be punishable with imprisonment for a term which may extend to ten years, or with fine, which may extend to twenty-five crore rupees, or with both.

(2) If any person fails to pay the penalty imposed by the ⁵[adjudicating officer or the Board or fails to comply with any] directions or orders, he shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to ten years, or with fine, which may extend to twenty-five crore rupees, or with both.]

1. Ins. by Act 13 of 2018, s. 199 (w.e.f. 8-3-2019).

2. Subs. by s. 200, *ibid.*, for “PENALTY” (w.e.f. 8-3-2019).

3. Subs. by Act 1 of 2005, s. 18, for section 20 (w.e.f. 12-10-2004).

4. Ins. by Act 13 of 2018, s. 201 (w.e.f. 8-3-2019).

5. Subs. by s. 201, *ibid.*, for “adjudicating officer or fails to comply with any of his” (w.e.f. 8-3-2019).

21. ¹[Contravention by companies].—(1) Where ²[a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder] has been committed by a company, every person who at the time the ³[contravention] was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the ³[contravention] and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where ²[a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder] this Act has been committed by a company and it is proved that the ³[contravention] has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the ³[contravention] and shall be liable to be proceeded against and punished accordingly.

Explanation.—For the purposes of this section,—

(a) “company” means any body corporate and includes a firm or other association of individuals; and

(b) “director”, in relation to a firm, means a partner in the firm.

[CHAPTER VI.—MISCELLANEOUS] Omitted by the Finance Act, 2018 (13 of 2018), s. 203 (w.e.f. 8-3-2019).]

⁴ **[22. Cognizance of offences by courts.]—**(1) No court shall take cognizance of any offence punishable under this Act or any rules or regulations or bye-laws made thereunder, save on a complaint made by the Central Government or State Government or the Securities and Exchange Board of India or by any person.

5* * * *

22A. Composition of certain offences.—Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), any offence punishable under this Act, not being an offence punishable with imprisonment only, or with imprisonment and also with fine, may either before or after the institution of any proceeding, be compounded by a Securities Appellate Tribunal or a court before which such proceedings are pending.

22B. Power to grant immunity.—(1) The Central Government may, on recommendation by the Board, if the Central Government is satisfied, that any person, who is alleged to have violated any of the provisions of this Act or the rules or the regulations made thereunder, has made a full and true disclosure in respect of alleged violation, grant to such person, subject to such conditions as it may think fit to impose, immunity from prosecution for any offence under this Act, or the rules or the regulations made thereunder or also from the imposition of any penalty under this Act with respect to the alleged violation:

Provided that no such immunity shall be granted by the Central Government in cases where the proceedings for the prosecution for any such offence have been instituted before the date of receipt of application for grant of such immunity:

Provided further that recommendation of the Board under this sub-section shall not be binding upon the Central Government.

(2) An immunity granted to a person under sub-section (1) may, at any time, be withdrawn by the Central Government, if it is satisfied that such person had, in the course of the proceedings, not complied with the condition on which the immunity was granted or had given false evidence, and thereupon such person may be tried for the offence with respect to which the immunity was granted or for any other offence of which he appears to have been guilty in connection with the contravention and shall also

1. Subs. by Act 13 of 2018, s. 202, for “Offences by companies” (w.e.f. 8-3-2019).

2. Subs. by s. 202, *ibid.*, for “an offence under this Act” (w.e.f. 8-3-2019).

3. Subs. by s. 202, *ibid.*, for “offence” (w.e.f. 8-3-2019).

4. Subs. by Act 1 of 2005, s. 19, for section 22 (w.e.f. 12-10-2004).

5. Sub-section (2) omitted by Act 27 of 2014, s. 52 (w.e.f. 18-7-2013).

become liable to the imposition of any penalty under this Act to which such person would have been liable, had not such immunity been granted.]

¹22C. Establishment of Special Courts.—(1) The Central Government may, for the purpose of providing speedy trial of offences under this Act, by notification, establish or designate as many Special Courts as may be necessary.

(2) A Special Court shall consist of a single judge who shall be appointed by the Central Government with the concurrence of the Chief Justice of the High Court within whose jurisdiction the judge to be appointed is working.

(3) A person shall not be qualified for appointment as a judge of a Special Court unless he is, immediately before such appointment, holding the office of a Sessions Judge or an Additional Sessions Judge, as the case may be.

22D. Offences triable by Special Courts.—Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), all offences under this Act committed prior to the date of commencement of the Securities Laws (Amendment) Act, 2014 (27 of 2014) or on or after the date of such commencement, shall be taken cognizance of and tried by the Special Court established for the area in which the offence is committed or where there are more Special Courts than one for such area, by such one of them as may be specified in this behalf by the High Court concerned.

22E. Appeal and revision.—The High Court may exercise, so far as may be applicable, all the powers conferred by Chapters XXIX and XXX of the Code of Criminal Procedure, 1973 (2 of 1974) on a High Court, as if a Special Court within the local limits of the jurisdiction of the High Court were a Court of Session trying cases within the local limits of the jurisdiction of the High Court.

22F. Application of Code to proceedings before Special Court.—(1) Save as otherwise provided in this Act, the provisions of the Code of Criminal Procedure, 1973 (2 of 1974) shall apply to the proceedings before a Special Court and for the purposes of the said provisions, the Special Court shall be deemed to be a Court of Session and the person conducting prosecution before a Special Court shall be deemed to be a Public Prosecutor within the meaning of clause (u) of section 2 of the Code of Criminal Procedure, 1973.

(2) The person conducting prosecution referred to in sub-section (1) should have been in practice as an advocate for not less than seven years or should have held a post, for a period of not less than seven years, under the Union or a State, requiring special knowledge of law.

22G. Transitional provisions.—Any offence committed under this Act, which is triable by a Special Court shall, until a Special Court is established, be taken cognizance of and tried by a Court of Session exercising jurisdiction over the area, notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974):

Provided that nothing contained in this section shall affect the powers of the High Court under section 407 of the Code to transfer any case or class of cases taken cognizance by a Court of Session under this section.]

23. Appeals.—(1) Any person aggrieved by ²[an order of the Board made before the commencement of the Securities Laws (Second Amendment) Act, 1999 (32 of 1999)] under this Act, or the regulations made thereunder may prefer an appeal to the Central Government within such time as may be prescribed.

(2) No appeal shall be admitted if it is preferred after the expiry of the period prescribed therefor:

Provided that an appeal may be admitted after the expiry of the period prescribed therefor if the appellant satisfies the Central Government that he had sufficient cause for not preferring the appeal within the prescribed period.

