

# STUDY NOTES FOR NISM – SERIES VI DEPOSITORY OPERATIONS CERTIFICATION EXAMINATION (DOCE)

Prepared By

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We have been empanelled as Trainers in the following organizations

National Stock Exchange – (For their Financial Literacy Program)  
Bombay Stock Exchange – (For their Investor Awareness Programs)  
Reliance Mutual Fund – (EDGE Learning Academy)  
NJ India Invest – (NJ Gurukul)  
ICICI Securities – (I-DIRECT)

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- |                                    |   |
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| 1. Madurai Kamaraj University      | 9. NPR College of Arts & Science              |
| 2. PSG Institute of Management     | 10. SVN College of Arts & Science             |
| 3. Vellore Institute of Technology | 11. Hindusthan College of Arts & Science      |
| 4. Pondicherry University          | 12. RVS College of Management                 |
| 5. Bishop Heber College            | 13. Nehru College of Aeronautics              |
| 6. Lady Doak college               | 14. Jawarlal Institute of Technology          |
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- |                                 |                         |
|---------------------------------|-------------------------|
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| 5. Aditya Birla Money           | 13. Geojit BNP Paribas  |
| 6. NJ India Invest              | 14. Karvy Stock Broking |
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- |                                   |                             |
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**NISM SERIES VI DEPOSITORY OPERATIONS CERTIFICATION EXAM (DOCE)**

The Indian Financial Market is broadly classified as:

1. Money Market
  - Organized Money Market → Short Term Lending & Borrowing
  - Unorganized money market → Money Lenders or Indigenous Bankers
2. Capital Market
  - Primary Market
  - Secondary Market

There are several major players in the primary market. These include the merchant bankers, mutual funds, financial institutions, foreign institutional investors (FIIs) & individual investors.

In the secondary market, there are the stock exchanges, stock brokers (who are members of the stock exchanges), the mutual funds, financial institutions, foreign institutional investors (FIIs), & individual investors. An active Secondary Market promotes the growth of the Primary Market & capital formation.

The Registrars & Transfer Agents, Custodians & Depositories are capital market intermediaries which provide important infrastructure services to both the primary & secondary markets.

### **Regulatory Environment**

#### **SEBI Act, 1992:**

SEBI Act maintains its control & regulation over both the Primary & Secondary Markets.

The main objectives of SEBI Act are as follows

1. Protecting the interests of the investors who invest in securities
2. Promoting the development of the securities market
3. Regulating the securities market

SEBI has power to register & regulate all market intermediaries & also to penalize them in case of violation of the provisions of the Act.

The orders of SEBI under the securities laws are appealable before a Securities Appellate Tribunal. The powers under the Companies Act relating to issue & transfer of securities & non-payment of dividend are administered by SEBI

#### **Securities Contracts (Regulation) Act, 1956:**

This Act provides for direct & indirect control of virtually all aspects of security trading & the running of stock exchanges & aims to prevent undesirable transactions in securities.

It gives central Govt. & SEBI regulatory jurisdiction over

- (a) stock exchange through a process of recognition & continued supervision,
- (b) contracts in securities, &
- (c) Listing of securities on stock exchanges.

The stock exchanges determine their own listing regulations which have to conform to the minimum listing criteria set out in the Securities Contract Rules.

#### **Depositories Act, 1996:**

This Act is established for ensuring the smooth functioning of the transferability of the securities between the investors with speed, accuracy & security.

- (a) Primary objective of Dematerializing the securities in the depository mode
- (b) Making securities of public limited companies freely transferable
- (c) Maintenance of ownership records in a book entry form

NSDL & CDSL are the two depositories in India.

#### **Companies Act, 1956:**

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- (a) Issue, allotment & transfer of securities
  - (b) Underwriting, the use of premium & discounts on issues, rights & bonus issues, substantial acquisitions of shares, payment of interest & dividends, supply of annual report & other information.
  - (c) It provides for standard of disclosure in public issues of capital, particularly in the fields of company management & projects

The SROs ensure compliance with their own rules as well as with the rules relevant for them under the securities laws.

### **Introduction to Depository**

#### **Need for a Depository System:**

- (a) Bad Deliveries
- (b) Unable to transfer securities in quick & speedy manner as each transfer requires physical movement of securities & change of ownership being evidenced by an endorsement on physical security.
- (c) Delay in delivery of physical securities &
- (d) Theft, forgery, mutilation of certificates & other irregularities.

To eliminate such issues, the Depository Act, 1996 was passed.

1. **Multi-Depository system:** Under the Depositories Act, 1996 various entities or organizations can offer the depository services.
2. **Dematerialization:** Dematerialization is when physical securities are converted into electronic form. The physical shares are destroyed & an equal number of securities are credited to the investor's demat account.  
The benefits of Dematerialization are Lower costs, lower risks of theft or forgery & efficiency in settlement of trades.
3. **Fungibility:** Securities held in a depository are fungible. No Folio or distinctive or Certificate numbers for Dematerialized Sec. All securities in the same class are identical & interchangeable.
4. **Ownership:** The ownership of the Dematerialised securities remains with the investor only. The Depository is known as the *Registered Owner* in the books of the issuer & in the records of the Depository the security holder is known as the *Beneficial Owner*.
5. **Depository services through Depository Participants:** The Depositories offer their services to the investors through their agents called Depository Participants. The DPs are appointed under the SEBI (Depositories & Participants) Regulations.

