

DRAFT CIRCULAR FOR PUBLIC COMMENTS

Sub: Ease of investments and ease of doing business measures – Review of the ‘Facility for Basic Services Demat Account (BSDA) for Financial Inclusion’

Background

1. Vide circular no. SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/91 dated June 28, 2024 (‘the circular’), on “Facility for Basic Services Demat Account (‘BSDA’) for Financial Inclusion and Ease of Investing”, the facility of BSDA was comprehensively reviewed to further boost participation in securities market and to provide ease of investments. In the circular, the provisions related to eligibility for BSDA, opening of BSDA, conversion of existing eligible demat accounts into BSDA, charge structure for BSDA and valuation of securities for determining eligibility for BSDA were specified.
2. Based on representation received from the depositories and further deliberations with them, certain modifications are proposed in the circular with an aim to achieve the twin objectives of ease of investments and ease of doing business. The same are detailed as under:

Proposals – Ease of investments

(A) Exclusion of Zero Coupon Zero Principal (ZCZP) bonds for determining eligibility of demat accounts as BSDA

3. ZCZP bonds issued under social impact frameworks are held in demat form. Even though the circular does not specifically mention whether ZCZP bonds should be excluded from or included in the holding value for determining BSDA eligibility, as per current market practice, ZCZP bonds are being considered at their face value / purchase price for determining BSDA eligibility.
4. It may be noted that ZCZP bonds are fundamentally distinct from conventional securities held in a demat account, as they are non-transferable, non-tradable, and do not provide any monetary return or redemption value to the holder. Their economic value is closer to a social contribution or donation made by the investor rather than an investment asset capable of appreciation, liquidation, or portfolio enhancement.

5. Since BSDA eligibility is intended to be determined on the basis of the realizable value of an investor's holdings, considering value of ZCZPs (whose value cannot be encashed, transferred, or traded) in the value of holding for determining BSDA eligibility, may artificially inflate the portfolio value and make the investor ineligible for BSDA.

Proposal:

6. In view of above, it is proposed that ZCZP bonds shall be not be considered while calculating value of holding for the purpose of determining eligibility of demat accounts as BSDA.

(B) Valuation of delisted and illiquid securities for the purpose of determining eligibility of demat accounts as BSDA

7. Para 2.3(c) of the circular specifies the value of securities which is to be considered for determining eligibility of demat accounts as BSDA with respect to listed, unlisted and suspended securities. However, it does not explicitly provide clarity on the value of delisted and illiquid securities to be considered for BSDA.

Proposal:

8. For the purpose of BSDA valuation, the circular already excludes suspended securities entirely from computation, on the grounds that such securities are not traded, lack reliable price discovery and therefore do not represent a meaningful or current market value.
9. Delisted securities are, in practice, in a similar position. There is no ongoing market, no continuous price discovery and no investor ability to liquidate such securities.
10. Thus, it is proposed to treat delisted securities at par with suspended securities for the purpose of determining BSDA eligibility, as these securities lack active trading, transparent price discovery and liquidity. Excluding delisted securities from BSDA valuation similar to the treatment of suspended securities would ensure consistency and maintain fairness for the investors whose holdings do not represent realizable market value.
11. In respect of illiquid securities, it is noted that such securities, though not actively traded, continue to remain listed and are traded on stock exchange platform through a specific mechanism. Accordingly, it is proposed that the last closing

price of illiquid securities may be considered for the purpose of determining BSDA eligibility.

12. It is further proposed to clarify that the above criteria related to valuation of securities for the purpose of determining BSDA eligibility shall not be applicable for promotor individuals.

Proposals – Ease of doing business

(C) Reassessment of eligibility of all the existing Beneficial Owners ('BOs') with respect to BSDA

13. Para 2.2(b) of the circular *inter alia* specifies that the Depository Participants ('DPs') shall reassess the eligibility of all the existing BOs with respect to BSDA at the end of every billing cycle and shall convert all such eligible demat accounts into BSDA unless such BOs specifically provide their consent by way of email from their email-id registered with the DP to continue to avail the facility of a regular demat account.

Challenges:

14. The billing cycle may vary across DPs as they are allowed to follow anniversary billing cycle in terms of SEBI circular No. CIR/MRD/DP/20/2010 dated July 01, 2010. As per existing provisions, eligibility reassessment for BSDA, which is tied to the billing cycle, may be cumbersome and impractical for DPs considering different billing cycle for each BO.

Proposal:

15. In order to ensure consistent, system-driven reassessment across all DPs, to provide ease of doing business and operational convenience to the depositories and DPs, as per joint representation made by the depositories, it is proposed that DPs may reassess the eligibility of existing BOs for BSDA and convert the eligible accounts into BSDA on a quarterly basis.