(3) Every appeal made under this section shall be made in such form and shall be accompanied by a copy of the order appealed against and by such fees as may be prescribed.

1. Ins. by Act 27 of 2014, s. 53 (w.e.f. 18-7-2013).

2. Subs. by Act 32 of 1999, s. 14, for “an order of the Board made” (w.e.f. 16-12-1999).

(4) The procedure for disposing of an appeal shall be such as may be prescribed:

Provided that before disposing of an appeal, the appellant shall be given a reasonable opportunity of being heard.

¹**[23A. Appeal to Securities Appellate Tribunal.—**(1) Save as provided in sub-section (2), any person aggrieved by an order of the Board made, on and after the commencement of the Securities Laws (Second Amendment) Act, 1999 (32 of 1999), under this Act, or the regulations made thereunder,²[or by an order made by an adjudicating officer under this Act] may prefer an appeal to a Securities Appellate Tribunal having jurisdiction in the matter.

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(3) Every appeal under sub-section (1) shall be filed within a period of forty-five days from the date on which a copy of the order made by the Board is received by the person referred to in sub-section (1) and it shall be in such form and be accompanied by such fees as may be prescribed:

Provided that the Securities Appellate Tribunal may entertain an appeal after the expiry of the said period of forty-five days if it is satisfied that there was sufficient cause for not filing it within that period.

(4) On receipt of an appeal under sub-section (1), the Securities Appellate Tribunal may, after giving the parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order appealed against.

(5) The Securities Appellate Tribunal shall send a copy of every order made by it to the Board and parties to the appeal.

(6) The appeal filed before the Securities Appellate Tribunal under sub-section (1) shall be dealt with by it as expeditiously as possible and endeavour shall be made by it to dispose of the appeal finally within six months from the date of receipt of the appeal.

23B. Procedure and powers of Securities Appellate Tribunal.—(1) The Securities Appellate Tribunal shall not be bound by the procedure laid down by the Code of Civil Procedure, 1908 (5 of 1908), but shall be guided by the principles of natural justice and, subject to the other provisions of this Act and of any rules, the Securities Appellate Tribunal shall have powers to regulate their own procedure including the places at which they shall have their sittings.

(2) The Securities Appellate Tribunal shall have, for the purpose of discharging their functions under this Act, the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908), while trying a suit in respect of the following matters, namely:—

- (a) summoning and enforcing the attendance of any person and examining him on oath;
- (b) requiring the discovery and production of documents;
- (c) receiving evidence on affidavits;
- (d) issuing commissions for the examination of witnesses or documents;
- (e) reviewing its decisions;
- (f) dismissing an application for default or deciding it *ex parte*;
- (g) setting aside any order of dismissal of any application for default or any order passed by it *ex parte*; and
- (h) any other matter which may be prescribed.

(3) Every proceeding before the Securities Appellate Tribunal shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228, and for the purposes of section 196 of the Indian

1. Ins. by Act 32 of 1999, s. 15 (w.e.f. 16-12-1999).

2. Ins. by Act 1 of 2005, s. 20 (w.e.f. 12-10-2004).

3. Sub-section (2) omitted by Act 27 of 2014, s. 54 (w.e.f 18-7-2013).

Penal Code (45 of 1860) and the Securities Appellate Tribunal shall be deemed to be a civil court for all the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973 (2 of 1974).

23C. Right to legal representation.—The appellant may either appear in person or authorise one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any of its officers to present his or its case before the Securities Appellate Tribunal.

Explanation.—For the purposes of this section,—

(a) “chartered accountant” means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of Chartered Accountants Act, 1949 (38 of 1949) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;

(b) “company secretary” means a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 (56 of 1980) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;

(c) “cost accountant” means a cost accountant as defined in clause (b) of sub-section (1) of section 2 of Cost and Works Accountants Act, 1959 (23 of 1959) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;

(d) “legal practitioner” means an advocate, vakil or an attorney of any High Court, and includes a pleader in practice.

23D. Limitation.—The provisions of the Limitation Act, 1963 (36 of 1963) shall, as far as may be, apply to an appeal made to a Securities Appellate Tribunal.

23E. Civil court not to have jurisdiction.—No civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which a Securities Appellate Tribunal is empowered by or under this Act to determine and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act.

¹**23F. Appeal to Supreme Court.**—Any person aggrieved by any decision or order of the Securities Appellate Tribunal may file an appeal to the Supreme Court within sixty days from the date of communication of the decision or order of the Securities Appellate Tribunal to him on any question of law arising out of such order:

Provided that the Supreme Court may, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding sixty days.]]

² **23G. Powers of Board not to apply to International Financial Services Centre.**—Notwithstanding anything contained in any other law for the time being in force, the powers exercisable by the Board under this Act,—

(a) shall not extend to an International Financial Services Centre set up under sub-section (1) of section 18 of the Special Economic Zones Act, 2005 (28 of 2005);

(b) shall be exercisable by the International Financial Services Centres Authority established under sub-section (1) of section 4 of the International Financial Services Centres Authority Act, 2019, in so far as regulation of financial products, financial services and financial institutions that are permitted in the International Financial Services Centres are concerned.]]

24. Power of Central Government to make rules.—(1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

³[(a) the manner of inquiry under sub-section (1) of section 19H;

(aa) the time within which an appeal may be preferred under sub-section (1) of section 23;]

(b) the form in which an appeal may be preferred under sub-section (3) of section 23 and the fees payable in respect of such appeal;

(c) the procedure for disposing of an appeal under sub-section (4) of section 23;

1. Subs. by Act 1 of 2005, s. 21, for section 23F (w.e.f. 12-10-2004).

2. Ins. by Act 50 of 2019, s. 33 and the second Schedule (w.e.f. 1-10-2020).

3. Subs. by Act 1 of 2005, s. 22, for clause (a) (w.e.f. 12-10-2004).

¹[(d) the form in which an appeal may be filed before the Securities Appellate Tribunal under section 23A and the fees payable in respect of such appeal.]