### **The Depository System**

The Depositories Act, 1996, defines a depository to mean "a company formed & registered under the Companies Act, 1956 & which has been granted a certificate of registration under sub-section (IA) of section 12 of the Securities & Exchange Board of India Act, 1992.

The principal function of a depository is to dematerialize securities & enable their transactions in book-entry form. The securities are transferred by debiting the transferor's depository account & crediting the transferee's depository account.

**Depositories & Bank – An Analogy**

<i>Bank</i>	<i>Depository</i>
<b>Holds funds in accounts</b>	<b>Holds securities in Accounts</b>
<b>Transfers funds between accounts</b>	<b>Transfers securities between accounts</b>
<b>Transfers without h&amp;ling cash</b>	<b>Transfers without h&amp;ling securities</b>
<b>Safekeeping of money</b>	<b>Safekeeping of Securities</b>

**Depositories & Bank – The Difference**

<i>Bank</i>	<i>Depository</i>
<b>Either or Survivor Option is available</b>	<b>All the account holders must sign</b>
<b>Nomination is optional</b>	<b>Nomination is compulsory</b>
<b>Minimum Balance to be maintained</b>	<b>No such requirement</b>
<b>Uses Balances in the account</b>	<b>Doesn't move or use balances in the account without account holder's permission.</b>
<b>Balances fetch interest.</b>	<b>Balances won't fetch interest until participated through Stock Lending Mechanism.</b>

The operations of depositories in India are regulated primarily under the following:

- (a) The Depositories Act, 1996
- (b) SEBI (Depositories & Participants) Regulations, 1996
- (c) Bye-laws approved by SEBI, &
- (d) Operating Instructions of the depository.
- (e) Prevention of Money Laundering Act, 2002 (PMLA)

**Who can Start a Depository ?**

1. A Scheduled Commercial Bank
2. A foreign Bank
3. Foreign Institutional Investors (FII)
4. Financial Institutions in India
5. A Recognized Stock Exchange etc.
6. An institution engaged in providing financial services where not less than 75% of the equity is held jointly or severally by these institutions
7. A custodian of securities approved by Government of India, &
8. A foreign financial services institution approved by Government of India
9. Promoters of a depository are also called as Sponsors. A depository company must have a minimum net worth of Rs 100 crore. SEBI registration is must for starting a Depository.
10. Sponsor(s) of the depository to hold at least 51% of the equity capital.
11. Foreign Sponsor can hold a maximum of 20% of the Equity Capital.
12. Participants of the Depository can hold a maximum of 5% of Equity Capital.

**Commencement of Business**

1. Depository should be registered with SEBI before commencing business
2. A depository must apply for & obtain a certificate of commencement of business from SEBI within one year from the date of receiving the certificate of registration from SEBI.
3. Depository has a net worth of not less than Rs. 100 crore;
4. Bye-Laws of the depository have been approved by SEBI;

**Agreements between the Depository & the Issuers:**

Issuers enter agreement for Dematerialising their Sec with Depositories.

No Such agreement is necessary if the Issuer is Depository or Government.

When the issuer appoints a registrar for the issuance (RTAs), an agreement called **Tripartite agreement** is conducted between the depository, the issuer & the RTA.

**Records to be maintained by Depository**

It should maintain all its records for a minimum period of last 5 years. However, with the application of PMLA, 2002 the documents need to be maintained for a period of 10 yrs.

- Records of securities dematerialised & rematerialised.
- The names of the transferor, transferee, & the dates of transfer of securities.
- A register & an index of beneficial owners.
- Details of the holdings of the securities of beneficial owners as at the end of each day.
- Records of instructions received from, & sent to, participants, issuers, issuers' agents & beneficial owners.
- Records of approval, notice, entry & cancellation of pledge or hypothecation.
- Details of participants.
- Details of securities declared to be eligible for dematerialization in the depository.
- Such other records as may be specified by SEBI for carrying on the activities as a depository

**Depository & its Business Partners****Depository Participants:**

A Depository Participant is an agent of the Depository. They are the intermediaries between the depository & the investors. A DP is registered with SEBI under the provisions of the SEBI (Depositories & Participants) Regulations, 1996. Act. The terms between a DP & its depository are governed by an agreement under the Depositories Act, 1996. A DP can start its operations only after getting a certificate of registration from the SEBI.

**Net worth Criteria for becoming DP**

Rs 50 Lakhs for NBFC & Stock Brokers as Per SEBI DP Regulations

Rs 3 Crore for NSDL, Rs 2 Crore for CDSL.

