

DeMat Account

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A DeMat account is one that allows you to buy, sell as well as transact without the need of any paperwork. DeMat accounts are very safe, convenient and secure.

What is a DeMat Account?

DeMat is nothing but a dematerialized account. If one has to save money or make cheque payments, then he/she needs to open a bank account. Similarly, one needs to open a DeMat account if he/she wants to buy or sell stocks. Thus, DeMat account is similar to a bank account where in the actual money is being replaced by shares. In order to open a DeMat account, one needs to approach the Depository Participants [DPs]

In India, a DeMat account is a type of banking account that dematerializes paper-based physical stock shares. The DeMat account is used to avoid holding of physical shares: the shares are bought as well as sold through a stock broker. In this case, the advantage is that one does not need any physical evidence for possessing these shares. All the things are taken care of by the DP.

This account is very popular in India. Physically only 500 shares can be traded as per the provision given by SEBI. From April 2006, it has become mandatory for any person holding a DeMat account to possess a Permanent Account Number (PAN).

Steps involved in opening a DeMat account

- Fill the DeMat request form or DRF (this can be obtained from a depository participant)
- Deface the share certificate/s which you want to dematerialize by writing across surrendered for dematerialization
- Submit the DRF & share certificate/s to the DP. DP would then forward them to the issuer or their R&T Agent
- Subsequent to dematerialization, your depository account with DP, would be credited with the dematerialized securities

Benefits of DeMat

- A safe, secure and convenient way for holding securities;
- Immediate transfer of securities;
- No stamp duty on the transfer of securities;
- Elimination of risks that are associated with physical certificates like bad delivery, fake securities, thefts, delays, etc.;
- Reduction in paperwork;
- Reduction in transaction cost;
- No odd lot problem (even one share can be sold);
- Nomination facility;

- Change in address recorded with DP gets registered with all companies in which investor holds securities electronically; thus eliminating the need to deal with each of them separately;
- The transfer of securities is done by DP eliminating correspondence with companies;
- Automatic credit into DeMat account of shares, resulting from bonus/split/consolidation/merger etc.
- Facility of holding investments in equity as well as debt instruments in a single account.

Required Documents for a DeMat Account

The documentation required to open a demat account depend upon to your relationship with the institution. If you plan to open a demat account with a bank, a savings, current and, or other account for which the holder has been issued a cheque book, such holder has an edge over a non-account holder. Actually, banks offer additional incentives to customers who open a demat account with them. Along with the application form, photographs (with co-applicants) and proof of date of birth/identity/residence need to be submitted. The DPs also ask for a DP-client agreement to be made on a non-judicial stamp paper. Following is a broad list of documents required:

- A cancelled check, preferably MICR
- Proof of Identification
- Proof of Address
- Proof of PAN card (mandatory)
- Recent photographs (one or more)