

Securities' Central Depository Services Regulation, 2067 (2010)

With an objective of regulating the matters regarding central depository of Securities, the Board, in exercise of the power conferred by Section 116 of Securities Act, 2063 (2007) and upon the approval of the Government of Nepal, has made the regulations as follows.

Chapter – 1

Preliminary

1. **Short Title and Commencement:** (1) This Regulations may be called "Securities' Central Depository Service Regulation, 2067 (2010)".

(2) This Regulation shall be deemed to have been commenced from the date as prescribed by the Securities Board of Nepal.

2. **Definition:** Unless the subject or context means otherwise in this Regulation, -

- (a) "Act" means Securities Act, 2007.
- (b) "Beneficial Owner" means the person who have opened their Beneficial Owner Account with Central Depository Company for depositing their securities or instruments and who have held the securities and instruments which are capable of being deposited in de-mat form.
- (c) "Beneficial Owner Account" means De-mat Account (electronic account) opened with Central Depository Company through Depository Participant in order to deposit securities by the Beneficial Owner and which is distinguished by a unique account number.
- (d) "Board" means Securities Board of Nepal established pursuant to Section 3 of the Securities Act, 2063 (2007).

- (e) "Central Depository Service" means taking custody of the listed securities from the concerned securities owners and performing the jobs of maintaining their securities account, performing clearing and settlement of the securities transaction including transfer of securities and other similar jobs.
- (f) "Central Depository Company" means the Securities Business person obtaining license pursuant to Regulation 7 from the Board to operate Central Depository Service.
- (g) "Director" means member of the Board of Directors of Central Depository Company and this word also includes the Chairperson.
- (h) "Transfer" means function of transferring the ownership of the securities and other instruments and this word shall also denote family transfer or the transfer of ownership of securities to legal heir from the owner after his/her death.
- (i) "Depository Participant" means securities business person or the body corporate having membership of Central Depository Company.
- (j) "Issuer" means any body corporate/ entity issuing securities / instruments.
- (k) "Registrar and Transfer Agent (RTA)" means any person / body corporate who on behalf of any body corporate, maintains the records of holders of securities issued by such body corporate and deals with all matters connected with the transfer and redemption of its securities.
- (l) "Registered Owner" means a Central Depository Company whose name is entered as such in the register of the issuer.
- (m) "Instruments" are instruments/ documents as are capable of being held in dematerialized form including but not limited to warehouse receipts, life insurance policies, etc.

Chapter – 2

Provision relating to Licensing of Central Depository Service

3. **Application to be submitted for license:** (1) Any body corporate willing to operate Central Depository Service shall be required to submit an application as prescribed in schedule – 1 along with the fee as prescribed in of schedule – 2 to the Board.
- (2) The application to be submitted pursuant to Sub-Regulation (1) shall be accompanied with the following details and documents of the applicant:
- (a) Details regarding Director and Chief Executive as prescribed in schedule- 3,
 - (b) Details and documents regarding the applicant organization as prescribed in schedule-4,
 - (c) Details and documents regarding promoters of the Central Depository Company as prescribed in schedule-5,
 - (d) Feasibility study report for establishment and operation of Central Depository Business,
 - (e) Draft of Operation Manual for Central Depository Company as prescribed in schedule-6.
4. **Examination of Application:** The Board shall examine the application along with documents including details received pursuant to Regulation 3.
- (2) While conducting examination on the details and documents received along with the application pursuant to Sub-Regulation (1), if it deems necessary, the Board may demand for additional details or documents.
- (3) While making examination on the application received pursuant to this Regulation, if it is satisfied to grant license, the Board shall

inform the applicant to develop infrastructure required for operating the central depository service.

5. **Infrastructure to be arranged:** (1) The electronic depository system required for the operation of the Central Depository Services shall be prepared within 12 months of getting notified pursuant to Sub-Regulation (3) of Regulation 4 from the Board and same shall be reported to the Board.

(2) If it is unable to develop the infrastructure within the timeframe pursuant to Sub-Regulations (1) and is requested for additional time, the Board may provide an appropriate additional time period.

(3) If the responsibility of operation and maintenance of the Depository System pursuant to Sub-Regulation (1) is to be given to the manpower or the organization other than those of Central Depository Company, it is required to report the Board regarding the details of the agreement to be concluded for handling the responsibility before concluding such agreement.

(4) The Board may perform or cause to be performed the system audit of the infrastructure developed and the depository system pursuant to Sub-Regulations (1) and (3) from time to time. It shall be the duty of Central Depository Company to make available necessary access, facility, data, etc., to perform such system audit.

6. **To Inspect the Infrastructure:** (1) The applicant shall require to inform the Board regarding the completion of the infrastructure pursuant to Regulation 5.

(2) Within 30 days of receiving the information of completion of infrastructure pursuant to Sub-regulation (1), the Board shall make on-site inspection and inquiry.

(3) While making inspection and inquiry, if the infrastructure prepared is deemed insufficient, the Board may ask for making the additional arrangement within a specified time.

