



**Central Depository Company
of Pakistan Limited**

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Ref. No. CDC/LCR/N/02/2019

February 19, 2019

Notification No. 02 of 2019

Sub: Proposed amendments in the CDC Regulations in respect of Direct Payment System

To,
The General Public,

This is to bring to the notice of general public that the Board of Directors of CDC has approved the attached amendments in the CDC Regulations in respect of Direct Payment System ("DPS") subject to approval of the Securities and Exchange Commission of Pakistan ("SECP") under Section 35(1) of the Central Depositories Act, 1997 (XIX of 1997) read with Section 52(3) of the Securities Act, 2015 (III of 2015).

The aforesaid amendments in the CDC Regulations are consequential in view of development and implementation of DPS by National Clearing Company of Pakistan Limited ("NCCPL") pursuant to the directive of SECP. DPS envisages direct payment of sale proceeds by NCCPL to the Sub-Account Holders in their bank accounts.

Under the DPS, unblocking and retrieval of securities in the CDS will be made by NCCPL on Account or Sub-Account level in addition to Participant ID level. In addition, Collateral Account facility is proposed to be withdrawn as same is not required under the DPS or by the market participants.

As required under Section 51(2) of the Securities Act, 2015 (III of 2015), CDC has placed such amendments for soliciting public comments which may be submitted at comments@cdcpak.com within 7 days of this Notification i.e. on or before **Tuesday, February 26, 2019**.

Regards,

Junaid Shekha
Acting Chief Compliance Officer

Copy to:

The Executive Director/ HOD (PRDD/AD-SMD)
Securities and Exchange Commission of Pakistan

The Chief Executive Officer
Pakistan Stock Exchange Limited

The Chief Executive Officer
National Clearing Company of Pakistan Limited

All CDS Elements

Comparative Statement – Amendments in the CDC Regulations relating to Direct Payment System

S. #	Reg. #	Existing Regulations	Regulations Proposed by CDC	Rationale for changes
1.	2.11.1 Collateral Account	<p>means an Account maintained on the CDR by an Account Holder, who is a TRE certificate holder, exclusively for the purpose of holding, in accordance with these Regulations, the Book-entry Securities transferred from a Sub-Account under the control of such Account Holder into such Account pursuant to clause (ka) of Regulation 9.1.1. No Transaction other than the following Transactions shall be allowed by CDC in respect of such Account:</p> <p>(a) a Valid Intra-Account Delivery Transaction, provided that:</p> <p>(i) in case of an Intra Account Delivery Transaction for the purpose of transfer of Book-entry Securities to the Collateral Account, the Source Holding shall not be the Main Account or the House Account of the Account Holder Transmitting such Transaction; and</p> <p>(ii) in case of an Intra Account Delivery Transaction for the purpose of transfer of Book-entry Securities from the Collateral Account, the Target Holding shall not be the Main Account or the House Account of the Account Holder Transmitting such Transaction,</p>	<p>means an Account maintained on the CDR by an Account Holder, who is a TRE certificate holder, exclusively for the purpose of holding, in accordance with these Regulations, the Book-entry Securities transferred from a Sub-Account under the control of such Account Holder into such Account pursuant to clause (ka) of Regulation 9.1.1. No Transaction other than the following Transactions shall be allowed by CDC in respect of such Account:</p> <p>(a) a Valid Intra-Account Delivery Transaction, provided that:</p> <p>(i) in case of an Intra Account Delivery Transaction for the purpose of transfer of Book-entry Securities to the Collateral Account, the Source Holding shall not be the Main Account or the House Account of the Account Holder Transmitting such Transaction; and</p> <p>(ii) in case of an Intra Account Delivery Transaction for the purpose of transfer of Book-entry Securities from the Collateral Account, the Target Holding shall not be the Main Account or the House Account of the Account Holder Transmitting such Transaction,</p> <p>(b) a Valid Pledge Security Transaction where the Eligible Pledgee in whose</p>	<p>The Collateral Account was introduced at the time of automation of securities settlement process back in 2010. The purpose was to facilitate the Broker Clearing Member to arrange a short-term financing from bank by moving securities from the sub-account of a defaulting client to the Collateral Account on the Settlement Day and pledging of such securities against such financing.</p> <p>However, due to stringent conditions for use of Collateral Account, the market participants never opted to avail of such facility as is also evident from the CDS records. Further, during sessions conducted by NCCPL on Direct Payment System (“DPS”), the market participants unanimously expressed that such facility is not in the interest of their business or client relationship.</p> <p>Further, during discussions with NCCPL, it was concluded that Collateral Account will not be required for the purpose of DPS.</p> <p>Considering above, it is recommended to withdraw the Collateral Account facility and all related regulatory provisions.</p>

