

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3492
ANSWERED ON:15.12.2006
DEMAT ACCOUNT
Chitthan Shri N.S.V.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has changed the rules for demat account ;
- (b) if so, the details thereof and the reasons therefor ;
- (c) whether there are problems as compared to the previous one; and
- (d) if so, the steps to be taken /proposed to be taken to solve this problem?

Answer

MINISTER OF STATE IN MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a) & (b): In order to address the concerns arising out of the opening up of multiple demat accounts, SEBI has enhanced Know Your Client norms. It has made Permanent Account Number (PAN) mandatory for opening demat accounts on or after April 1, 2006 . In respect of demat accounts opened before April 1, 2006, it is mandatory for the account holders to provide PAN to Depositories by December 31, 2006.

(c)&(d): In order to enable investors to be PAN compliant, SEBI has extended time upto 31st December, 2006 and issued clarificatory circulars to mitigate any hardship in the process of transition. Where PAN is not provided, the demat account would be `suspended for debit` after December 31, 2006 till it is provided. CBDT has issued guidelines to facilitate issue of PAN to Indian citizens residing outside India and foreign citizens.