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Ref. No.CBB/IGF/2005/060

December 30, 2005

Dear Dr. Somaiya,

This has reference to your letter dated December 21, 2005. You have made some useful suggestions in your letter and NSDL has already implemented some of these. A press release issued by us today is enclosed.

You have suggested in your letter that the IPOs during the last six months should be investigated to find out "similar addresses". This job needs to be undertaken by the registrar to the issue and SEBI would have to direct them to do this.

I was disappointed to read your comment in one of the newspapers that "NSDL should take responsibility." You are aware that NSDL has never backed away from responsibility. All we are trying to do is to protect NSDL's right to be heard.

With regards,

Yours sincerely,

(C. B. Bhavé)



Dr. Kirit Somaiya
President
Investors' Grievances Forum
Neelam Nagar
Mumbai 400081



Press Release

NSDL's report / action taken / recommendations upon inspection of Karvy - DP conducted in terms of SEBI Order in the matter of Yes Bank Ltd.

SEBI had asked NSDL to carry out an inspection of Karvy Share Broking Ltd. - DP (Karvy) particularly focussing on the Know Your Client (KYC) norms vide its order dated December 15, 2005, in the matter of Yes Bank Ltd. IPO allotment. Subsequently, it had asked NSDL to submit its report by December 28, 2005 vide its e-mail dated December 26, 2005. NSDL has conducted a special inspection to examine the various issues arising from the KYC done by Karvy and accordingly, submitted its report to SEBI on December 28, 2005.

1. It was observed that even though bank documents as required by SEBI norms were made available, there have been lapses at Karvy in processing account opening applications and these have not been dealt with the care with which they ought to be treated. NSDL has asked Karvy to conduct an enquiry and take appropriate action in cases of both negligence as well as complicity.
2. Karvy has been advised to identify all those clients (with the addresses mentioned in the SEBI order) 'in person' either by calling those clients to visit its office or by deputing its own employees to visit these clients. In case it is unable to identify the clients, Karvy has been advised to freeze the accounts for all transactions till such time the clients identify themselves. It has been also asked to take similar action in case of all accounts introduced by the same sub-broker. Till such time the above activity is completed, Karvy has been advised to stop opening fresh demat accounts.



3. Karvy has stated that it never carried out a check based on common addresses. Karvy has claimed common addresses occur because it is a market practice to have company address in case of employees and financier's address in case of IPO financing. In order to check whether applications with common addresses was a more widespread phenomenon, Karvy was requested to give us a list of common address applications where more than 100 applications have been made from the same address in case of 'Yes Bank IPO'. NSDL has suggested that SEBI may investigate whether these common addresses (list attached) also lead to the conclusion that there has been an abuse of the primary market process.
4. In respect of accounts already opened with common addresses, NSDL has asked all its DPs to check the KYC documents with reference to those client accounts where more than 20 accounts have a common address, on December 17, 2005. (Circular available on the NSDL website).
5. Since the issue of common addresses has come up now, we have taken the following steps:
 - (i) The inspection team of NSDL when it visits the DPs will carry with it an analysis of the client accounts opened in the previous year where more than 20 accounts have the same address.
 - (ii) The KYC documents with regard to such accounts will be scrutinized, in addition to the random check being carried out by us at present.
6. The problem of multiple applications in primary issues is not new. SEBI had in the past introduced proportionate allotment to remove the incentives for multiple applications. NSDL has recommended to SEBI to examine whether this needs reintroduction.
7. The depository system provides full audit trails of all transfers in an account in the depository. However, for the purpose of the identification of the individual behind



the account, we need a system of UIN for each individual. Such system should be such that :

- (i) It is easy to verify whether an individual claiming to have a particular UIN is indeed the one registered in the system against that UIN.
- (ii) One person should not be able to obtain two UINs.
- (iii) The UIN cannot be obtained unless a person is physically present so that the question of non existent persons having a UIN will not arise.

NSDL has recommended to SEBI to consider introduction of the UIN system in a manner considered suitable by SEBI.