Comparative Statement – Amendments in the CDC Regulations relating to Direct Payment System

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		<p>(b) a Valid Pledge Security Transaction where the Eligible Pledgee in whose favour the Pledge is sought to be effected is a scheduled bank as defined in the State Bank of Pakistan Act, 1956 (XXXIII of 1956) and a Valid Pledge Release Transaction and a Valid Pledge Call Transaction Transmitted by such Eligible Pledgee; and</p> <p>(c) crediting of Book-entry Securities made pursuant to Regulation 8AA.3.5, Chapters 8C and 8D, sub-clauses (e) to (h) of clause (i) of Regulation 8F.1 and Regulation 12.4.6 into such Account;</p>	<p>favour the Pledge is sought to be effected is a scheduled bank as defined in the State Bank of Pakistan Act, 1956 (XXXIII of 1956) and a Valid Pledge Release Transaction and a Valid Pledge Call Transaction Transmitted by such Eligible Pledgee; and</p> <p>(e)(a) crediting of Book-entry Securities made pursuant to Regulation 8AA.3.5, Chapters 8C and 8D, sub-clauses (e) to (h) of clause (i) of Regulation 8F.1 and Regulation 12.4.6 into such Account;</p>	
2.	3.2.1(f)	to co-operate with the Commission, the State Bank of Pakistan and the Securities Exchange in carrying out the functions set out in paragraphs (a) to (e) above and to provide such assistance as is required by the Commission, the State Bank of Pakistan and the Securities Exchange in carrying out their functions and duties under the Act or under any other law for the time being in force.	to co-operate with the Commission, <u>competent authorities in Pakistan,</u> the State Bank of Pakistan, <u>the Clearing House</u> and the Securities Exchange in carrying out the functions set out in paragraphs (a) to (e) above and to provide such assistance <u>and information relating to the CDS</u> as is required by the Commission, <u>the competent authorities,</u> the State Bank of Pakistan, <u>the Clearing House</u> and the Securities Exchange in carrying out their functions and duties under the Act or under any other law for the time being in force.	<p>These changes pertain to sharing of IBANs of investors maintaining sub-accounts with Broker Participants with NCCPL under the DPS model approved SECP with the directive to facilitate direct payment of sale proceeds to such investors.</p> <p>In addition, disclosure of information to other competent authorities have also been covered.</p>
3.	6.1.2A	Where an Account Holder is a TRE certificate holder, CDC shall, at the written request of such Account Holder, establish a Collateral Account in the name of the Account Holder.	Where an Account Holder is a TRE certificate holder, CDC shall, at the written request of such Account Holder, establish a Collateral Account in the name of the Account Holder.	Incidental changes due to withdrawal of Collateral Account as proposed.

Comparative Statement – Amendments in the CDC Regulations relating to Direct Payment System

