

DEMAT SIMPLIFIED

a guide to dealing in dematerialised securities

The settlement of trades in the Indian capital market is in the process of shifting to the dematerialised form. This means to trade in securities all investors need to have depository account. Given below is a brief guideline on dealing in dematerialised securities.

A. OPEN A DEPOSITORY ACCOUNT :

I] *Rights*

- You can open more than one depository account in the same name with single DP/ multiple DPs.
- No minimum balance is required to be maintained in a depository account.
- You can give a one time standing instruction to your DP to receive all the credits coming to your depository account automatically.

II] *Procedure*

- Fill account opening form (available with your DP).
- Give your DP the duly filled account opening form with introduction documents as may be required.
- Sign agreement with DP (agreement will state rights & obligations of both parties). The agreement will contain the fee structure of your DP. Your DP would give you a copy of this signed agreement for your record.
- DP would give you “Client Id” no. (account no.) once your depository account is opened. This ‘Client Id’ no. alongwith your ‘DP Id’ no. forms a unique combination. Both these nos. should be quoted in all your future correspondence with DP/NSDL/ Issuing company/ their registrar & transfer (R&T) agent .
- Your DP would give you pre-printed instruction slips for depository services viz., dematerialisation, delivery instruction for trades, etc.. Preserve these carefully.
- Your DP would give you a list of deadlines for giving instructions for various depository activities viz., transfer for effecting sale, purchase, etc.. If not, check with the DP.

III] *Points To Remember*

- You may choose your DP based on your evaluation of their reputation, service standards, charges, other conveniences, etc.
- Open depository account with the same holding pattern as there on existing physical securities. You will need to open separate accounts for every different combination of holding pattern. Eg.: If 100 securities of company ABC & 200 securities of company PQR are registered in the name of X as first holder & Y as second holder, one account in name of X as first holder & Y as second holder is sufficient. Whereas, if 100 securities of company ABC are registered in the name of X as first holder & Y as second holder & 200 securities of company PQR are registered in the name of Y as first holder & X as second holder, you will need to open two accounts, one in the name of X as first holder & Y as second holder and the second in the name of Y as first holder and X as second holder.
- Account opening procedure should typically take 2-5 days.
- In case of holdings of a partnership firm, the account should be opened in the name of the ‘partner(s)’.
- In case of holdings of a HUF, the account should be opened in the name of the ‘karta’.
- In case of a minor, the depository account should be opened in the name of the minor and the guardian’s name should be mentioned. The guardian will sign as signatory on behalf of the minor. For selling the securities of the minor, a court order should be obtained.
- In case of any difficulties, contact your DP.

B. DEMATERIALISATION :

I] *Rights*

- Dematerialisation of your holdings is not mandatory. You can hold your securities either in demat form or in physical form. You can also keep part of your holdings (in the same scrip) in demat form & part in physical form. However, a select list of securities announced by SEBI can be delivered only in demat form in the stock exchanges connected to NSDL.

II] *Procedure*

- Fill demat request form (DRF) (obtained from DP with whom your depository account is opened).
- Deface the share certificate(s) you want to dematerialise by writing across “Surrendered for dematerialisation”.
- Submit the DRF & share certificate(s) to DP. DP would forward them to the issuer / their R&T Agent .
- After dematerialisation, your depository account with your DP, would be credited with the dematerialised securities.

III] *Points To Remember*

- Only securities admitted by NSDL can be dematerialised. The list is available with your DP.
- Only securities registered in the name of the account holder can be dematerialised.
- Dematerialisation is normally completed within 15 days after the share certificates have reached the issuer/ their R&T Agent. Thus it may take you a month from the date you hand over shares, to receive demat credit.

- Dematerialisation would be done only when the issuer / their R&T Agent is satisfied of genuineness of securities & ownership status.
- All the joint holders should sign the DRF.
- The pattern of holding in the DRF should match the pattern of holding on the share certificate & the pattern in which account is opened.
- Demat requests with name(s) not matching exactly with the name(s) appearing on the certificates merely on account of initials not being spelt out fully or put after or prior to the surname, would be processed, provided the signature(s) of the client(s) on the DRF tallies with the specimen signature(s) available with the issuer/ their R & T agent.
- If the signature in the DRF does not match with the signature available with the issuer/ their R & T agent, the issuer/ their R & T agent may at the time of demat confirmation, ask for additional documentation (like bank attestation/ notarisation, etc.) to prove that the certificate belongs to the person who forwarded the DRF.
- In case there is any problem in processing the DRF, contact your DP and if he cannot resolve the problem you may contact NSDL.

C. TRADING & SETTLEMENT IN DEMATERIALISED SECURITIES :

I] *Rights*

- Dematerialised securities can be traded on those stock exchanges connected to NSDL. At present, NSE, BSE, CSE, DSE, LSE, BgSE, OTCEI, MSE, ISE & ASE are connected to NSDL.