Place : Mumbai

Date : December 30, 2005

**YES BANK LIMITED - DP / BROKER WISE REPORT**

SLNO	DPNAME	ADDRESS	PIN	APPLNS	NSDL	CDSL	APPLNS	BROKERNM
1	HDFC BANK LIMITED	106/1266 LAXMIKRUPA V 2 SOLA ROAD NARANPURA AHMEDABAD	380013	197	197		197	NITIN PARIKH & CO
2	HDFC BANK LIMITED	B/2 HIMALAYA SOCIETY MILIND NAGAR ASALFA GHATKOPAR WEST MUMBAI	400084	173		173	173	ENAM SECURITIES PVT LTD
3	INFRA LEAS FIN SER LTD	THE IL AND FS FINANCIAL CENTRE 8TH FLOOR PLT C 22 G BLOCK BKC BANDRA E MUMBAI	400051	174		174	173	IL&FS INVESTSMART LIMITED
								1 SUNIDHI CONSULTANCY SERVICES PVT LTD
4	ING VYSYA BANK LIMITED	OFFICE 9, SAMARPAN COMPLEX HIRA GHAT SECTION - 17 ULHASNAGAR	421003	201	201		201	ENAM SECURITIES PVT LTD
5	ING VYSYA BANK LIMITED	ROOM NO 2 CRYSTRAL PREMISES 2ND FLOOR 3RD ROAD KHAR (W) MUMBAI	400052	373	373		373	ENAM SECURITIES PVT LTD
6	KARVY CONSULTANTS LIMITED	402-403 SHASHWAT OPP GUJARAT COLLEGE ELLISBRIDGE AHMEDABAD	380006	9105	9105		7118	KARVY STOCK BROKING LTD
							1984	NITIN PARIKH & CO GOVIND BROS
7	KARVY CONSULTANTS LIMITED	C/O SEIPL 804 ABHIJEET I MITHAKHALI CIRCLE ELLISBRIDGE AHMEDABAD	380006	2381	2381		1	ENAM SECURITIES PVT LTD
							2380	KARVY STOCK BROKING LTD
8	MANIPUT INVESTMENTS PVT LTD	UNIUQE AGENCIES 321-B/5, MADHAV BHUVAN, DEODHAR ROAD, MATUNGA, MUMBAI	400019	243		243	243	ENAM SECURITIES PVT LTD
9	MOTILAL OSWAL SEC. LTD	C/O KAMLA BORDIA NEEHAR APTS KHOKHANI LANE NR RLY STATION GHATKOPR (E) MUMBAI	400077	186		186	186	ENAM SECURITIES PVT LTD
10	PRATIK STOCK VISION PVT LIMITED	33 MAHESHWAR SEKSARIA 5/B PEDDAR ROAD MUMBAI	400026	125	125		125	ENAM SECURITIES PVT LTD
11	PRATIK STOCK VISION PVT LIMITED	B/2,HIMALAYA SOCIETY MILIND NAGAR ASALAF A GHATKOPAR (WEST) MUMBAI	400084	355		355	355	ENAM SECURITIES PVT LTD
12	PRATIK STOCK VISION PVT LIMITED	B/4, PANCHSHEEL BUILDING, NATH PAI NAGAR, GHATKOPAR (EAST) MUMBAI	400077	573		573	573	ENAM SECURITIES PVT LTD

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SLNO	DPNAME	ADDRESS	PIN	APPLNS	NSDL	CDSL	APPLNS	BROKERNM
13	PRATIK STOCK VISION PVT LIMITED	C/O KAMLA BORDIA, 201 , NEEHAR APTS, KHOKHANI LANE GHATKOPAR (EAST) MUMBAI	400077	113		113	113	ENAM SECURITIES PVT LTD
14	SHAH INVESTOR'S HOME LIMITED	ANUJ-26, SAMAST BRHAMHCHHATRIY NR, SHANTIVAN SOCIEY, NARAYAN NAGAR ROAD,PALDI, AHMEDABAD.	380007	203		203	203	NITIN PARIKH & CO
15	THE BANK OF RAJASTHAN LIMITED	THE BANK OF RAJASTHAN LTD NETIVALI LOKGRAM KALYAN KALYAN	421306	157		157	150	KARVY STOCK BROKING LTD
							7	KOTAK SECURITIES LIMITED
16	UTI BANK LIMITED	201, GAGAN VIHAR 6, MAMLETDARWADI MALAD WEST MUMBAI	400064	104	104		104	IL&FS INVESTSMART LIMITED