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4.	6.7.2	<p>Handling of Book-entry Securities by a Participant that are entered in the Sub-Accounts of his Sub-Account Holders for any purpose other than those specifically set out in the Authorization shall require a specific prior written authorization of the relevant Sub-Account Holders in favour of the Participant for each transaction on a standard format prescribed by CDC in the Procedures pursuant to Regulation 3.7.1 in respect of any such purpose from time to time.</p> <p>Provided that, where a Participant exercises his right, pursuant to an Authorization, to recover the outstanding charges or losses from his Sub-Account Holder including for the recovery of the payment against the underlying market purchase transactions made by the Participant on behalf of such Sub-Account Holder (hereinafter in this Regulation 6.7.2 collectively referred to as the “Outstanding Dues”) by disposing of the Book-entry Securities held in the Sub-Account of such Sub-Account Holder through market-based or off-market Securities transactions to be settled through the Clearing House in accordance with the NCCPL Regulations, the Participant shall:</p> <p>(a) give notice to the Sub-Account Holder in the manner set forth under sub-clause (i) of clause (ka) of Regulation 9.1.1; and</p> <p>(b) comply with the requirements of sub-clause (iv) of clause (ka) of</p>	<p>Handling of Book-entry Securities by a Participant that are entered in the Sub-Accounts of his Sub-Account Holders for any purpose other than those specifically set out in the Authorization shall require a specific prior written authorization of the relevant Sub-Account Holders in favour of the Participant for each transaction on a standard format prescribed by CDC in the Procedures pursuant to Regulation 3.7.1 in respect of any such purpose from time to time.</p> <p>Provided that, where a Participant exercises his right, pursuant to an Authorization, to recover the outstanding charges or losses from his Sub-Account Holder including for the recovery of the payment against the underlying market purchase transactions made by the Participant on behalf of such Sub-Account Holder (hereinafter in this Regulation 6.7.2 collectively referred to as the “Outstanding Dues”) by disposing of the Book-entry Securities held in the Sub-Account of such Sub-Account Holder through market-based or NDM off-market Securities transactions to be settled through the Clearing House in accordance with the NCCPL Regulations, the Participant shall <u>comply with such requirements and/or conditions relating thereto as are specified by the CDC and the Clearing House in their respective Procedures</u> give a formal notice to the Sub-Account Holder through facsimile, email, properly recorded telephone line or personal delivery method with such Participant’s advice to clear the Outstanding Payment not later than the close of banking hours on the immediately succeeding Settlement Day failing which the Participant shall be invested with the right to dispose of the Book-</p>	<p>These changes will regulate situations where Broker Participant exercises his right to dispose of securities of his defaulting client for recovery of outstanding payment / dues where the manner and conditions for exercising such right will be specified in the Procedures.</p>

Comparative Statement – Amendments in the CDC Regulations relating to Direct Payment System

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		<p>Regulation 9.1.1 with respect to the Outstanding Dues</p> <p>Provided further that, Pledging of Book-entry Securities from an MF Sub-Account or a normal Sub-Account of an MF Finanee (as defined in the NCCPL Regulations) shall only be made against designated Pledge Group ID of such Eligible Pledgee which is party to a Tri-partite Agreement (as referred to in the NCCPL Regulations) entered into by and between such MF Finanee and the Eligible Pledgee.</p>	<p>entry Securities without further notice to the Sub-Account Holder at his (Sub-Account Holder's) own risk and costs.</p> <p>(a) give notice to the Sub-Account Holder in the manner set forth under sub-clause (i) of clause (ka) of Regulation 9.1.1; and</p> <p>(b) comply with the requirements of sub-clause (iv) of clause (ka) of Regulation 9.1.1 with respect to the Outstanding Dues</p> <p>Provided further that, Pledging of Book-entry Securities from an MF Sub-Account or a normal Sub-Account of an MF Finanee (as defined in the NCCPL Regulations) shall only be made against designated Pledge Group ID of such Eligible Pledgee which is party to a Tri-partite Agreement (as referred to in the NCCPL Regulations) entered into by and between such MF Finanee and the Eligible Pledgee.</p>	
5.	9.1.1(ka)	<p>pertains to transfer of Book-entry Securities from a Sub-Account under the control of a Participant to the Collateral Account of such Participant, which must be made on a Settlement Day on which such Book-entry Securities are Delivered, pursuant to Regulation 9.3A.3, into such Sub-Account, for the purpose of the recovery of payment against the underlying market purchase transactions with respect to such Securities (hereinafter in this clause (ka) of this Regulation 9.1.1 referred to as the "Outstanding Payment") made by such Participant on behalf of such Sub-Account</p>	<p>pertains to transfer of Book-entry Securities from a Sub-Account under the control of a Participant to the Collateral Account of such Participant, which must be made on a Settlement Day on which such Book-entry Securities are Delivered, pursuant to Regulation 9.3A.3, into such Sub-Account, for the purpose of the recovery of payment against the underlying market purchase transactions with respect to such Securities (hereinafter in this clause (ka) of this Regulation 9.1.1 referred to as the "Outstanding Payment") made by such Participant on behalf of such Sub-Account Holder, provided that:</p>	<p>Incidental changes due to withdrawal of Collateral Account as proposed.</p>