25. Power of Board to make regulations.—(1) Without prejudice to the provisions contained in section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board may, by notification in the Official Gazette, make regulations consistent with the provisions of this Act and the rules made thereunder to carry out the purposes of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for—

- (a) the form in which record is to be maintained under clause (i) of sub-section (1) of section 2;
- (b) the form in which the certificate of commencement of business shall be issued under sub-section (2) of section 3;
- (c) the manner in which the certificate of security shall be surrendered under sub-section (1) of section 6;
- (d) the manner of creating a pledge or hypothecation in respect of security owned by a beneficial owner under sub-section (1) of section 12;
- (e) the conditions and the fees payable with respect to the issue of certificate of securities under sub-section (3) of section 14;
- (f) the rights and obligations of the depositories, participants and the issuers under sub-section (1) of section 17;
- (g) the eligibility criteria for admission of securities into the depository under sub-section (2) of section 17;
- ²[(h) the terms determined by the Board for settlement of proceedings under sub-section (2) of section 19-IA;
- (i) any other matter which is required to be, or may be, specified by regulations or in respect of which provision to be made by regulations.]

26. Power of depositories to make bye-laws.—(1) A depository shall, with the previous approval of the Board, make bye-laws consistent with the provisions of this Act and the regulations.

(2) In particular, and without prejudice to the generality of the foregoing power, such bye-laws shall provide for—

- (a) the eligibility criteria for admission and removal of securities in the depository;
- (b) the conditions subject to which the securities shall be dealt with;
- (c) the eligibility criteria for admission of any person as a participant;
- (d) the manner and procedure for dematerialisation of securities;
- (e) the procedure for transactions within the depository;
- (f) the manner in which securities shall be dealt with or withdrawn from a depository;
- (g) the procedure for ensuring safeguards to protect the interests of participants and beneficial owners;
- (h) the conditions of admission into and withdrawal from a participant by a beneficial owner;
- (i) the procedure for conveying information to the participants and beneficial owners on dividend declaration, shareholder meetings and other matters of interest to the beneficial owners;
- (j) the manner of distribution of dividends, interest and monetary benefits received from the company among beneficial owners;

1. Ins. by Act 32 of 1999, s. 16 (w.e.f. 16-12-1999).

2. Ins. by Act 27 of 2014, s. 55 (w.e.f. 18-7-2013).

- (k) the manner of creating pledge or hypothecation in respect of securities held with a depository;
- (l) *inter se* rights and obligations among the depository, issuer, participants and beneficial owners;
- (m) the manner and the periodicity of furnishing information to the Board, issuer and other persons;
- (n) the procedure for resolving disputes involving depository, issuer, company or a beneficial owner;
- (o) the procedure for proceeding against the participant committing breach of the regulations and provisions for suspension and expulsion of participants from the depository and cancellation of agreements entered with the depository;
- (p) the internal control standards including procedure for auditing, reviewing and monitoring.

(3) Where the Board considers it expedient so to do, it may, by order in writing, direct a depository to make any bye-laws or to amend or revoke any bye-laws already made within such period as it may specify in this behalf.

(4) If the depository fails or neglects to comply with such order within the specified period, the Board may make the bye-laws or amend or revoke the bye-laws made either in the form specified in the order or with such modifications thereof as the Board thinks fit.

27. Rules and regulations to be laid before Parliament.—Every rule and every regulation made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation.

28. Application of other laws not barred.—The provisions of this Act shall be in addition to, and not in derogation of, any other law for the time being in force relating to the holding and transfer of securities.

29. Removal of difficulties.—(1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as appear to it to be necessary or expedient for removing the difficulty:

Provided that no order shall be made under this section after the expiry of a period of two years from the commencement of this Act.

(2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

30. [Amendments to certain enactments.] *Rep. by the Repealing and Amending Act, 2001 (30 of 2001), s. 2 and the First Schedule (w.e.f. 3-9-2001).*

¹[30A. Validation of certain acts.]—Any act or thing done or purporting to have been done under the principal Act, in respect of settlement of administrative and civil proceedings, shall, for all purposes, be deemed to be valid and effective as if the amendments made to the principal Act had been in force at all material times.]

31. Repeal and saving.—(1) The Depositories (Third) Ordinance, 1996 (Ord. 28 of 1996) is hereby repealed.

1. Ins. by Act 27 of 2014, s. 56 (w.e.f. 18-7-2013).

(2) Notwithstanding such repeal, anything done or any action taken under the said Ordinance shall be deemed to have been done or taken under the corresponding provisions of this Act.

[THE SCHEDULE.]—Rep. by the Repealing and Amending Act, 2001 (30 of 2001), s. 2 and the First Schedule (w.e.f. 3-9-2001).

Depositories Act, 1996 Executive Summary PDF

Introduction to the Depositories Act, 1996 Executive Summary PDF

Before the Depositories Act, 1996 came into force, India's securities market operated almost entirely on physical documentation. Every share certificate had to be printed, signed, and transferred manually. This not only created delays but also led to errors, forgery, and disputes over ownership. The Depositories Act 1996 was introduced to change that — to replace paper-based transactions with an electronic system that was faster, more reliable, and far more secure.

The law established a framework through which securities could exist in digital form, removing the dependence on physical certificates. It aligned India's market infrastructure with international standards and allowed investors to trade and transfer securities seamlessly. The Depositories Act, 1996 Executive Summary PDF highlights how this transformation helped the Indian financial system move from cumbersome paperwork to a fully integrated electronic environment.

The Need for a Depository System in India

The shift towards dematerialisation was driven by three core problems faced by investors and market participants:

1. **Risk of forgery and loss** – Physical certificates could be easily duplicated, misplaced, or damaged.
2. **Lengthy transfer processes** – Settlement of trades often took weeks, leading to liquidity challenges.
3. **Administrative inefficiency** – Paper records made reconciliation between registrars, brokers, and exchanges slow and error-prone.

By introducing a depository mechanism, the Government addressed these challenges through legislation that would protect investors and modernise India's securities market.

Evolution from Physical to Electronic Record-Keeping

The Depositories Act 1996 Bare Act PDF marked a turning point in financial administration. It defined how ownership of securities would be held and transferred electronically. Investors were no longer required to hold paper certificates; instead, they could maintain accounts with registered depository participants. This process — known as dematerialisation — became the foundation of secure, transparent, and efficient trading.

Over time, this transition created a more dependable market. It reduced the cost of transactions, improved investor confidence, and allowed stock exchanges to handle higher trading volumes without operational strain.

Objectives and Background of the Act

The TRAI Act 1997 PDF Corrida Legal equivalent for telecom was to regulate; the Depositories Act, 1996 was to reform. Its objective was to:

- Establish a system for holding and transferring securities electronically.
- Protect beneficial owners through statutory recognition and enforceable rights.
- Prevent fraud, duplication, and loss associated with paper-based systems.
- Simplify and speed up the process of securities transfer and settlement.