(4) It shall be required to inform the Board after completing the necessary arrangement within the time frame pursuant to Sub-regulation (3).

7. **License to be Issued:** (1) If the infrastructure developed pursuant to Regulation 6 is found appropriate for the operation of the central depository service, the Board shall inform to submit license fee pursuant to annex -2.

(2) After receiving fees pursuant to Sub-regulation (1), the Board shall issue license in the format as prescribed in annex – 7.

8. **Renewal of License:** The Central Depository Company shall, within three months of completion of the fiscal year, submit an application as prescribed in schedule – 8 along with the renewal fee as prescribed in schedule – 2 and renew the license.

9. **Suspension or Cancellation of the License:** The provision relating to suspension, cancellation or other proceedings regarding license shall be as per the Securities Board of Nepal Regulation.

Chapter – 3

Power, functions and duties of a Central Depository Company and Depository Member

10. Power, functions and duties of Central Depository Company: The power, functions and duties of the Central Depository Company shall be as follows:-

- (a) To establish, operate and manage Securities Depository System,
- (b) To establish electronic means of communication with all its depository participants, issuers or Registrar and Transfer Agent stock exchange, its clearing house or clearing corporation and such other entity as may be required to be connected and as decided by Central Depository Company.
- (c) To make bye laws and operating instructions for conduct of Central Depository Company and depository participants/ Issuers/ Registrar and Transfer Agents.
- (d) To issue guidelines / directions to depository participants/ Issuers/ RTAs for the conduct of business by way of circulars / communiqués.
- (e) To enter into agreements with the depository participants / stock exchange its clearing house or clearing corporation / issuers/ Registrar and Transfer Agents before admission of a Depository Participant or securities of an issuer.
- (f) To operate through a network of Depository Participants registered with the Board.
- (g) To de-mat the securities deposited by the Beneficial Owner into electronic form and to convert de-mated securities to physical certificate as per the instructions of the Beneficial Owner through the Depository Participant.
- (h) To prescribe deposit, fees, charges for Depository Participants issuers and Registrar and Transfer Agents.

- (i) To maintain register of Beneficial Owners and provide the same to the issuers at regular intervals as may be decided by the Board to enable the issuer reconcile total securities (physical and de-mated) issued.
- (j) To make available an effective electronic deposit service to Depository Participants, RTA, and issuer.
- (k) To make available the facility to record mortgage / pledge / freeze of securities in Depository Service.
- (l) To make available the necessary support to other organizations related with securities i.e. Depository Participants, Stock Exchanges, Clearing Corporation or Clearing House of Stock Exchanges, Stock brokers, with the approval of the Board.
- (m) To admit, supervise, monitor, suspend and / or terminate the membership of Depository Participant,
- (n) To make arrangement for safe keeping of data of all securities kept in the Depository,
- (o) To open an electronic account for the Beneficial Owner through Depository Participants and to make available the details relating to the account as per the demand of the concerned party,
- (p) To establish and operate the system to effect transfer of securities in the Depository,
- (q) To prescribe upper limit for the charges / tariff to be levied by the depository participants to the Beneficial Owners.
- (r) To freeze securities in the Beneficial Owner's account or freeze the account of the Beneficial Owner upon receiving instructions/ orders from competent authorities, subject to receiving such the competent authority provides details of the Beneficial Owner's account from the competent authority as specified in the Bye-laws / operating instructions of the Central Depository Company.
- (s) To make available other services as mentioned in Memorandum of Association of Depository Company.

- (t) To take adequate measure including insurance to protect the interest of the Beneficial Owners against risks likely to be incurred on account of its activities as a Central Depository Company
- (u) To indemnify any loss caused to the Beneficial Owner due to the negligence of the Central Depository Company or the depository participant and to recover the same from the depository participant where the loss is caused due to the negligence of depository participant
- (v) To cause an inspection of its controls, systems, procedures and safeguards annually and forward the copy of the report to the Board
- (w) To appoint a compliance officer and provide adequate freedom and powers to its compliance officer for the effective discharge of its duties

11. Functions not to be carried out by the Central Depository Company:

The Central Depository Company shall not perform or cause to perform the functions as follows:-

- (a) To assign or delegate to any other person its functions of the depository service, without the prior approval of the Board.
- (b) To disclose confidentiality relating to beneficiary account except otherwise prescribed by the law.
- (c) To render investment advice about any securities to its clients

12. Power, functions and duties of Depository Member: The power, functions and duties of the Depository Member shall be as follows:-

- (a) To open account for securities only upon signing of agreement with the Beneficial Owner,
- (b) To carry out Beneficial Owner identification process as may be specified by the Board / Central Depository Company before opening the account of the Beneficial Owner,

- (c) To maintain separate accounts in the name of each Beneficial Owner and the securities of each Beneficial Owner shall be segregated and shall not be mixed up with the securities of other Beneficial Owners,
- (d) To de-mat the securities deposited by the Beneficial Owner into electronic form and to convert de-mated securities to physical certificate as per the instructions of the Beneficial Owner by sending them to the issuers / Registrar and Transfer Agents within seven days of receipt of instruction from the Beneficial Owner,
- (e) To keep record of securities kept in electronic form,
- (f) To effect transfer of securities from the Beneficial Owner's account only on receipt of written/ electronic instructions of the Beneficial Owner or his assigns.
- (g) To maintain high standards of integrity in all its dealing with its clients and other intermediaries, in the conduct of its business.
- (h) To provide adequate freedom and powers to its compliance officer for the effective discharge of its duties
- (i) To issue statement of de-mat account to the Beneficial Owner at such periodicity as may be prescribed by the Central Depository Company.
- (j) To comply with the instructions, guidelines and advice provided by Central Depository company / Board.