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		<p>Holder, provided that:</p> <p>(i) at the time of transferring the Book-entry Securities pursuant to this clause (ka), the Participant shall give a formal notice to the Sub-Account Holder through facsimile, email, properly recorded telephone line or personal delivery method with such Participant's advice to clear the Outstanding Payment not later than the close of banking hours on the immediately succeeding Settlement Day failing which the Participant shall be invested with the right to dispose of the Book-entry Securities without further notice to the Sub-Account Holder at his (Sub-Account Holder's) own risk and costs;</p> <p>(ii) the Participant shall not transfer such Book-entry Securities from the Sub-Account of the Sub-Account Holder to his Collateral Account that exceed the number of the Book-entry Securities specified in the relevant Balance Order Delivery Transaction Transmitted by the Clearing House pursuant to Regulation 9.3A.3 in respect of such Sub-Account;</p> <p>(iii) the Participant shall not transfer the Book entry Securities from a specific Sub-Account under his control to his Collateral Account on more than one</p>	<p>(i) at the time of transferring the Book-entry Securities pursuant to this clause (ka), the Participant shall give a formal notice to the Sub-Account Holder through facsimile, email, properly recorded telephone line or personal delivery method with such Participant's advice to clear the Outstanding Payment not later than the close of banking hours on the immediately succeeding Settlement Day failing which the Participant shall be invested with the right to dispose of the Book-entry Securities without further notice to the Sub-Account Holder at his (Sub-Account Holder's) own risk and costs;</p> <p>(ii) the Participant shall not transfer such Book-entry Securities from the Sub-Account of the Sub-Account Holder to his Collateral Account that exceed the number of the Book-entry Securities specified in the relevant Balance Order Delivery Transaction Transmitted by the Clearing House pursuant to Regulation 9.3A.3 in respect of such Sub-Account;</p> <p>(iii) the Participant shall not transfer the Book entry Securities from a specific Sub-Account under his control to his Collateral Account on more than one occasion in a calendar month;</p> <p>(iv) proper documentary record evidencing such Outstanding Payment against the Sub-Account Holder including the record</p>	

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		<p>occasion in a calendar month;</p> <p>(iv) proper documentary record evidencing such Outstanding Payment against the Sub-Account Holder including the record pertaining to serving of notice pursuant to sub-clause (i) of this clause (ka) shall be maintained by the Participant; and</p> <p>(v) the Participant shall ensure that the Book-entry Securities transferred, pursuant to this clause (ka), to the Collateral Account shall not remain parked in such Account for more than three (3) consecutive Settlement Days (hereinafter in this sub-clause (v) referred to as the “Time Period”) from the date of such transfer and such Book-entry Securities shall be transferred back to the Sub-Account from which these were transferred by the Participant to the Collateral Account before the expiry of the Time Period;</p>	<p>pertaining to serving of notice pursuant to sub-clause (i) of this clause (ka) shall be maintained by the Participant; and</p> <p>(v) the Participant shall ensure that the Book-entry Securities transferred, pursuant to this clause (ka), to the Collateral Account shall not remain parked in such Account for more than three (3) consecutive Settlement Days (hereinafter in this sub-clause (v) referred to as the “Time Period”) from the date of such transfer and such Book-entry Securities shall be transferred back to the Sub-Account from which these were transferred by the Participant to the Collateral Account before the expiry of the Time Period;</p>	
6.	9.3A.5	Subject to Regulation 6.7.2 and clause (ka) of Regulation 9.1.1 and the terms and conditions of the Sub-Account Opening Form or, as the case may be, the Customer Relationship Form, a Participant shall have the right to dispose of the Book-entry Securities held in a Sub-Account under his control for the purpose of recovery of any outstanding charges or losses payable to the Participant by the Holder of such Sub-Account including for the recovery of the payment against any	Subject to Regulation 6.7.2 and clause (ka) of Regulation 9.1.1 and the terms and conditions of the Sub-Account Opening Form or, as the case may be, the Customer Relationship Form, a Participant shall have the right to dispose of the Book-entry Securities held in a Sub-Account under his control for the purpose of recovery of any outstanding charges or losses payable to the Participant by the Holder of such Sub-Account including for the recovery of the payment against any underlying market purchase transactions	Incidental changes due to withdrawal of Collateral Account as proposed.

