

**GENERAL MANAGER
MARKET REGULATION DEPARTMENT**

MRD/DoP/Dep/SE/Cir-13/06
September 26, 2006

1. All Stock Exchanges
2. NSDL
3. CDSL
4. All Custodians

Dear Sirs,

Sub: Mandatory requirement of Permanent Account Number (PAN) – Issues and clarifications

1. This is further to SEBI Circular No. MRD/DoP/SE/Cir-8/2006 dated July 13, 2006 making, inter-alia, PAN mandatory for trading in the cash market with effect from October 1, 2006 and SEBI Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006 offering clarifications pertaining to Mandatory requirement of PAN for operating Beneficiary Owner Account (BO) in the depository system.
2. Subsequent to the issue of above-referred SEBI Circulars, market participants have made further representations and suggestions and sought clarifications on the various issues from SEBI.
3. The further representations made and clarifications sought covered mainly the following aspects:
 - 3.1. Exemption from the requirement of verification with the original PAN Card in respect of the institutional clients. Some of the brokers have expressed difficulty in verifying the PAN of institutional clients with the original PAN card as they are dealing through the custodians and not directly with their clients.
 - 3.2. Some of the Investors have represented to SEBI seeking exemption for the joint account holders from the mandatory requirement of PAN.
 - 3.3. Requests have also been received from various market participants for extending the present deadline of September 30, 2006 due to the following reasons:
 - Some of the BOs have PAN but not the PAN Card.
 - Many others have PAN Allotment Letter and have applied for duplicate PAN Card as earlier PAN card was reportedly not issued by the Income Tax Department.
 - Many investors have applied for PAN but have not received the same.
 - In respect of many investors, PAN has been captured, but verification is in process.
 - 3.4. Further, brokers have requested that clarifications issued by SEBI vide SEBI Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006 may be made applicable to trading in the cash market also.
4. Upon careful consideration of the representations and discussions with the market participants, the clarifications are as under :
 - 4.1. In view of the difficulties expressed by the stock brokers in verifying the PAN of the institutional clients with the original PAN card, the custodians are advised to verify the PAN details of the institutional clients with the original PAN card and provide copy of such verified PAN details to the brokers duly certified. This would be applicable in respect of institutional clients, namely, FIIs, MFs, VCFs, FVCIs, Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with IRDA and Public Financial Institution as defined under section 4A of the Companies Act, 1956.

4.2. In the light of the practical difficulties expressed by various market participants as detailed above in adhering to the present deadline of September 30, 2006, the present deadline has been extended to December 31, 2006, as a one time measure.

4.3. The clarification contained in para 4.1 of the SEBI Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006 providing a grace period of 30 days to the entities registered with SEBI u/s 12 of the SEBI Act, 1992 stands withdrawn.

4.4. The clarifications as contained in Paras 4.2 to 4.9 of the SEBI Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006 are also applicable to trading in the cash market. A copy of the said circular is enclosed as Annexure I.

5. The Depositories are advised to:-

5.1. Bring the provisions of this circular to the notice of the DPs of the Depositories and also to disseminate the same on the website;

5.2. Include the aforesaid clarifications, as applicable, in the advertisement campaigns released by them from time to time for better understanding of the investors;

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

5.4. Communicate to SEBI the status of the implementation of the provisions of this circular in the Monthly Development Report.

6. The Stock Exchanges are advised to :

6.1 Make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately.

6.2 Bring the provisions of this circular to the notice of the member brokers/clearing members of the Exchange and also to disseminate the same on the website.

6.3 Communicate to SEBI, the status of the implementation of the provisions of this circular in Section II, item no. 13 of the Monthly Development Report.

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

Yours faithfully,

V.S. SUNDARESAN

Encl: As above