13. Functions not to be carried out by the Depository Participant:

The Depository Participant shall not perform or cause to perform the functions as follows:-

- (a) To make any exaggerated statement to the Beneficial Owners/ clients either about its qualification or capability to render certain services,

- (b) To make any untrue statement or suppress any material fact in any documents, reports or information furnished to the Board or Central Depository Company,
- (c) To assign or delegate to any other person its functions as a depository participant, without the prior approval of the Central Depository Company.
- (d) To indulge in any unfair competition, which is likely to harm the interests of other Participants or Beneficial Owners
- (e) Not to keep the information relating to account of Depository Participants confidential except otherwise prescribed by the law.
- (f) To render investment advice about any securities to its clients

Chapter – 4

Provisions regarding Capital, Share Ownership and Qualification

14. **Ownership of the Central Depository Company:** (1) Recognized Stock Exchange, Citizen Investment Trust, Commercial and Development Banks, foreign institutional investor, a non-banking finance company, depository participants, or any other entity as may be prescribed by the Board may hold the shares of the Central Depository Company.

However, the Board shall not prescribe individual person, private limited company or cooperative to hold shares of the Central Depository Company.

(2) Notwithstanding anything contained in Sub-Regulation (1), the body corporate holding ownership of Central Depository Company shall have the qualifications as follows:-

- (a) Completion of five years minimum from the establishment of the company,
- (b) Net worth not less than paid up capital,
- (c) Should have been in profit for the last three years.

15. Situation of being unable to hold ownership: A company or a corporate body shall not be qualified to hold the shares of Central Depository Company under the situations as follows: -

- (a) If declared insolvent for loan default
- (b) If the income statement is not submitted for the tax purpose pursuant to the prevailing laws.
- (c) If the corporate body having responsibility to make its financial statements public has failed to make the audited financial statements public continuously for three years.
- (d) If the license being cancelled subject to action pursuant to concerned Act.
- (e) If remained in black list of Credit Information Bureau.

16. Provisions regarding transfer of ownership (1) Promoters of Central Depository Company shall not be allowed to sell the shares owned by them until completion of a period of five years from the date of obtaining the license.

(2) If any shares of Central Depository Company are sold after completion of period as pursuant to Sub-Regulations (1), such share may not be re-sold until the completion of one year of such share transfer.

(3) The shareholder of the Central depository Company, who is willing to sell the shares owned by him/her, shall be required to submit application through Central Depository Company along with the fee

equivalent to 0.5% of the sales amount of shares to be sold to the Board for approval.

(4) The application pursuant to Sub-Regulations (3) shall be accompanied with the information and documents of the Company or the corporate body willing to purchase the shares as specified in Schedule – 5.

(5) While examining the application and the attached information and documents pursuant to Sub-Regulations (3), if the Board deems necessary, may demand for additional details or documents or may seek clarification.

(6) After making examination on the application and the attached information and documents pursuant to Sub-Regulations (3), the Board, subject to the provisions of the Act and this Regulation, shall provide approval for the sale of the shares.

17. Shares to be Sold: (1) Notwithstanding anything contained in this Regulation, if any corporate body / entity holding equity shares in a Central Depository Company become disqualified for holding the shares of Central Depository Company, it should be the responsibility of the concerned corporate body / entity to submit an application to the Board subject to this Regulation in order to transfer the shares held by it within 3 months of such disqualification.

(2) In case of failure to transfer shares ownership as pursuant to Sub-Regulations (1), Central Depository Company shall hold in escrow account the equity shares of the concerned corporate body and make sale within three months through auction to an eligible entity who are qualified according to this Regulation.

(3) If shares could not be sold pursuant to Sub-Regulations (2), the Central Depository Company will inform to the Board and may follow other alternative methods.

(4) While making sale of the shares of Central Depository Company pursuant to Sub-Regulations (2) or (3), it should be sold only to the eligible entities who are qualified pursuant to this Regulation and the information and documents regarding those entities purchasing the shares pursuant to Schedule – 5 and if the sale is made through auction, details regarding same shall be submitted to the Board within one month of such deed.

18. Qualification of the Directors and the Chief Executive: The qualification of the directors and the chief executive of the Central Depository Company shall be as follows:-

- (a) The Directors and Executive chief shall hold a minimum bachelor degree in economics or commerce or finance or accounts or management or commercial law from a recognized educational institution or be a certified chartered accountant or equivalent to chartered accountant and having a minimum of five years experience in the field of capital market or industry or commerce or finance or accounts or commercial law or in management.
- (b) Should be a Nepali citizen, except the Government of Nepal otherwise approves.