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		underlying market purchase transactions made by the Participant on behalf of such Sub-Account Holder, provided that, the Participant shall comply with the requirements of Regulation 9.2A.1 at the time of exercising such right.	made by the Participant on behalf of such Sub-Account Holder, provided that, the Participant shall comply with the requirements of Regulation 9.2A.1 at the time of exercising such right.	
7.	9.4.2	If the Clearing House instructs CDC through the Computer System to remove the Blocked Status of the Book-entry Securities entered in a Target Holding under Regulation 9.3A.3, then, notwithstanding anything contained in these Regulations, CDC shall remove the Blocked Status from such Book-entry Securities and the Account Holder controlling the Target Holding shall thereafter be free to Handle such Book-entry Securities in accordance with these Regulations and/or the Procedures, subject to Section 24 of the Act as applicable.	If the <u>CDC receives any instruction(s) from the Clearing House through the Computer System in respect of any Account, Sub-Account, Investor Account, Temporary Account and/or Account Holder/Participant ID (hereinafter in this Regulation 9.4.2 called, collectively, "Target Holding") instruction(s) from the Clearing House</u> instructs CDC through the Computer System to remove the Blocked Status of the Book-entry Securities entered in a Target Holding under Regulation 9.3A.3, then, notwithstanding anything contained in these Regulations, CDC shall remove the Blocked Status from such Book-entry Securities <u>in accordance with such instruction(s)</u> and the Account Holder controlling the Target Holding shall thereafter be free to Handle such Book-entry Securities in accordance with these Regulations and/or the Procedures, subject to Section 24 of the Act as applicable.	Under the DPS, unblocking and retrieval of securities by NCCPL will also be made on account level in addition to Participant ID level. This new feature has necessitated necessary changes in the CDS and the CDC Regulations.
8.	9.4.3	If the Clearing House instructs CDC through the Computer System to Deliver the Book-entry Securities entered in a Target Holding under Regulation 9.3A.3 (under Blocked Status) to the NCC-Retrieval Account, then, notwithstanding anything contained in these Regulations, CDC shall forthwith Deliver such Book-entry Securities to the NCC-Retrieval Account and the Clearing House shall thereafter be free to Handle such Book-entry Securities entered in the NCC-Retrieval	If the Clearing House instructs CDC through the Computer System to Deliver the Book-entry Securities entered in a <u>House Account, Sub-Account, Investor Account, Main Account and/or a Temporary Account</u> Target Holding under Regulation 9.3A.3 (under Blocked Status) to the NCC-Retrieval Account, then, notwithstanding anything contained in these Regulations, CDC shall, <u>in accordance with such instruction(s)</u> , forthwith Deliver such Book-entry Securities to the NCC-Retrieval Account and the Clearing	Please refer item 7 above for rationale.

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		Account under these Regulations pursuant to the NCCPL Regulations. The Delivery of any Book-entry Securities from the Target Holding to the NCC-Retrieval Account shall be deemed to have been made under the Instructions of the Account Holder controlling the Target Holding and in terms of the authority vested in the Clearing House and the obligations of such Account Holder, as a Clearing Member, under the NCCPL Regulations.	House shall thereafter be free to Handle such Book-entry Securities entered in the NCC-Retrieval Account under these Regulations pursuant to the NCCPL Regulations. The Delivery of any Book-entry Securities from the Target Holding to the NCC-Retrieval Account shall be deemed to have been made under the Instructions of the Account Holder controlling the Target Holding and in terms of the authority vested in the Clearing House and the obligations of such Account Holder, as a Clearing Member, under the NCCPL Regulations.	
9.	11.1.1	<p>Pledge of Book-entry Securities</p> <p>Subject to Regulations 11.1.2 and 11.1.3, a Pledge of Book-entry Securities in the CDS is made by means of a Pledge Security Transaction that:</p> <ul style="list-style-type: none"> (a) is Transmitted, within the Designated Time, to the CDC; (b) includes the ID of the Account Holder Transmitting the Transaction; (c) specifies as the Source Holding, any Holding which is part of the Account Family of the Account Holder Transmitting the Message provided that such Source Holding is not the Main Account of the Account Holder; (d) specifies the ID of the Eligible Pledgee in whose favour the Pledge is sought to be effected; 	<p>Pledge of Book-entry Securities</p> <p>Subject to Regulations 11.1.2 and 11.1.3, a Pledge of Book-entry Securities in the CDS is made by means of a Pledge Security Transaction that:</p> <ul style="list-style-type: none"> (a) is Transmitted, within the Designated Time, to the CDC; (b) includes the ID of the Account Holder Transmitting the Transaction; (c) specifies as the Source Holding, any Holding which is part of the Account Family of the Account Holder Transmitting the Message provided that such Source Holding is not the Main Account of the Account Holder; (d) specifies the ID of the Eligible Pledgee in whose favour the Pledge is sought to be effected; 	Incidental changes due to withdrawal of Collateral Account as proposed.