These objectives were central to India's broader economic reforms of the 1990s, which aimed to build

confidence among investors by strengthening transparency and accountability.

Benefits of a Depository System

The introduction of depositories created tangible benefits for every participant in the financial ecosystem:

- **For investors:** Safety, faster settlement, and elimination of fake or duplicate certificates.
- **For issuers:** Easier record-keeping, reduced administrative costs, and efficient communication with shareholders.
- **For intermediaries:** Streamlined operations and reduced disputes during trade settlements.
- **For regulators:** Enhanced oversight and audit trails for every transaction.

Through these changes, the Depositories Act, 1996 Executive Summary PDF became one of the most influential financial laws of modern India. It not only digitised securities but also reshaped the very definition of ownership and transfer in the capital market.

Objectives and Key Provisions of the Depositories Act, 1996 Executive Summary PDF

The Depositories Act, 1996 was not merely a reform in procedure — it was a legal and structural change in how India's securities market functioned. Its objectives were designed to address long-standing inefficiencies, create investor confidence, and bring the Indian market in line with global practices. The Act recognised that a growing economy required a financial system that was quick, safe, and transparent.

Core Objectives of the Act

The Depositories Act 1996 set out a framework for electronic management of securities and outlined specific purposes for which depositories would be established. These include:

1. **To introduce electronic record-keeping** – Eliminating the risks and delays associated with paper certificates.
2. **To ensure speed and accuracy in securities transfer** – Allowing ownership to be transferred through electronic entries rather than manual paperwork.
3. **To protect investors** – Recognising the legal rights of beneficial owners and safeguarding them from manipulation or loss.
4. **To improve efficiency in settlement systems** – Supporting quicker reconciliation between brokers, issuers, and exchanges.
5. **To increase transparency** – Making every transaction traceable through digital records that can be audited and verified.
6. **To align India's market with international standards** – Ensuring that domestic investors and foreign institutions could operate under a globally accepted framework.

These objectives made the Depositories Act an essential pillar of India's financial modernisation, ensuring that growth did not come at the cost of trust.

Key Provisions of the Act

The Act provides a detailed legal structure defining the roles, rights, and responsibilities of every participant in the depository system. The Depositories Act, 1996 Executive Summary PDF highlights the following important provisions:

- **Establishment of Depositories:** The Act authorises the creation of one or more depositories, registered with SEBI, to hold securities and facilitate transfers in electronic form.

- **Participants and Beneficial Owners:** It defines the roles of depository participants, issuers, and investors. Investors who hold securities through a depository are recognised as beneficial owners under the law.
- **Dematerialisation and Rematerialisation:** The Act allows investors to convert physical certificates into electronic form (dematerialisation) and vice versa (rematerialisation) when required.
- **Transfer of Ownership:** Ownership of securities is transferred instantly through electronic entries in the records of the depository.
- **Safeguards for Investors:** Depositories are required to maintain confidentiality, security, and accuracy of investor data.
- **Regulatory Oversight:** SEBI regulates and monitors the functioning of depositories to ensure compliance with the Act and related regulations.

These provisions ensure that the system operates with clarity, reducing the risk of disputes and enhancing overall investor confidence.

Dematerialisation and Investor Protection

At the heart of the Act lies the concept of dematerialisation — the process of replacing physical share certificates with electronic entries. This reform eliminated the challenges of counterfeit certificates, transmission delays, and loss of documents. Investors now enjoy a legally recognised right as beneficial owners, enabling them to hold, transfer, or pledge their securities with ease.

The SEBI Regulations on Depositories ensure that depositories and participants maintain high standards of data security, transparency, and grievance redressal. Every transaction is recorded, auditable, and traceable — creating a clear line of accountability between the issuer and the investor.

Institutional Accountability and Legal Oversight

The Act established an interconnected structure of responsibility. Depositories are accountable to SEBI; depository participants are answerable to both SEBI and the investors they serve; and issuers are required to maintain coordination with both. This three-tier system ensures that accountability is distributed and enforceable at every level.

SEBI's oversight extends to registration, inspection, and penalty mechanisms. Any non-compliance or breach of investor trust can result in suspension, cancellation, or monetary penalties under the Penalties under Depositories Act provisions.

Structure and Participants in India's Depository System under the Depositories Act, 1996 Executive Summary PDF

The Depositories Act, 1996 established a clear structure for the functioning of the depository system in India. Its framework was designed to distribute responsibilities among different entities — ensuring that every transaction in the securities market could be traced, verified, and executed smoothly. The law replaced a paper-heavy system with an organised digital network where accountability was shared, but clearly defined.

The Depositories Act 1996 recognises four main participants in the system: the depository, the depository participant (DP), the issuer, and the beneficial owner. Each of them plays a distinct role, creating a transparent chain that connects the investor to the securities market.

Depository

At the centre of the system is the depository — an institution established to hold securities in electronic form. The depository acts as the custodian of ownership records, facilitating the transfer, pledge, and

settlement of securities through digital means. Registered under SEBI, depositories operate much like banks, but instead of holding money, they hold securities such as shares, bonds, and mutual fund units.

India currently operates through two main depositories: the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). Together, they manage millions of investor accounts and provide the infrastructure that supports trading across stock exchanges.

Depository Participants (DPs)

Depository participants serve as the interface between investors and the depositories. They are authorised agents, typically banks, stockbrokers, or financial institutions, who provide depository services to investors. Every investor interacts with the depository through a DP, similar to how a customer accesses a bank through its branch.

The Depositories Act, 1996 Executive Summary PDF highlights that DPs must be registered and comply with SEBI Regulations on Depositories. Their primary responsibilities include:

- Opening and maintaining demat accounts for investors.
- Facilitating dematerialisation and rematerialisation of securities.
- Executing transfers and settlements as instructed by investors.
- Maintaining accurate records and ensuring data confidentiality.
- Reporting any irregularities to the depository and SEBI.

This system of intermediaries ensures that investors receive accessible, accountable, and secure services without directly engaging with the central depository.

Issuers

Issuers are companies or entities that issue securities to investors. Under the Act, issuers are required to enter into an agreement with one or more depositories to enable electronic record-keeping. Once securities are dematerialised, issuers communicate directly with the depositories instead of handling paper certificates.

Their duties include updating records of allotment, corporate actions such as dividends or bonus issues, and ensuring that all dematerialised holdings match the company's capital structure. This arrangement has significantly reduced administrative delays and human error in corporate record management.