(D) Submission of consent for opting out of BSDA

16. Para 2.2(a) and 2.2(b) of the circular state that DPs shall open only BSDA, if such demat accounts are eligible for BSDA and convert all existing eligible demat account into BSDA *unless such BOs specifically provide their consent by way of email from their email-id registered with the DP to avail / continue to avail the facility of a regular demat account respectively.*

17. As informed by depositories, the present requirement for obtaining BO consent only through registered email-id is restrictive and results in delays and low response rates, thereby increasing compliance burden on DPs. The said requirement also creates inconvenience to the investors as they have to provide consent only through email and not through any other efficient channels.

Proposal:

18. In order to promote ease of doing business for DPs and improve investor experience, it is proposed that in addition to email from registered email-id, submission of BO consent shall be allowed through other authenticated means as well.

Public Comments:

19. Draft circular on “Ease of investments and ease of doing business measures – Review of the Facility for Basic Services Demat Account (BSDA) for Financial Inclusion” is placed at **Annexure-A**. The comments/ suggestions should be submitted latest by December 15, 2025, through the following link: <https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>
20. In case of any technical issue in submitting your comment through web based public comments form, you may write to consultationMIRSD@sebi.gov.in with the subject: on “Ease of investments and ease of doing business measures – Review of the Facility for Basic Services Demat Account (BSDA) for Financial Inclusion”.



DRAFT CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/XXXX/XXX

DD-MM-YYYY

To,

All Depositories

All Depository Participants (DPs) through Depositories

Madam / Sir,

Subject: Ease of investments and ease of doing business measures – Review of the ‘Facility for Basic Services Demat Account (BSDA) for Financial Inclusion’

1. SEBI vide circular no. SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/91 dated June 28, 2024, on “Facility for Basic Services Demat Account (‘BSDA’) for Financial Inclusion and Ease of Investing”, comprehensively reviewed the facility of BSDA to further boost participation in securities market and to provide ease of investments.
2. The aforesaid circular specified the provisions related to eligibility for BSDA, opening of BSDA, conversion of existing eligible demat accounts into BSDA, charge structure for BSDA and valuation of securities for determining eligibility for BSDA.
3. Based on representation received from the depositories, multiple deliberations and in order to provide ease of doing business and operational convenience to the depositories and depository participants (DPs) and ease of investment to the investors, it has been decided that:
 - (i) Zero Coupon Zero Principal (ZCZP) bonds shall be not be considered while calculating value of holding for the purpose of determining eligibility of demat accounts as BSDA.
 - (ii) for the purpose of determining eligibility of demat accounts as BSDA, similar to suspended securities, the value of delisted securities may not be considered. For illiquid securities, last closing price may be taken into account. Further, the criteria for valuation of such securities for the purpose of determining BSDA eligibility shall not be applicable for promotor individuals.

- (iii) DPs shall reassess the eligibility of Beneficial Owners (BOs) with respect to BSDA at the end of every quarter.
 - (iv) in addition to email from registered email-id, the BO shall also have an option to submit consent to avail / continue to avail the facility of a regular demat account, through any other authenticated and verifiable channel.
4. Accordingly, Para 2.2(a), 2.2(b) and 2.3(c) stand modified as under:

Para 2.2(a)

The DPs shall open only BSDA for Beneficial Owners (BOs), if such demat accounts are eligible for BSDA as per para 2.1 above, unless such BOs specifically provide their consent through authenticated and verifiable channel to avail the facility of a regular demat account.

Para 2.2(b)

The DPs shall also reassess the eligibility of all the existing BOs with respect to BSDA as provided in para 2.1 above at the end of every quarter and shall convert all such eligible demat accounts into BSDA unless such BOs specifically provide their consent through authenticated and verifiable channel to continue to avail the facility of a regular demat account.

Para 2.3(c)

The value of holding shall be determined by the DPs on the basis of the daily closing price or NAV of the securities or units of mutual funds, as the case may be. Where such price is not available, the last traded price may be taken into account. For unlisted securities other than units of mutual funds, face value may be taken in to account. For illiquid securities, last closing price may be taken into account. The value of suspended securities, delisted securities and Zero Coupon Zero Principal bonds may not be considered for the purpose of determining eligibility of demat account as BSDA.

The above criteria for determining eligibility of a demat account for BSDA shall not be applicable for promotor individuals.

5. The provisions of this circular shall come into force with immediate effect.
6. This circular is being issued in exercise of powers conferred under section 11 (1) of the Securities and Exchange Board of India Act, 1992 and section 19 of the

Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

7. This circular is available on SEBI website at www.sebi.gov.in under the category: 'Legal → Circulars'.