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		<p>(e) specifies the number and class of Book-entry Securities to be Pledged in favour of the Eligible Pledgee; and</p> <p>(f) specifies the Pledge Group against which the Pledge is sought to be effected.</p> <p>Provided that, where the Source Holding is a Collateral Account, the Eligible Pledgee in whose favour the Pledge is sought to be effected pursuant to this Regulation 11.1.1 shall be a scheduled bank as defined in the State Bank of Pakistan Act, 1956 (XXXIII of 1956).</p>	<p>(e) specifies the number and class of Book-entry Securities to be Pledged in favour of the Eligible Pledgee; and</p> <p>(f) specifies the Pledge Group against which the Pledge is sought to be effected.</p> <p>Provided that, where the Source Holding is a Collateral Account, the Eligible Pledgee in whose favour the Pledge is sought to be effected pursuant to this Regulation 11.1.1 shall be a scheduled bank as defined in the State Bank of Pakistan Act, 1956 (XXXIII of 1956).</p>	
10.	14.3C.	Expedited Compliance Procedure for breach of conditions set forth in clause (ka) of Regulation 9.1.1	Expedited Compliance Procedure for breach of conditions set forth in clause (ka) of Regulation 9.1.1	Incidental changes due to withdrawal of Collateral Account as proposed.
11.	14.3C.1	<p>If, under Chapter 13, CDC monitors compliance of a Participant with respect to the provisions of sub-clause (v) of clause (ka) of Regulation 9.1.1 and such exercise discloses a breach of such sub-clause by such Participant, then, the Chief Compliance Officer or his delegate shall:</p> <p>(a) impose a fine at the rate of 1% of the prevailing market value of the Book-entry Securities held (in contravention of the provisions of sub-clause (v) of clause (ka) of Regulation 9.1.1) in the Collateral Account or twenty five thousand rupees (Rs. 25,000), whichever is higher, subject to a maximum fine of one hundred</p>	<p>If, under Chapter 13, CDC monitors compliance of a Participant with respect to the provisions of sub-clause (v) of clause (ka) of Regulation 9.1.1 and such exercise discloses a breach of such sub-clause by such Participant, then, the Chief Compliance Officer or his delegate shall:</p> <p>(c) — impose a fine at the rate of 1% of the prevailing market value of the Book-entry Securities held (in contravention of the provisions of sub-clause (v) of clause (ka) of Regulation 9.1.1) in the Collateral Account or twenty five thousand rupees (Rs. 25,000), whichever is higher, subject to a maximum fine of one hundred thousand rupees (Rs.100,000) on the Participant concerned and call upon such</p>	Incidental changes due to withdrawal of Collateral Account as proposed.

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		<p>thousand rupees (Rs.100,000) on the Participant concerned and call upon such Participant, by notice, to rectify the breach within two (2) Business Days of receipt of such notice; and</p> <p>(b) in case the Participant does not rectify the breach and/or pay the fine imposed pursuant to paragraph (a) above within two (2) Business Days of receiving CDC's notice given pursuant to the aforesaid paragraph, impose Restriction on the admission to the CDS of such Participant in accordance with the provisions of Chapter 15 by withdrawing the entitlement of the Participant to Transmit a Transaction or a class of Transactions to the CDC with respect to the Collateral Account under his control and such Restriction shall remain in place for a minimum period of 90 days from the date of imposition thereof notwithstanding that the Participant rectifies, in accordance with the Procedures, the breach in every respect and pays the fine before the expiry of such Restriction period. Removal of Restriction imposed pursuant to this Regulation 14.3C.1 shall be subject to:</p> <p>(i) rectification of breach of sub-clause (v) of clause (ka) of Regulation 9.1.1 in every respect and payment of fine imposed pursuant to clause (a)</p>	<p>Participant, by notice, to rectify the breach within two (2) Business Days of receipt of such notice; and</p> <p>(d) — in case the Participant does not rectify the breach and/or pay the fine imposed pursuant to paragraph (a) above within two (2) Business Days of receiving CDC's notice given pursuant to the aforesaid paragraph, impose Restriction on the admission to the CDS of such Participant in accordance with the provisions of Chapter 15 by withdrawing the entitlement of the Participant to Transmit a Transaction or a class of Transactions to the CDC with respect to the Collateral Account under his control and such Restriction shall remain in place for a minimum period of 90 days from the date of imposition thereof notwithstanding that the Participant rectifies, in accordance with the Procedures, the breach in every respect and pays the fine before the expiry of such Restriction period. Removal of Restriction imposed pursuant to this Regulation 14.3C.1 shall be subject to:</p> <p>(iii) — rectification of breach of sub-clause (v) of clause (ka) of Regulation 9.1.1 in every respect and payment of fine imposed pursuant to clause (a) of this Regulation 14.3C.1; and</p> <p>(iv)(iii) expiry of the Restriction period referred to in clause (b) of this</p>	