Beneficial Owners

The investor holding securities through a depository is legally known as the beneficial owner. This term reflects the investor's right to all benefits of ownership — including dividends, voting, and transfer of securities — even though the securities are held in electronic form by the depository.

The Beneficial Owner Rights under the Act are legally protected. Ownership is recognised through entries in the records of the depository, and any transfer of securities is completed through an electronic instruction without physical intervention. This ensures that investor ownership remains secure, transparent, and free from dispute.

Legal Accountability and Coordination

The Depositories Act 1996 establishes a chain of accountability among all participants:

- The depository is accountable to SEBI for its overall operation and compliance.
- The depository participant is accountable to both the depository and the investor.
- Issuers must ensure that information shared with the depository is accurate and up to date.

- Beneficial owners have a direct legal claim on their securities held in electronic form.

This structure ensures that each participant is connected through law and obligation, reducing the possibility of fraud or duplication.

Dematerialisation of Securities under the Depositories Act, 1996 Executive Summary PDF

Dematerialisation is at the core of the Depositories Act, 1996. It represents a complete transition from paper-based shareholding to electronic ownership. Before this law, investors relied on physical share certificates that could be forged, misplaced, or delayed during transfer. The Act introduced a new, digital system that removed these risks and made securities transactions faster, safer, and more transparent.

The Depositories Act 1996 defines dematerialisation as the process of converting physical certificates into electronic form, to be held with a depository through a registered participant. Once dematerialised, these securities exist only as digital entries but carry the same legal value as physical certificates. This reform not only modernised India's capital market but also laid the foundation for today's efficient trading ecosystem.

The Process of Dematerialisation

The Depositories Act, 1996 Executive Summary PDF outlines a clear process that every investor follows to convert physical holdings into electronic form:

1. The investor opens a demat account with a registered depository participant (DP).
2. The investor submits physical certificates along with a dematerialisation request form to the DP.
3. The DP forwards the request to the concerned depository.
4. The depository verifies the details with the issuer or its registrar.
5. Once verified, the depository credits the investor's demat account with the corresponding number of securities and informs the issuer.

This digital process replaces manual verification and documentation, reducing settlement delays and eliminating administrative errors.

Advantages of Dematerialisation

The move to electronic securities transformed India's financial landscape. The Depositories Act 1996 provided investors, issuers, and regulators with a structure that brought reliability and ease of operation to the entire system.

Key advantages include:

- **Elimination of forgery and duplication:** Electronic records prevent counterfeiting or unauthorised transfers.
- **Faster settlement cycles:** Transfers occur within days, compared to weeks under the old paper system.
- **Reduced transaction costs:** No need for stamp duty or manual processing of share certificates.
- **Simplified corporate actions:** Dividends, bonuses, and rights issues are directly credited to demat accounts.
- **Transparency and accountability:** Every transfer leaves a traceable record within the depository's system.

Dematerialisation has made it possible for investors to buy and sell securities almost instantly, supporting the growth of online and mobile trading platforms.

Rematerialisation Option

While dematerialisation is encouraged, the law also allows investors to reverse the process through rematerialisation — converting electronic holdings back into physical form. This flexibility ensures that investor rights are preserved, regardless of the form in which securities are held.

The SEBI Regulations on Depositories govern this process to maintain security and accuracy. Investors can make such requests through their depository participants, who coordinate with the issuer and the depository to issue new certificates.

Impact on Market Efficiency

The Depositories Act 1996 was instrumental in reducing settlement risk, one of the biggest challenges in the pre-reform securities market. With dematerialisation, settlements now occur electronically through stock exchange systems integrated with depositories. The result is a transparent market that operates with minimal human intervention.

The system also improved investor participation by building confidence in the market. Retail investors, institutional players, and foreign investors could all trade under a standardised, technology-driven system backed by strong regulatory oversight.

Legal and Regulatory Framework

Under SEBI Regulations on Depositories, depositories and their participants are required to maintain complete accuracy, confidentiality, and integrity of investor data. Any error or delay in processing a dematerialisation request can invite penalties under the Penalties under Depositories Act provisions.

Depositories must also undergo periodic audits and submit compliance reports to SEBI to ensure that operational systems remain secure and transparent.

Rights and Obligations of Beneficial Owners and Depository Participants under the Depositories Act, 1996 Executive Summary PDF

The Depositories Act, 1996 introduced a new way of recognising ownership in securities. Instead of holding physical certificates, investors became *beneficial owners* — individuals or institutions whose holdings exist electronically in the records of a depository. This shift required a clear legal definition of rights and obligations to ensure that the investor's ownership remained protected even in a digital form. The Act carefully balances these rights with the responsibilities of depository participants, who act as intermediaries between investors and depositories.

The Depositories Act 1996 established this framework with precision. Beneficial owners gained direct legal recognition, while depository participants were made accountable for ensuring transparency, security, and compliance in every transaction. Together, they form the operational backbone of India's dematerialised securities market.

Rights of Beneficial Owners

The law gives beneficial owners the same rights as shareholders holding physical certificates, but with stronger protection and faster execution. The Depositories Act, 1996 Executive Summary PDF outlines these rights as follows:

1. **Full ownership benefits** – Beneficial owners enjoy all rights attached to the securities they hold, including dividends, voting rights, and participation in corporate actions such as rights issues or bonus shares.
2. **Freedom of transfer** – Securities can be transferred electronically through simple instructions to the depository participant, without physical endorsement or paperwork.

3. **Right to information** – Investors are entitled to regular account statements and transaction details, ensuring complete transparency.
4. **Legal protection** – The law recognises electronic entries in depository records as valid proof of ownership. This prevents disputes and makes recovery easier in case of fraud or technical error.
5. **Confidentiality and security** – The depository and its participants are legally bound to protect investor information and prevent unauthorised access or misuse.

These rights ensure that investors retain full control over their holdings even though the securities themselves are held in electronic form by the depository.

Obligations of Beneficial Owners

While the system offers convenience, it also expects investors to maintain accuracy and responsibility in their dealings. Under the Depositories Act 1996, beneficial owners must:

- Keep their account details and contact information updated with the depository participant.
- Verify all account statements and promptly report any discrepancy.
- Ensure compliance with applicable tax and disclosure requirements.
- Use authorised intermediaries for all transactions to maintain legal validity.

This mutual responsibility between the investor and the depository ensures that the entire system remains reliable and error-free.

Role and Obligations of Depository Participants

Depository participants (DPs) are the bridge between the investor and the depository. The Depositories Act, 1996 makes them responsible for executing investor instructions, maintaining records, and safeguarding data integrity. Their role is comparable to that of a banker — they hold and service assets but do not claim ownership over them.