At these stock exchanges, two segments would be available to trade in dematerialised securities :

- Unified (erstwhile physical) segment - In this segment delivery obligation can be met by delivering dematerialised or physical securities at the option of the seller.

However, for a select list of securities prescribed by SEBI, securities cannot be delivered in physical form in the unified segment, of stock exchanges connected to NSDL. This list presently covers 160 securities. This list has been expanded to cover a total of 200 securities with effect from January 17, 2000. Over a period, this list would cover all actively traded securities.
- Exclusive demat segment - In this segment delivery obligation can be met by delivering dematerialised securities only. Physical securities cannot be delivered in the exclusive demat segment.

II] *Procedure*

Trading in dematerialised securities is done through your broker just like trading in physical securities. After your broker executes the trade, your DP will help to deliver shares to your broker (in case you sell) on the basis of valid instruction given by you to your DP and receive shares from your broker (in case you buy) on basis of valid instruction given by your broker to his DP.

a) *Buy dematerialised securities*

- You purchase securities in any of the stock exchanges connected to NSDL through a broker of your choice and make payment to your broker. Make sure you tell your broker you want only demat shares.
- Broker arranges payment to clearing corporation/ clearing house of the stock exchange.
- Broker receives credit in his clearing account with his DP on the pay-out day. He can immediately transfer these securities to your depository account, provided your account is already active.
- Broker gives instructions to his DP to debit his clearing account and credit your depository account.
- You give instruction to your DP for receiving credit in your depository account. If you have given standing instruction to receive credits, no separate instruction for receiving credit will be required.
- If the instructions match, your account with your DP is credited.

b) *Sell dematerialised securities*

- You sell your dematerialised securities in any of the stock exchanges linked to NSDL through a broker of your choice.
- You give instruction to your DP for debit of your depository account and credit of your broker’s clearing member account at least 24 hours i.e. one working day prior to the pay-in date or before the deadline prescribed by your DP, so that your broker’s clearing account is credited at the time arranged with him.
- On the pay-in day, your broker gives instruction to his DP for delivery to clearing corporation/clearing house of the relevant stock exchange.
- The broker receives payment from the clearing corporation / clearing house.
- You receive payment from the broker for the sale in the same manner you would receive payment for a sale in the physical mode.

III] *Points To Remember*

- Trading continues to be through brokers. In case of any problem in execution of trade, contact your broker and if he fails to resolve the problem you may contact the stock exchange.

- When you buy securities through the stock exchange, your broker's clearing account is credited to the extent of the securities purchased, on receipt of instruction from clearing corporation/ clearing house of the stock exchange. Your depository account is credited only when your broker gives a delivery instruction to his DP. Securities are not directly credited to your account by the clearing corporation/ clearing house of the stock exchange. In case your broker does not give a delivery instruction, contact him or concerned stock exchange or SEBI. If your depository account is not credited, in spite of your broker giving valid instruction to his DP, contact the DP and if he fails to resolve the same you may contact NSDL.
- When you sell securities, you have to give a delivery instruction to your DP to transfer the securities to your broker's clearing account. They are not automatically debited from your account by NSDL or by the clearing corporation/ clearing house of the stock exchange. In case the DP defaults in executing your instruction, the DP is liable to compensate you for the loss incurred, provided your instruction was in order and has been submitted to the DP at least 24 hours i.e. one working day prior to the pay-in date or before the deadline prescribed by DP. In case the DP fails to resolve your problem, you can contact NSDL.

D. CORPORATE ACTIONS:

I] Rights

- You will receive corporate action (as announced by the issuing company) for securities held in demat form.

II] Procedure

a] Cash corporate action (dividend, interest, etc.)

- Issuer / their R&T agent directly forwards the dividend warrant/ interest to the depository account holder. NSDL does not handle funds. The issuer/ their R&T Agent calculates the benefits due to you on the basis of ownership data forwarded by NSDL.
- In the future, NSDL intends to play a direct role in distribution of cash corporate actions. On a pilot basis, NSDL had extended the dividend distribution service to shareholders of BSES. NSDL had arranged to directly credit the bank account of shareholders holding shares in demat form. The bank account details were as provided by shareholders in the depository account opening form.

b] Non cash corporate action (bonus, rights, etc.)

- Issuer / their R&T agent would arrange to credit your depository account with bonus/rights securities to the extent of your entitlement on the basis of ownership data forwarded by NSDL.

