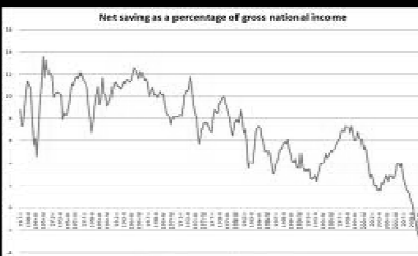




J. L. SHAH SECURITIES PVT. LTD.

All about Depository





What is a depository?

A “Depository” is a provider of facility for holding and/or transacting securities in, book entry form. Physical securities can be converted in to book entry form i.e. electronic form by way of immobilization or dematerialization (so that they exist only as electronic records). India has chosen the dematerialization route. A depository functions somewhat similar to commercial bank. To avail of the services offered by a depository, the investor has to open a demat account with a registered DP.

What is dematerialization (Demat)?

“Dematerialization” is a process by which physical certificates are converted into electronic form.

Who is registered owner of Securities?

When securities of a company are held in physical form by an investor, Name of the investor is recorded in the books of the company as a ‘Registered Owner of the Securities. Each certificate is identified by Folio number, certificate number and distinctive range numbers.

Who is a Beneficial Owner (BO)?

When physical shares are converted in to electronic form, the depository becomes ‘Registered owner’ in the books of the company and investors name is removed from books of the company. Depository is holding shares in its records on behalf of the investors who have opened a demat account with the depository. Hence all benefits are given to the actual investor who is called as a “Beneficial Owner” (BO) of the securities.

Who is a Depository Participant?

A “Depository Participant” (DP) is an agent of the depository who is authorized to offer depository services to investors. Financial institutions, banks, custodians and stockbrokers complying with the requirements prescribed by SEBI/ Depositories can be registered as DP. An investor will always interact with a DP for the services and cannot directly approach the depository for any services.

Who is an Issuer?

“Issuer” means any entity such as corporate / state or central government organizations. Issuing securities which can be held in depository in electronic form.

Who is an RTA?

An RTA i.e. Registrar and Transfer Agent is an agent of the issuer. RTA act as an intermediary between the issuer and depository for providing services such as Dematerialization, Rematerialisation, Initial Public Offers and Corporate actions.



What is an ISIN (International Securities Identification Number)?

“ISIN” is a unique 12 digit alphanumeric code given to a security, shares, Debentures, Bonds etc. when the security is admitted in the depository system. First two digits of the ISIN code indicate country of registration for the security. All securities registered on depository in India, first two digits of the ISIN code are ‘IN’.

Whether different securities issued by the same Issuer will have same ISIN?

No, different securities issued by the same issuer will have different ISIN code.

What are the services provided by a Depository?

Depository provides following services to the investors through a DP:

- Opening a demat account.
- Dematerialization, i.e. converting physical securities into electronic form.
- Rematerialisation, i.e. converting electronic securities balances held in a BO account into physical form.
- To maintain record of holdings in the electronic form.
- Settlement of trades by delivering / receiving underlying securities from / in BO accounts.
- Settlement of transactions between BOs entered outside the Stock Exchange.
- Receiving electronic credit in respect of securities allotted by issuers under IPO or otherwise on behalf of demat account holders.
- Receiving non cash corporate benefits, such as, allotment of bonus and rights shares or any other non cash corporate benefits given by the issuers in electronic form on behalf of its demat account holders.
- Pledging of dematerialized securities & facilitating loans against shares.
- Freezing of the demat account for debits, credits, or both.
- Internet facilities “easi” and “easiest”, if the DP is registered for the same with CDSL.

What is an On Market Transaction?

Any transaction involving receipt of delivery of securities to a clearing corporation / Clearing House for sale and purchase of securities done on a stock exchange is generally termed as On Market transaction.

What is an Off Market transaction?

Off Market transaction is one which is settled directly between two BOs with or without using the broker and where Clearing Corporation / Clearing House is not involved. Both BO accounts will be within CDSL. Accounts may be with same DP or different DP but within CDSL.



What are the benefits of opening a demat account for investors?

A demat account has become a necessity for all categories of investors for the following:

- SEBI has made it compulsory for trades in all listed scrips to be settled in demat mode. Although, trades upto 500 shares can be settled in physical form, physical settlement is virtually not taking place for the apprehension of bad delivery on account of mismatch of signatures, forgery of signatures, fake certificates etc.
- It is a safe and convenient way to hold securities compared to holding securities in physical form.
- No stamp duty is levied on transfer of securities held in demat form.
- Instantaneous transfer of securities enhances liquidity.
- It eliminates delays, thefts, interceptions and subsequent misuse of certificates.
- Change of address, registration of Power of Attorney – can be effected across companies by one single instruction to the DP.
- Each share is a market lot for the purpose of transactions - so no odd lot problem.
- Any number of securities can be transferred / delivered with one delivery instruction. Therefore, paperwork and signing of multiple transfer forms is done away with.
- It facilitates taking loans / advances against securities.
- Immediate credits in case of any allotment in bonus, rights issues and IPOs.

What is the procedure for delivery of securities in demat mode in case of sale of securities?

The procedure for deliveries of securities in demat form is much simpler when compared to the delivery of securities in physical form. In case of sale of securities, immediately on receipt of intimation of execution of trade from broker, the seller should issue debit instructions to the DP with whom he maintains his demat account. Securities can be transferred either directly to the Clearing Corporation/Clearing House or to the broker's clearing account, as advised by his broker.

What is the procedure for receipt of securities in demat mode in case of purchase of securities?

A purchaser of securities can give one-time standing instruction to his DP for receiving securities in his account. This standing instruction can be given at the time of opening of account or later. Alternatively, a BO may choose to issue separate receipt instruction to his DP every time he makes any purchase of securities. The securities which the BO has purchased will be first delivered in his brokers demat account by the Clearing Corporation / Clearing house. The broker will subsequently transfer the securities in the BOs demat account. The broker may give request to the Clearing Corporation / Clearing house to deliver the securities directly in the BO account.



What is easi?

Easi (Electronic Access to Securities Information) is a convenient, easy to operate internet based facility, which allows registered Beneficial Owners (BOs) & Clearing Members (CMs) to access their demat account through internet to check their demat account details anytime anywhere, through CDSL's website www.cdslindia.com.

What are the benefits of easi to BOs?

- Viewing and printing details of current holdings and/or transactions for last 7 days in his/her demat account.
- Viewing and printing the valuation of holdings in his/her demat account based on the previous day's closing price.
- Viewing multiple demat accounts details through a single login ID.
- Monitoring corporate announcements related to the securities held in his/her demat account.
- A BO also has an option to add upto 25 ISINs not held in his/her demat account to monitor corporate announcements for such ISINs.



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<http://www.cdslindia.com/downloads/faq/Demat%20CDSL%20Way%20-%20II%20-%20Account%20Opening.pdf>