The SEBI Regulations on Depositories specify that every DP must:

- Obtain registration from SEBI before providing depository services.
- Maintain secure systems for processing investor transactions.
- Verify investor identity and prevent unauthorised transfers.
- Provide account statements, transaction confirmations, and grievance redressal support.
- Report all activities to the depository and submit periodic compliance reports.

Failure to comply with these duties can attract penalties under the Penalties under Depositories Act provisions, including suspension or cancellation of registration.

Legal Relationship between Depositories, DPs, and Investors

The Depositories Act 1996 establishes a chain of accountability that protects investors at every stage. The depository participant acts as an agent of the depository, while the depository functions as a custodian of securities on behalf of the beneficial owner. Each operates within defined legal boundaries, leaving little room for ambiguity or misuse.

This structure ensures that while depositories hold the securities, the ownership and benefits always remain with the investor. Even if a DP defaults or loses registration, the investor's holdings remain secure within the depository's central records.

Transparency and Investor Protection

Transparency is central to this system. Depository participants must provide periodic statements, disclose all charges clearly, and maintain real-time transaction accuracy. Investors have the right to seek redress through SEBI in case of misconduct or delay.

By enforcing this two-way accountability, the Act ensures that both investors and intermediaries operate in an environment of trust and regulation.

Corrida Legal Insight

Corrida Legal's interpretation of the Depositories Act, 1996 highlights that the real strength of this law lies in the clarity it gives to ownership. Beneficial owners may not physically possess certificates, but their legal rights are stronger, safer, and instantly enforceable. The depository participant, on the other hand, represents the new-age intermediary — one that must combine technology with integrity.

This system has helped India's securities market grow into one of the most secure in the world. By balancing investor rights with operational responsibility, the Act created a sustainable framework that continues to inspire confidence across retail and institutional investors alike.

Functions and Powers of Depositories under the Depositories Act, 1996 Executive Summary PDF

The Depositories Act, 1996 gave depositories a defined legal identity — not merely as technological platforms, but as regulated financial institutions entrusted with maintaining the integrity of India's securities market. Their primary function is to hold securities in electronic form and ensure smooth transfers between investors, issuers, and intermediaries. But beyond record-keeping, depositories also act as custodians of trust, ensuring that every transaction remains transparent, traceable, and legally valid.

The Depositories Act 1996 was drafted to ensure that the depository's power is balanced with accountability. Each depository operates under the oversight of SEBI and is bound by strict statutory duties that protect investors from fraud, data misuse, or operational lapses.

Core Functions of Depositories

The Depositories Act, 1996 Executive Summary PDF outlines several key functions that together form the backbone of India's dematerialised securities market:

1. **Holding and maintaining securities electronically** – Depositories maintain investor accounts in electronic form, similar to how banks maintain monetary accounts. Every share, bond, or debenture held in dematerialised form is recorded in the depository's system.
2. **Facilitating dematerialisation and rematerialisation** – They enable investors to convert physical certificates into digital holdings and, if needed, back into physical form.
3. **Enabling transfer and settlement of securities** – Transfers occur instantly through electronic entries, ensuring speed and accuracy in trade settlements.
4. **Maintaining ownership records** – The depository tracks every transfer, pledge, or lien, ensuring that the beneficial owner's rights are preserved at all times.
5. **Corporate actions and communication** – It coordinates with issuers to manage dividends, bonuses, rights issues, and other shareholder entitlements efficiently.

These functions have turned India's depositories into essential infrastructure for the capital market — supporting millions of daily transactions while maintaining absolute precision.

Powers and Responsibilities of Depositories

While performing these functions, depositories exercise certain powers that are regulated by SEBI. The TRAI Act 1997 PDF Corrida Legal interpretation on regulatory frameworks parallels this system — just as

TRAI was given power to oversee telecom operations, depositories under this Act were empowered to oversee securities transactions with autonomy and accountability.

Key powers and duties include:

- Opening and maintaining securities accounts for depository participants and investors.
- Making regulations and operational procedures for internal management, subject to SEBI approval.
- Conducting inspections and audits of participants to ensure compliance.
- Issuing directions to participants in cases of operational risk or misconduct.
- Suspending or terminating the services of a participant that fails to comply with statutory requirements.

Through these powers, depositories ensure that the entire trading and settlement chain remains consistent with the standards set by SEBI Regulations on Depositories.

Safeguards and Compliance

Every depository is required to implement robust internal controls and IT systems that guarantee the confidentiality and accuracy of investor data. SEBI conducts periodic inspections to verify compliance, review audit trails, and ensure that no unauthorised modifications occur in securities records.

Depositories must also:

- Maintain a grievance redressal system for investors and participants.
- Keep backup and recovery systems to prevent data loss.
- Submit quarterly and annual reports to SEBI confirming operational integrity.
- Disclose any breach, error, or systemic risk immediately to the regulator.

Any failure to comply attracts enforcement under the Penalties under Depositories Act provisions, which may include monetary fines or suspension of registration.

Interaction with Issuers and Participants

Depositories coordinate closely with issuers and depository participants to ensure that every transaction reflects real-time accuracy. Issuers report allotments, redemptions, and corporate actions directly to depositories, which then credit or debit the respective investor accounts. Participants act as facilitators, executing investor instructions and maintaining updated records.

This triangular coordination keeps the system efficient and eliminates duplication or mismatch between company records and investor holdings.

Legal Oversight by SEBI

The Depositories Act 1996 empowers SEBI to act as the ultimate regulator. SEBI approves registration, monitors daily operations, and ensures that depositories maintain neutrality in handling all participants. It has the authority to call for information, order inspections, and even cancel registration if a depository fails to act in accordance with law.

This strict oversight is what gives investors confidence that the depository framework operates fairly and without bias.

SEBI Regulations and Oversight of Depositories under the Depositories Act, 1996 Executive Summary PDF

The Depositories Act, 1996 gave the Securities and Exchange Board of India (SEBI) the central role in ensuring that depositories function with transparency, fairness, and consistency. SEBI's oversight under this law is not limited to administrative supervision; it extends to policy formulation, operational regulation, and enforcement. The purpose is to ensure that while depositories operate independently, they remain accountable to a statutory authority that safeguards the interests of investors and maintains the integrity of the securities market.