III] Points To Remember

- Securities lying in the clearing account of the brokers are not entitled to any corporate benefits. In case securities bought by you are in your broker's clearing account, ensure that they are transferred to your depository account before book closure/ record date.
- NSDL does not handle cash corporate actions. In case of non-receipt of the same, contact the issuer/ their R&T agent. In future, when NSDL handles cash corporate actions, you may contact NSDL in case of non-receipt of the same.
- In case you wish to avail of the ECS facility for receiving your cash corporate action, you may do so by informing the issuer/ their R&T Agent (provided the issuer gives this facility). You will need to inform the company even if you were availing this facility for your physical securities which were dematerialised.
- Ensure that you give your bank particulars correctly in the account opening form. This would be printed on the dividend warrant.
- In case of right/ bonus entitlement, irrespective of the form of your existing holding you have to intimate issuer/ their R&T agent your choice of the form (physical/ demat) in which you would prefer to receive your right / bonus securities and the client id and DP id of the account in which you would like to have the securities credited. Although this depository account can be different from the account in which your existing securities are held, they should be in the same combination of names as the depository account where your existing securities are held. If there is any mistake in your depository account details mentioned in the rights application/ intimation letter indicating the choice of form of bonus securities, you would receive physical securities directly from the issuer/ their R&T agent.
- In case you have not intimated issuer/ their R&T agent your choice of the form (physical/ demat) in which you would prefer to receive your right / bonus securities, you will get your non-cash corporate benefits in the form of your original holdings.
- In case of rights issue, the rights issue form will be forwarded by the issuer/ their R&T Agent.
- In case of problem in credit in your depository account, contact your DP. If they fail to resolve your problem, you may contact NSDL.

E. TRANSACTION STATEMENT :

I] Rights

- For each account opened with your DP, you will receive a "Statement of Account" from your DP on a quarterly basis. If your account has a debit/ credit during the intervening period, you will receive a "Statement of Account" within 15 days of the debit/ credit to your account.

II] Points To Remember

- You can arrange with your DP to get the "Statement of Account" at shorter intervals. They may charge for this facility.
- In case of any discrepancy in the "Statement of Account", contact your DP. If they fail to resolve your problem you may contact NSDL.
- The "Statement of Account" is your proof of holding and in case you lose it you would not lose your holding.

F. GENERAL :

- Charges:** NSDL does not charge investor directly. Its charges are to the DP and these include:

- custody charge of 0.01% p.a i.e. Rs 10 for every Rs. 100,000 (0.005% p.a. i.e. Rs. 5 for every Rs. 100,000 in case of debt instruments and government securities) of the average market value of securities held in the account, subject to an overall ceiling based on the average holdings in demat form with the DP.
- settlement charge to the DP of 0.02% (Rs. 20 for every Rs. 100,000) of the market value of the securities (other than debt instruments and commercial papers) debited to the account of his client..
- settlement charges to the DP of 0.002% (Rs 2 for every Rs. 100,000) of the market value of securities received from the Clearing Corporation into the Clearing Member account maintained with the DP subject to minimum of Rs 2,000/- and a maximum of Rs. 20,000/- per quarter per CM. Further, settlement charges to the DP of 0.02% p.a. (Rs. 20 for every Rs. 100,000) of the value of securities in case of inter-settlement transfers in CM account..
- rematerialisation charges of 0.02% (Rs 20 for every Rs. 100,000) of the market value of securities or Rs. 10 per certificate, whichever is higher.

- Public issues:** You can opt for allotment directly in demat form, provided the company has joined NSDL & gives you this facility.

- Pledge:** You can pledge your demat holdings.

- Lending/ Borrowing:** You can lend/ borrow demat securities to/ from an authorised intermediary.

- Freezing of account:** You can freeze your account any time. When your account is frozen, no transactions will be made from your account until you unfreeze it. Further, you also have the facility to freeze your account for debits only. In such a case, credits will automatically flow to your account.

- Closure of account:** In case you want to close your account with one DP, you can do so by shifting your holding to a depository account with another DP or by rematerialising your holding. NSDL does not charge for this. You can rematerialise part or whole of your holdings any time.

- Transmission:** If the account holder passes away, the DP of the account holder would be able to process the transmission of these securities to the legal heirs. You do not have to take up with each of the issuer/ their R&T agent. NSDL does not charge its DP for transmission.

- Nomination :** You have the facility to appoint a nominee for your depository account. However, you can nominate only one person per account. Please note that nomination facility is allowed only in case of securities held singly or held jointly to a maximum of two jointholders.

- Change in demographic details:** In case of any change in demographic details provided in the account opening form, you can contact your DP. The DP will ensure that the change is updated for all holdings credited in your account.

- Investor Grievance:** In case of any unresolved dispute with a DP you can contact NSDL for resolution of your grievance at the following address :

Officer-In-Charge,
Investor Grievances Cell,
National Securities Depository Limited
Tradeworld, 5th Floor,
Kamala Mills Compound,
Lower Parel,
Mumbai 400 013.
Phone : 022-4972964-70Fax: 022-4972993/ 4976351
email: relations@nsdl.co.in

Please ensure to provide your Client Id, DP Id & DRN (DRN in case of grievance related to demat) in your correspondence.

DISCLAIMER - This note contains information which is subject to change without prior notice. You should keep track of the changes/ amendments to the Bye Laws & Business Rules of NSDL, SEBI (Depositories & Participants) Regulations, 1996 and the Depositories Act, 1996. This note cannot be any basis for any claims or demand or cause of action.

For further details you may contact:

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December 1999