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		<p>of this Regulation 14.3C.1; and</p> <p>(ii) expiry of the Restriction period referred to in clause (b) of this Regulation 14.3C.1</p>	<p align="center">Regulation 14.3C.1</p>	
12.	14.3C.2	<p>The provisions of paragraphs (a) and (b) of Regulation 14.3C.1 as regards imposition of fine and Restriction on the admission to the CDS of a Participant shall mutatis mutandis apply in case a Participant is found, pursuant to CDC monitoring compliance under Chapter 13, to be in breach of sub-clause (v) of clause (ka) of Regulation 9.1.1 for a second time.</p>	<p>The provisions of paragraphs (a) and (b) of Regulation 14.3C.1 as regards imposition of fine and Restriction on the admission to the CDS of a Participant shall mutatis mutandis apply in case a Participant is found, pursuant to CDC monitoring compliance under Chapter 13, to be in breach of sub-clause (v) of clause (ka) of Regulation 9.1.1 for a second time.</p>	<p>Incidental changes due to withdrawal of Collateral Account as proposed.</p>
13.	14.3C.3	<p>In case a Participant is found, pursuant to CDC monitoring compliance under Chapter 13, to be in breach of sub-clause (v) of clause (ka) of Regulation 9.1.1 for a third time, the Chief Compliance Officer or his delegate shall impose Restriction on the admission to the CDS of such Participant in accordance with the provisions of Chapter 15 and impose a fine on the Participant as referred to in paragraph (a) of Regulation 14.3C.1. The Restriction imposed on the admission to the CDS of a Participant under this Regulation 14.3C.3 shall remain in place for a minimum period of 90 days from the date of imposition thereof notwithstanding that the Participant rectifies, in accordance with the Procedures, the breach on account of which his admission to the CDS was Restricted and pays the fine before the expiry of such Restriction period. Removal of Restriction imposed pursuant to this Regulation 14.3C.3 shall be subject to:</p>	<p>In case a Participant is found, pursuant to CDC monitoring compliance under Chapter 13, to be in breach of sub-clause (v) of clause (ka) of Regulation 9.1.1 for a third time, the Chief Compliance Officer or his delegate shall impose Restriction on the admission to the CDS of such Participant in accordance with the provisions of Chapter 15 and impose a fine on the Participant as referred to in paragraph (a) of Regulation 14.3C.1. The Restriction imposed on the admission to the CDS of a Participant under this Regulation 14.3C.3 shall remain in place for a minimum period of 90 days from the date of imposition thereof notwithstanding that the Participant rectifies, in accordance with the Procedures, the breach on account of which his admission to the CDS was Restricted and pays the fine before the expiry of such Restriction period. Removal of Restriction imposed pursuant to this Regulation 14.3C.3 shall be subject to:</p> <p>(i) rectification of breach of sub-clause (v) of</p>	<p>Incidental changes due to withdrawal of Collateral Account as proposed.</p>

Comparative Statement – Amendments in the CDC Regulations relating to Direct Payment System

S. #	Reg. #	Existing Regulations	Regulations Proposed by CDC	Rationale for changes
		(i) rectification of breach of sub-clause (v) of clause (ka) of Regulation 9.1.1 in every respect and payment of fine imposed pursuant to clause (a) of this Regulation 14.3C.3; and (ii) expiry of the Restriction period referred to above.	clause (ka) of Regulation 9.1.1 in every respect and payment of fine imposed pursuant to clause (a) of this Regulation 14.3C.3; and (ii)(i) expiry of the Restriction period referred to above.	

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