Before this Act, there was little coordination between the regulatory and operational sides of India's capital market. The introduction of SEBI Regulations on Depositories corrected this imbalance. It created a structured regulatory environment where every participant — from the depository to the investor — operates under clear legal obligations.

Role of SEBI in the Depository Framework

Under the Depositories Act 1996, SEBI performs multiple functions to oversee the working of depositories and ensure that investor protection remains at the heart of every operation. Its key roles include:

1. Granting registration to depositories and depository participants after verifying their eligibility and infrastructure.
2. Approving by-laws and internal regulations framed by depositories.
3. Conducting regular inspections and audits to ensure compliance with legal and procedural requirements.
4. Investigating complaints from investors, issuers, or intermediaries.
5. Taking enforcement actions, including suspension or cancellation of registration in case of violations.

This multi-layered supervision has made SEBI not just a regulator but a guardian of trust in India's electronic securities ecosystem.

Regulatory Framework under SEBI

SEBI framed the Depositories and Participants Regulations to give detailed effect to the provisions of the Depositories Act, 1996. These regulations specify how depositories should operate, how participants must be registered, and what reporting mechanisms must be followed.

Under these rules, depositories are required to:

- Maintain accurate and up-to-date records of all investor accounts and transactions.
- Implement strong internal audit systems.
- Submit quarterly compliance and financial statements to SEBI.
- Provide data and reports as requested for investigation or supervision.
- Maintain cyber and operational security to protect against unauthorised access or data manipulation.

These measures ensure that depositories remain compliant not only with the letter of the law but also with the broader principles of financial governance and investor confidence.

SEBI's Inspection and Enforcement Powers

SEBI's inspection powers under the Depositories Act, 1996 Executive Summary PDF are extensive. It can conduct both scheduled and surprise inspections to assess whether depositories and participants are complying with the law. During these inspections, SEBI reviews operational systems, transaction records, risk controls, and grievance redressal mechanisms.

If violations are found, SEBI can issue directions, demand corrective action, or impose penalties under the Penalties under Depositories Act provisions. In cases of serious misconduct or systemic failure, SEBI has the authority to suspend or cancel registration and initiate prosecution.

This rigorous oversight has ensured that depositories operate with consistency and maintain investor confidence even during volatile market conditions.

Investor Protection and Market Integrity

The SEBI Regulations on Depositories place special emphasis on investor protection. They require depositories and participants to maintain transparency in fees, charges, and account handling. Investors must receive clear information about their rights and the nature of their holdings.

Depositories are also required to maintain a grievance resolution mechanism to address investor complaints efficiently. SEBI monitors these systems closely, ensuring that responses are timely and resolutions are fair. By enforcing these safeguards, SEBI ensures that the benefits of electronic trading are matched by an equal degree of accountability.

Compliance and Reporting Structure

Every depository and participant must file periodic returns and reports to SEBI. These include:

- Details of dematerialisation and rematerialisation activities.
- Compliance with cybersecurity and data protection standards.
- Status of investor grievances and their resolution.
- Financial statements reflecting operational soundness.

SEBI uses these reports to identify potential risks and intervene early, if required. This proactive approach prevents market disruptions and ensures smooth functioning of the securities system.

Penalties and Enforcement under the Depositories Act, 1996 Executive Summary PDF

The Depositories Act, 1996 does not merely establish a regulatory system — it enforces accountability. Every participant in the depository framework, from depositories and depository participants to issuers and intermediaries, is bound by law to act with integrity, transparency, and diligence. The Act provides a structured penalty and enforcement mechanism to ensure that these obligations are not treated as formality but as binding duties.

The Depositories Act 1996 was drafted with foresight. It recognises that technological systems can fail and that even trusted institutions can deviate. Therefore, it grants the Securities and Exchange Board of India (SEBI) strong powers to investigate, penalise, and, when necessary, suspend or cancel registrations of those who violate its provisions.

Purpose of Penalty Provisions

The penalty clauses serve a dual purpose — deterrence and discipline. They are not meant only to punish wrongdoing but also to prevent negligence, ensure consistency, and protect investor trust. The Depositories Act, 1996 Executive Summary PDF explains that these provisions uphold market credibility by making non-compliance costly and reputation-damaging.

Penalties are applicable for a wide range of violations, including:

1. Failure to maintain accurate records or accounts.
2. Non-compliance with SEBI directions or depository by-laws.
3. Misuse of confidential investor information.

4. False reporting or concealment of material facts.
5. Breach of security or operational integrity in handling electronic data.

Each of these offences directly affects investor protection and market transparency, which is why enforcement under the Act is both strict and swift.

Categories of Penalties

The Depositories Act 1996 defines several categories of penalties based on the nature and seriousness of the violation:

- **Administrative penalties** – Fines imposed by SEBI for procedural lapses or delays, such as late filings, incomplete records, or failure to report material changes.
- **Civil penalties** – Monetary fines for violations that cause loss to investors or disrupt market order, often accompanied by directions for restitution or corrective action.
- **Criminal penalties** – Applicable in cases of fraud, forgery, or willful misrepresentation, which may include imprisonment under specific sections of the Act.
- **Suspension or cancellation of registration** – Used in cases of repeated or severe misconduct by depositories or participants.

This tiered structure ensures proportional enforcement — where penalties match the gravity of the violation.

SEBI's Enforcement Powers

Under the SEBI Regulations on Depositories, the regulator has full authority to enforce compliance. SEBI may initiate inspection, call for documents, examine internal systems, or summon responsible officers for explanation. In confirmed cases of non-compliance, it may impose fines or order remedial measures within a specific timeframe.

SEBI also works closely with the Ministry of Finance and other law enforcement agencies when the offence involves criminal or systemic misconduct. This coordinated enforcement approach ensures that violations are addressed holistically and that offenders are held accountable under both regulatory and criminal law.

Rights of Affected Parties

The Depositories Act 1996 balances enforcement with fairness. Entities penalised under the Act have the right to be heard before any order is passed. They may also appeal against SEBI's decision before the Securities Appellate Tribunal (SAT) and, in certain cases, escalate matters to higher courts.

This structured appellate system ensures that enforcement remains transparent and free from arbitrary decisions, reinforcing confidence among market participants.

Importance of Compliance Culture

The penalty system under the Depositories Act, 1996 is not only punitive — it encourages the development of a compliance culture. Depositories and participants are expected to adopt preventive measures such as:

- Regular internal audits and compliance reviews.
- Automated risk detection and reporting systems.
- Continuous staff training on SEBI regulations and investor rights.
- Voluntary disclosure of operational risks or system lapses.