19. Disqualification of the Directors and the Chief Executive:

(1) The person having the disqualifications as follows shall not be the Director or the Chief Executive of the Central Depository Company:-

- (a) Insane or of unsound mind,

- (b) Convicted and sentenced for imprisonment against criminal offence of moral turpitude and not completed five years of complete execution of the punishment,
- (c) Convicted and sentenced from the court against corruption or fraud and not completed five years of complete execution of the punishment,
- (d) If the person or the Company where s/he had acted as Director or Chief Executive is declared insolvent and has not completed five years of insolvency.
- (e) Failed to submit the income statement for the purpose of tax or has remained the Director or Chief Executive of the Company who has not submitted the income statement for the purpose of tax clearance pursuant to the prevailing law.
- (f) If the person or the Company where s/he had acted as Director or the Chief Executive has remained in the black list of the Credit Information Bureau.
- (g) Has remained as the Director or the Chief Executive of the Company or Corporate Body who have failed to disclose its audited financial statement in public for three continuous years.
- (h) Has been sentenced subject to the Act and is not allowed to work as a Director or the Chief Executive.

(2) A person working as the Chief Executive of any company or corporate body is not allowed to work as the Chief Executive of Central Depository Company.

Chapter – 5

Provision relating to Depository Member

20. Qualification of Depository Member: The Eligibility Criteria for a Depository Participant shall be as follows:-

- (a) Shall be a Bank or Financial Institution, Stock Broker, Registrar and Transfer Agent, custodian or such other entity as may be prescribed by the Board from time to time.
- (b) Shall have minimum net worth of rupees one million
- (c) Have not been black listed by Credit Information Bureau,

21. To be registered in the Board: (1) An organization willing to render its service by obtaining membership of Central Depository Company pursuant to this Regulation shall be required to obtain registration certificate from the Board before obtaining such membership.

(2) In order to obtain the registration certificate pursuant to Sub-Regulation (1) from the Board, it is required to submit an application as prescribed in schedule-10 along with the application fee as prescribed in schedule-12 and the details and documents as follows:-

- (a) Copy of Memorandum and Article of Association of the Organization,
- (b) Registration certificate of the company,
- (c) Audited financial statements for previous year prepared on the format and standards as prescribed by the prevalent laws.

Clarification: For the provision of this clause, to the company or body corporate who has not completed the fiscal year after its establishment, the company or the body corporate may submit the periodical financial statements as certified by the Management.

- (d) Provisions regarding infrastructure to be developed for performing the duty of the Depository Member,

- (e) Arrangement of manpower to perform the job of Depository Member,
- (3) The Board may exempt any provisions from clause (a) to (e) of Sub-regulation (2).
- (4) While making examination on the application submitted pursuant to Sub-Regulation (2), if the Board is satisfied, may register the applicant as a Depository Member and issue the registration certificate as prescribed in schedule – 10.
- (5) Before issuing the registration certificate pursuant to Sub-Regulation (4), the Board shall inform the applicant to submit registration certificate fee as prescribed in the schedule-12.

22. Renewal of Registration Certificate: (1) Registration Certificate issued pursuant to these Regulations shall be valid for the period of one fiscal year and it shall be required to renewed for every new fiscal year within one month of beginning of that fiscal year.

(2) In case of Depository Participant being failure to submit application for renewal, within the stipulated time, the Depository Participant shall be restrained from opening new accounts, till its Registration Certificate is renewed.

(3) In order to renew registration certificate the Depository Member shall submit an application as prescribed in schedule-11 along with the fee as prescribed in schedule-12 to the Board and renew the registration certificate.

(4) If the application submitted for renewal of Registration Certificate could not receive approval from the Board before expiry of the license / registration, the Depository Participant shall continue its operations until otherwise conveyed by the Board.

- 23. Provision relating to Cash Guarantee:** (1) The Depository Participant shall be required to place refundable interest free Cash Deposit at Central Depository Company prior to the commencement of its business.

(2) The amount of the refundable interest free Cash Deposit pursuant to Sub-Regulations (1) to be provided by the Depository Participant may be prescribed by the Central Depository Company.

Chapter – 6

Provision regarding admission of securities

- 24. Securities to be admitted in Central Depository:** (1) Any corporate body or entity issuing securities whether listed or unlisted on a stock exchange and which fulfills eligibility criteria specified by Central Depository Company and is willing to admit its securities / instruments in the Central Depository shall be required to pay such charges as may be prescribed by Central Depository Company and enter into an agreement with Central Depository Company in the format as prescribed by the Central Depository Company.

(2) Notwithstanding anything contained in Sub-Regulations (1), the Central Depository may admit the Government Securities, commercial paper, stock certificate and receipt of commodities market or certificate as well.

(3) In order to admit the securities in the central depository system, the corporate body or entity issuing securities shall be required to submit an application along with the fee and the documents and details as prescribed in working manual to the Central Depository Company.

(4) Notwithstanding anything contained in Sub-Regulations (3), there shall be no restriction to Central Depository Company for admitting the securities issued by the Government of Nepal and other securities as prescribed by the Board.

(5) The Central Depository Company shall maintain electronic records of all securities that have been de-mated in the system.

(6) The listed companies existing at the time of commencement of this Regulation shall admit their securities in the central depository system within one year of Central Depository Company commencing its operations.

(7) All listed companies and entities registered with Board shall, after commencement of Central Depository Company shall issue securities in de-mat form only.

(8) The Board may prescribe time frame for all issuers to admit their securities in a phased manner within overall limit of six months mentioned under Sub-Regulations (7).

(9) The Issuer or its agent shall maintain record of certificate of securities which have been dematerialized and reconcile the records of dematerialized securities with all the securities (securities held in physical form and dematerialized form) issued by the issuer, on a daily basis.

(10) In case of listed companies, issuers to ensure that securities dematerialized with Central Depository Company shall not exceed their securities listed on the stock exchange and submit the report to stock exchange at such intervals as may be prescribed by the Board.

(11) Issuers / RTAs shall within the prescribed period on receipt of intimation and securities along with the instructions of the Beneficial Owner from the Depository Participant regarding dematerialization of the securities, 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

(12) Issuers / RTAs shall within prescribed period on receipt of the intimation along with the instruction of the Beneficial Owner from the Depository Participant regarding dematerialization of the securities shall substitute in its records the name of the Beneficial Owner and issue certificate of securities (i.e. statement of Securities) of to the Beneficial Owner and inform the depository accordingly.

25. Provision regarding transfer of ownership: (1) Upon receipt of valid instruction from the Beneficial Owner the Depository Participants shall process the instruction in the system.

(2) The process of transferring the ownership of the securities remained in the Beneficial Owners account in the case of death of account holder or any other reason shall be as per the prevailing laws.

Chapter – 7

Provision regarding Financial Statement, Audit and Disclosures of Central Depository Company

26. Provision regarding Financial Statement and Records of Central Depository Company: (1) Along with the records and documents to be maintained pursuant to the prevailing laws, the Central Depository Company, in addition, shall keep fair and accurate records of the followings:-

- (a) Details regarding Depository Member of Central Depository Company,
- (b) Details relating to Depositor Corporate Body and de-mated securities,
- (c) Other details as prescribed by the Board from time to time.

(2) The format for the records to be maintained pursuant to Sub-Regulation (2) may be prescribed by the Board.

(3) The Central Depository Company shall make arrangements for internal audit of its operation and shall submit the annual report of internal audit to the Board within three months of completion of the fiscal year.

(4) The Central Depository Company shall complete audit within three months of completion of the fiscal year and shall submit the audited financial statements to the Board within one month of completion of audit.

(5) The Central Depository Company shall submit its annual report to the Board within six months of completion of the fiscal year.

(6) The Central Depository Company shall submit the details of agenda and decisions of the annual general meeting to the Board within thirty days of completion of its annual general meeting.

27. Details and Reports to be submitted: (1) The Central Depository Company shall submit the following informations, details and reports within the following period to the Board:-

- (a) Quarterly report within thirty days on completion of quarterly period.
- (b) If the Central Depository Company has taken any action against the Depository Member, the details including the name of Depository Member, details of the proceedings and the reason for the proceedings within seven days of such act,
- (c) Report relating to inspection of Depository Member by Central Depository Company within 30 days of the end of such inspection,

- (d) Notifications, information and other details as demanded by the Board.
- (e) Other notifications, information and details as prescribed by the Board from time to time.
- (2) The format of the reports to be submitted to the Board by the Central Depository Company may be prescribed by the Board.
- (3) Besides the informations as prescribed in Section 46 of the Act, the Central Depository Company shall immediately provide the informations on the matters as follows:-
 - (a) If any proceeding pursuant to the prevailing laws is initiated against the Promoter, Director or the Executive Chief,
 - (b) If the Promoter, Director or the Executive Chief is listed in the black list of Credit Information Bureau,
 - (c) If the Central Depository Company establishes any committee regarding admission of securities, membership of company and transfer of securities; information regarding structure, functions, duties and powers of such committee,
 - (d) If there is any change in the structure, functions, duties and power of the committee established pursuant to clause (c) or if it is dissolved.
 - (e) If there is any change in the management or structure of the Central Depository Company.
 - (f) If the compliance office of Central Depository Company is appointed or changed.

28. Provision regarding Financial Statement and Records of Depository

Member: (1) The Depository Member shall be required to keep its books of accounts and prepare financial reports including profit and loss

accounts, balance sheet and cash flow statements in the format and standards as prescribed under the prevailing laws.

(2) The Depository Member shall submit its audited financial report to the Board and Central Depository Company within three months of completion of the fiscal year.