These measures transform compliance from a legal requirement into a professional standard.

Role of the Depositories Act in Strengthening Securities Market Compliance

The Depositories Act, 1996 marked a quiet revolution in India's financial system. It did more than introduce technology — it built a culture of accountability. By digitising securities and embedding compliance within every stage of the transaction process, the Act brought discipline, speed, and transparency to the capital markets. The Depositories Act 1996 established a framework where every movement of securities could be verified, every participant could be traced, and every irregularity could be detected in real time.

Before this Act, the securities market operated with fragmented records and manual verification. Ownership disputes, delays in transfer, and forgery of certificates were common. The shift to an electronic depository system fundamentally changed this environment. It ensured that compliance was not a separate task but a natural outcome of the system itself.

Building a Foundation for Market Integrity

The Depositories Act, 1996 Executive Summary PDF shows that the law's greatest strength lies in how it enforces transparency without slowing down efficiency. Every depository participant is required to follow strict operational guidelines, maintain investor records, and report to SEBI at defined intervals. This constant reporting system builds trust among regulators, investors, and issuers.

The Act also integrates seamlessly with other financial laws such as the SEBI Act, the Companies Act, and the Securities Contracts (Regulation) Act. This interconnection ensures that compliance in one area supports compliance in another. Together, they create a unified framework that keeps India's securities market consistent with global governance standards.

Enhancing Investor Protection

The Depositories Act 1996 protects investors not only through statutory rights but also through the design of the system itself. Each transaction leaves a digital trail — timestamped, verified, and stored securely. This transparency prevents manipulation, eliminates the risk of forged documents, and makes recovery faster in case of dispute.

The system's built-in compliance features include:

- Mandatory registration and regulation of every participant.
- Electronic records that cannot be altered without authorisation.
- Regular audits and inspection by SEBI and independent agencies.
- Continuous reconciliation between depositories, issuers, and exchanges.

By automating these checks, the Act ensures that investor protection is woven into the fabric of market operations.

Integration with Stock Exchanges

The transformation in settlement systems after the Depositories Act 1996 was one of its most visible impacts. Electronic securities enabled the move from a T+14 settlement cycle (14 days after the transaction) to the present-day T+1 framework, where trades are settled within a day.

Depositories work directly with stock exchanges to ensure that trade settlements occur accurately and efficiently. This integration eliminates counterparty risk and strengthens the credibility of market operations. The result is a market that is both faster and more reliable, where compliance supports growth rather than restricting it.

Role in Securities Transfer and Corporate Governance

Securities Transfer Compliance under the Act ensures that ownership changes are immediate and final.

Once recorded in the depository system, transfers are conclusive and legally binding. This clarity reduces disputes and simplifies corporate record-keeping.

Issuers also benefit from a transparent system that automatically updates shareholder registers and simplifies dividend distribution, bonus issuance, and rights allotments. The Depositories Act, 1996 thereby enhances corporate governance by reducing administrative errors and improving communication between companies and their investors.

Strengthening Regulatory Collaboration

The SEBI Regulations on Depositories ensure that compliance is not static. Depositories regularly share data with SEBI, stock exchanges, and other regulators to identify risks early and coordinate preventive actions. This collaboration has helped India's financial system avoid systemic failures even during periods of volatility.

Through this ongoing coordination, the Act supports a model of governance where regulation is both preventive and responsive — capable of adapting to new challenges in real time.

Corrida Legal Insight and Conclusion of the Depositories Act, 1996 Executive Summary PDF

When the Depositories Act, 1996 was enacted, it was not simply a response to inefficiency — it was a visionary reform. It redefined the relationship between law, technology, and financial trust. The Act recognised that as markets expand, their credibility must rest on systems that are transparent, consistent, and enforceable. It transformed how securities were held, transferred, and regulated in India, making compliance an inbuilt feature of every transaction rather than an afterthought.

Corrida Legal's interpretation of the Depositories Act, 1996 highlights how the law quietly reshaped India's financial infrastructure. It did not rely on rigid control; instead, it introduced precision through structure. By defining the roles of depositories, participants, issuers, and investors, it created an ecosystem where responsibility is shared, accountability is measurable, and investor rights are protected through real-time transparency.

The Act's strength lies in its adaptability. Over the decades, as financial markets have evolved with technology — from electronic clearing systems to algorithmic trading and digital verification — the legal framework under this Act has remained stable and relevant. It provided the flexibility that allowed SEBI to introduce new compliance mechanisms, improve audit trails, and integrate depositories with stock exchanges and regulatory databases.

Enduring Impact on India's Financial Ecosystem

The Depositories Act 1996 continues to play a crucial role in every stage of India's securities market. Its legacy can be seen in:

- The complete dematerialisation of listed securities.
- The near elimination of forged or duplicate share certificates.
- Rapid and secure electronic settlement of trades.
- Strengthened investor confidence and foreign participation.
- Seamless coordination between regulators, exchanges, and intermediaries.

It is this reliability that positions India among the most advanced markets in terms of technological regulation and legal governance.

A Framework Built on Trust and Accountability

The Depositories Act, 1996 Executive Summary PDF illustrates that trust in financial systems is not built

overnight — it is built through consistency. Each rule under this Act reinforces another, creating a chain where investors, companies, and regulators operate within the same framework of responsibility.

The law ensures that every digital entry represents not just a transaction, but a legally protected right. Through SEBI Regulations on Depositories, the Act maintains an environment where compliance is verifiable, and penalties for deviation are immediate. This model has helped sustain confidence through market fluctuations and technological changes alike.

Corrida Legal's Perspective on Future Relevance

Corrida Legal views the Depositories Act, 1996 as a foundation for India's next phase of financial innovation. As the market moves towards greater integration with fintech platforms, tokenised assets, and digital securities, the principles of this Act — accuracy, transparency, and accountability — will continue to guide regulation. Its legal structure remains robust enough to accommodate emerging instruments without compromising investor protection.

Conclusion

The Depositories Act, 1996 stands as one of India's most enduring financial legislations. It bridged the gap between traditional record-keeping and digital securities management, creating an ecosystem where compliance, efficiency, and protection work together.

By redefining ownership through law and technology, it brought order to an expanding market and fairness to every investor. The Act not only modernised India's securities system but also set a global example of how regulatory foresight can shape sustainable growth.

Even decades later, the law continues to uphold its founding purpose — to ensure that every investor can participate in India's capital market with confidence, every intermediary functions under clear accountability, and every transaction reflects the integrity that defines a mature financial system.