29. Provision regarding Auditor and Audit: (1) Only the person having the qualification of chartered accountant or equivalent and holding certificate of practice from Institute of Chartered Accountants Nepal (ICAN) shall be qualified to be appointed as an auditor of Central Depository Company and Depository Members.

(2) The Central Depository Company and Depository Member, within 15 days of appointment of the auditor, shall report the Board regarding same.

(3) The auditor, while auditing the accounts of Central Depository Company and Depository Member, shall do as per the prevailing values and standard of audit.

(4) The auditor, after completing the audit, shall require to prepare the report reflecting functions, financial details and position of Central Depository Company and Depository Member.

(5) The Board may prescribe for additional detail to mention in the Audit Report of the Central Depository Company and Depository Member.

Chapter – 8

Miscellaneous

30. May frame Byelaws and Operation Manual: (1) The Central Depository Company may frame and implement the byelaws and working manual as required for operation of central depository service.

(2) The byelaws and working manual framed pursuant to Sub-regulation (1) shall be implemented only after obtaining approval from the Board.

(3) It shall be required to obtain approval from the Board of Directors of the Central Depository Company before submitting the bylaws and working manual to the Board for approval.

(4) The Board may, on the byelaws and working manual implemented pursuant to Sub-regulation (1), issue directions to amend or improve or to frame new provisions repealing the old one, as necessary.

31. To make provisions for resolving grievance:(1) The Central Depository Company shall arrange appropriate and effective provisions for resolving the grievance received with regards to the operation of central depository service.

(2) If any kind of grievance with regards to the operation of central depository service is received from any Beneficial Owner, the Central Depository Company shall resolve such grievance.

(3) If the Central Depository Company fails to resolve the grievance or failed to resolve in time or if not convinced with the decision, the concerned party may submit application to the Board for reconsideration.

(4) The Information related to grievances received at Central Depository Company shall be submitted to the Board at each month.

32. Provisions regarding Beneficial Owner's Protection Fund: The Board may direct the Central Depository Company for establishment of an Beneficial Owners' Protection fund with an objective as follows:-

- (a) Create manage and make available at all times a fund for the protection and benefit of members of the public who invest in, hold or transact in securities in dematerialized form through the Settler.
- (b) Provide monetary relief and/or compensation to Beneficial Owners in respect of losses suffered by Beneficial Owners through the wrongful act, negligence breach, default or fraud on the part of the Central Depository Company or its Depository Participant or their respective employees.
- (c) Educate and inform the general public investors regarding the benefits of holding and transacting in securities in dematerialized form, and about the protection available to Beneficial Owners of securities held in dematerialized form.
- (d) Promote activities such as Beneficial Owner awareness program, conduct lectures, seminars and workshops and to undertake such other activities as would inculcate in the general public investors, a sense of confidence in the depository system.

33. Provisions regarding Fees: (1) The fees that may be charged by Central Depository Company with Depository Member or clients and by Depository Member with clients shall be as prescribed in the byelaws of the Central Depository Company.

(2) The amount equivalent to five percent of the fees received pursuant to Sub-regulation (1) by the Central Depository Company and Depository Member shall be required to be submitted to the Board within completion of one month of last month.

34. Trading in Securities after commencement of Central Depository Company: Securities transactions on NEPSE after six months from the

- commencement of the operations of Central Depository Company shall be in de-mat form only. However the Board may relax the time period at its discretion.
35. **Board reserves the right:** The Board may interpret in case of any occurrence of confusion on provisions of these Regulations.
 36. **May open Branch:** With the prior approval of the Board, the Central Depository Company may open its branch offices within the territory of Nepal.
 37. **Amendment of Memorandum of Association and Articles of Association:** The Central Depository Company may make amendment in any provisions of its Memorandum and Articles of Association with prior approval from the Board and shall report the Board regarding same within 30 days of amendment.
 38. **Action may be taken against the Auditor:** An Auditor in case of not carrying out the audit pursuant to this Regulation, the Board may forward a request in writing to Institute of Chartered Accountants Nepal for taking action against him/her.
 39. **Information to be furnished to the Board:** In case if any Depository Participant is found violating these regulations / bye laws / working manual of Central Depository Company, the Central Depository Company shall immediately initiate proceedings against such Depository Participant and shall report same to the Board.
 40. **Change in Schedule** The Board may make necessary changes in schedules of this Regulation.

41. **To remain as Evidence** The records of transactions in the Beneficial Owners account held in electronic / dematerialized form maintained by a Central Depository Company shall be accepted as evidence in the proceedings before any competent authority.
42. **To be as per this Regulation** These regulations shall be applicable in the matters specified under it.
43. **Removal of Difficulty:** In case of difficulty to implement things as mentioned in this Regulation or difficulty to implement this Regulation, the Board may interpret and clarify in this regard as per the requirement.

Schedule – 1

[Related to sub-Regulation (1) of Regulation 3]

Format of application to be submitted for license

Date:

Securities Board of Nepal

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Subject: Application for license

As we are desirous operate the Central Depository Service subject to the Securities Act, 2063 (2007) and the Regulations, Regulations framed under that Act and other prevailing laws, this application, along with the fees, informations and documents as prescribed, is hereby submitted to you for obtaining the License.

The attached documents and information is true and factual, none of the details have been hidden or are expressed with exaggeration. If convicted to have concealed relevant fact or to have presented wrong document or information, we hereby submit to bear with consequences according to the terms of the law.

Directors and the Chief Executive

S.N.	Name	Signature
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1.

2.

3.

4.

Applicant

Name:

Address:.....Zone.....District..... VDC/Municipality/Metropolis
AreaWard no. Block no.....Phone no.....Fax:..... Email:

Seal of the body corporate:

Schedule – 2

[Related to Sub-Regulation (1) of Regulation 3, Sub-regulation (1) of Regulation 7 and
Regulation 8]

Application fee, license fee and Annual fee

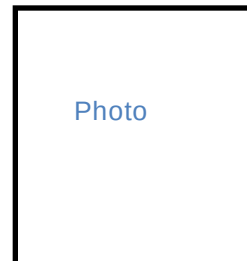
1. Application Fee	NPR 25,000/-
2. License Fee	NPR 5,00,000/-
3. Annual Fee	NPR 3,00,000/-

Schedule – 3

[Related to clause (a) of Sub-Regulation (2) of Regulation 3]

Profile of the director/ chief executive

1. Name:
2. Permanent address: Zone....District....VDC/Municipality
Tole (area): Ward No.....House/Block No...Phone...Email...
3. Present address: Zone...District...VDC/Municipality
Tole (area)...Ward No...House/Block No...
Phone No...Fax...Email...
4. Father's Name:
5. Grand father's Name:
6. Name of husband or wife:
7. Academic qualification:
8. Professional experience:
9. Permanent Account Number (PAN):
10. Training:
11. Details regarding having ownership or holding position of interest of any kind in other company or body corporate, if any,
12. Details regarding any action taken or action pending under the securities related laws or any other prevailing laws against self or the company or the body corporate or the Director or Chief Executive of the company or the body corporate with which s/he is affiliated, if any,
13. Declaration on having fulfilled qualification required for and not having disqualification as stipulated for the director or chief executive of the Stock Market.



Signature.....

Document to be attached:

1. Proof of Tax Clearance for up to last fiscal year.
2. Proof of deletion of name from black list of Credit Information Bureau, if black listed previously.
3. Copy of documents verifying qualification, experience and affiliation, if any with other institutions.
4. Copy of citizenship certificate
5. Copy of PAN certificate

Schedule – 4

[Related to clause (b) of Sub-Regulation (2) of Regulation 3]

Details regarding the Corporate Body willing to obtain license of the Central Depository Company.

- a. Copy of registered certificate
- b. Copy of Memorandum and Articles of Association
- c. Copy of the Share Holder's Agreement regarding establishment of Central Depository Company, if any,
- d. Details regarding infrastructure to be developed for the operation of Central Depository Company as follows: -
 1. Details regarding office address and office area,
 2. Provision regarding organizational structure and work division,
 3. Details regarding depository system, office equipment and technology developed for the operation of the Central Depository Service,
 4. Details regarding arrangement to be made for the security of Central Depository Service,
 5. Provisions made regarding arrangement of keeping records of de-mated securities and its safety,
 6. Details regarding manpower arranged for the operation of the Central Depository Service.

Schedule – 5

[Related to clause (c) of Sub-Regulation (2) of Regulation 3]

Details related to the body corporate willing to own the share ownership of Central Depository Company.

- a. Copy of registered certificate
- b. Copy of Memorandum and Articles of Association
- c. If the body corporate is established under the special Act, copy of related Act and subsidiary Regulations and by-laws
- d. Copy of resolution of the Board of Directors regarding having ownership of the Share Market.
- e. Audited financial statement of last three years of accounts maintained in the prescribed format pursuant to prevailing laws and accounting standard and yearly report including activities of each year,
(On behalf of a company or a body corporate not completing 3 years of its establishment, available financial statement and report of the year may be furnished.)
- f. Declaration that the company or the body corporate is not listed by the Credit Information Bureau
- g. Details regarding any action taken or action pending under the securities related laws or any other prevailing laws against the company or the body corporate or the Director or Chief Executive of the company or the body corporate with which s/he is affiliated, if any,
- h. Tax registration certificate,
- i. Details regarding the ownership in other companies or body corporate, if any,
- j. Declaration of not having disqualification for holding the ownership of Central Depository Company,
- k. Details and documents relating to the Director as follows:-
 - (a) Full Name including forefathers and Address
 - (b) Ownership or any kind of involvement in any other companies or body corporate, if any

Schedule – 6

[Related to clause (e) of Sub-Regulation (2) of Regulation 3]

Minimum points to be included in Working Procedure Guidelines of Central Depository Company

(a) Regarding admission of securities in Central Depository Company,-

1. Provisions regarding application and details and documents to be submitted by a body corporate desirous to deposit securities in Central Depository,
2. Provisions regarding conditions to be followed by a person desirous to take service of Central Depository Company,
3. Provisions regarding dematerialization of securities certificate and re-materialization from the situation of dematerialization and operation of De-mat Account keeping electronic record,
4. Provisions regarding record keeping of securities registered in Central Depository,
5. Provisions regarding process of lien or release of securities in electronic account.

(b) Regarding membership of Central Depository Company,-

1. Provisions regarding membership and renewal of membership,
2. Provisions regarding infrastructure to be developed by Depository Member,
3. Provisions regarding monitoring and inspection of Depository Member,
4. Provisions regarding technical and working efficiency examination of Depository Member,
5. Provisions regarding suspension or revocation of the Depository Member or any other action to be taken in case of finding doing any irregular act or violating the Act and Regulations and Regulation framed under the Act,
6. Provisions regarding qualification and disqualification of Depository Member.

(c) Regarding Beneficial Owner Account,-

1. Provisions regarding application and necessary documents to be submitted to the Depository Member by beneficial owner while opening electronic account,
2. Provisions regarding the details with regard to the beneficial owner to be kept by the Depository Member,
3. Provisions regarding process of opening beneficial owner account, sequestration and closure by Depository Member,
4. Provisions regarding disclosure to make in an agreement to be concluded with beneficial owner by Depository Member before opening an account,
5. Provisions regarding operation of electronic securities transaction,
6. Provisions regarding mortgage of securities,
7. Provisions regarding ownership transfer of electronic securities,
8. Provisions regarding electronic access to securities information,
9. Provisions regarding grievances handling of beneficial owner about beneficial owner account,
10. Provisions regarding format of introductory details with photo of beneficial owner to be kept by Depository Member.

Schedule – 7

[Related to Sub-Regulation (2) of Regulation 7]

Securities Board of Nepal

Kathmandu

License to Operate Central Depository Service of Securities

This license is hereby issued to M/s....., having its head office at, to operate the Central Depository Service subject to the provisions of the Securities Act and Regulations, Bye-laws, arrangements made there under as well as other prevailing Laws.

S.N.	Renew al Date	Valid Until	Signature of authorized person performing renew al

This validity of license shall remain till end of each fiscal year and it shall be required to be renewed every year.

Authorized signature:

Name:

Designation:

Date:

Schedule – 8

[Related with Regulation 8]

Format of application to be submitted for renewal of license

Date:

Securities Board of Nepal

.....

Subject: **Request for renewal of license.**

As the license to operate the Central Depository Service provided by you is valid until
....., I hereby submit this application along with the license and the
annual fee as prescribed for renewal of the same.

Authorized Signature:

Name:

Position:

Seal of body corporate:

Schedule – 9

[Related with sub-Regulation (2) of Regulation 21]

**Format of application to be submitted by Depository Member to obtain
Registration Certificate**

Date:

Securities Board of Nepal

.....

Subject: request for registration certificate.

As we are desirous render the service of a Depository Member subject to the Securities Act, 2063 (2007) and the Regulations, Regulations framed under that Act and other prevailing laws, this application, along with the fees, information and documents as prescribed, is hereby submitted to you for obtaining the registration certificate.

The attached documents and information is true and factual, none of the details have been hidden or are expressed with exaggeration. If convicted to have concealed relevant fact or to have presented wrong document or information, we hereby submit to bear with consequences according to the terms of the law.

Directors and the Chief Executive

S.N. Name Signature

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.

Applicant a body corporate:

Name:

Address:.....Zone.....District..... VDC/Municipality/Metropolis

AreaWard no. Block no.....Phone no.....Fax:..... Email:

Schedule – 10

[Related with sub-Regulation (4) of Regulation 21]

Securities Board of Nepal

Kathmandu

Registration Certificate of Depository Member

Registration Certificate No.:

M/s....., having its head office at has been registered as Depository Member subject to the provisions of the Securities Act and Regulations, Bye-laws, arrangements made there under as well as other prevailing Laws and is hereby issued this certificate.

This certificate shall remain valid until However, if the certificate is renewed, it shall remain valid until the date of renewal.

Authorized Signature:

Name:

Position:

Seal of body corporate:

Schedule – 11

[Related to Sub-Regulation (3) of Regulation 22]

Format of Application to be submitted for renewal of Registration Certificate

Date:

Securities Board of Nepal

.....

Subject: Request for renewal of registration certificate.

As the registration certificate provided by you is valid until, this application has been hereby submitted along with the registration certificate and the renewal fee as prescribed for renewal of the same.

Seal of the Company:

Authorized signature:

Name:

Designation:

Schedule – 12

[Related to Sub-regulation(2) and (5) of Regulation 21 and
Sub-regulation (3) of Regulation 22)

Fees for registration of Depository Member

1. Fee relating to registration certificate of Depository Member
 - a. Application fee Rs. 5,000/-
 - b. Depository Member Registration Certificate fee Rs. 50,000/-
 - c. Annual fee Rs. 25,000/-

2. Fee to be paid while obtaining Depository Membership from Central Depository Company
 - a. Membership fee Rs. 50,000/-
 - b. Membership renewal fee Rs. 25,000/-