Rs 10 Crore for R&T Agents

Rs 50 Crore for NBFC to act as DP on behalf of others.

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 If a stockbroker seeks to act as a DP in more than one depository, he should comply with the specified net worth criterion separately for each such depository.

In case of a stock-broker DP, the total value of the securities held by its clients, should not be more than 100 times the net worth of the DP. If the stock-broker DP's net worth is more than Rs. 10 crores, then the above limit on the total value of client's securities is not applicable.

### **Who can Act as a Depository Participant?**

1. A public financial institution
2. A bank included for the time being in the Second Schedule to the RBI Act, 1934
3. A foreign bank operating in India with approval of the Reserve Bank of India
4. A State Financial Corporation
5. A custodian of securities
6. A clearing corporation or a clearing house of a stock exchange
7. A stockbroker who has been granted a certificate of registration by SEBI
8. A non-banking finance company.
9. An R&T Agent who has been granted a certificate of registration by SEBI

### **Steps for joining as a DP & Steps for Renewal**

Entity eligible & desirous of becoming a DP makes an application to Depository  
 Depository forwards it to SEBI with in 30 days with its recommendations.

SEBI approves. DP also pays Security Deposit, Insurance Charges etc.

A certificate of registration is valid for a period of five years from the date of issue.

Application for renewal should be made three months before expiry date.

If the application for renewal is not received at SEBI by the expiry date of the certificate of registration, the intermediary shall:

1. Cease to be an intermediary on the date of such expiry,
2. Stop carrying on the activities of the intermediary from the date of such expiry, &
3. Transfer, wherever relevant, the accounts / business of existing clients to another registered intermediary before the date of such expiry.

No application for renewal can be made after the date of expiry of registration. After the expiry of registration, the application shall be considered as a fresh application

If the application for renewal is received at SEBI less than 3 months before the expiry of registration the intermediary shall stop undertaking any fresh business / clients from the date of expiry of the registration.

SEBI makes it mandatory for the DP to address the BO complaints within 30 days of the date of receipt of such complaint.

### **Conditions for grant of Registration:**

1. The DP applicant should give information & details of its business history for a minimum period of last 3 years.

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2. The applicant should not have been convicted in the last 5 years in any matter involving fraud, theft, forgery etc.
  3. It should not have been suspended or expelled by SEBI or any Stock Exchange. But if 3 or more years have passed since the punishment, the depository may also consider the application on its discretion.
  4. The applicant should have a minimum net worth of Rs. 3 crores for NSDL & Rs. 2 crores for CDSL.
  5. It should have adequate mechanisms for security measures, risk control, data security, insurance & all the required infrastructures.
  6. It should also appoint a Compliance officer for taking care of all compliance matters, as well as furnish all details of the Board of Directors.

The DP should have a separate account called *House Account* for keeping its own securities, so that they are not mixed up with the beneficial owner's securities. Securities can be transferred only on beneficial owner's instructions.

DP has to provide monthly transaction statements to its clients, & if there are no transactions, such statements to be sent at least once in 3 months. Transaction Statements are dispatched directly to the client's address mentioned in the Depository system of & not through any franchisee / collection centre.

The DP should reconcile its records with Depository on a daily basis.

### **Returns to be submitted by DP to Depository & SEBI**

*A copy of audited financial statements.* Each participant shall furnish to the Depository every year, a copy of its audited financial statement by 30th September.

*Net worth certificate* computed in a manner laid down in the Business Rules, issued by a chartered accountant on the basis of annual audited accounts of the DP by 30th September.

If the DP is a clearing member of the clearing corporation of any exchange, the *details regarding any suspension/termination or defaults* or any disputes in relation to its dealings with such clearing corporation within two working days of such an event. *Number of complaints received* from clients, their nature, status & manner of redress, once every month.

*Internal audit report & concurrent audit report*, should be submitted at such periods as specified by the depository (usually once in a Quarter)

### **Connectivity with Depository**

DP should have proper connectivity systems in place. The primary connectivity can be V-Sat or leased line & secondary connectivity can be a PSTN or a dial-up line.

### **Agreement with Beneficial Owners (BO)**

The agreement clearly mentions the services to be provided by the depository, rights & obligations of the DP & the client, as well as charges & fees to be paid.

DP must have an agreement with its beneficial owners as per the bye-laws.



No agreement is required if a Foreign Institutional Investor (FII) is registered with the DP either directly or through its Power of Attorney (PoA).

No agreement is required for an International Multilateral Agency, who has entered into an agreement with the DP.

The DP should maintain all records & documents for at least last 10 years as per SEBI (D&P) Regulations, 1996 & as per PMLA, 2002.

The laws & guidelines of PMLA, 2002 have to be followed by the DP. It should maintain all records of any transaction of more than Rs. 10 lakhs or any other suspicious transaction.

***DP to Indemnify Depository*** – A DP has to indemnify the depository, its officers & employees for all costs, fees, expenses, liabilities, taxes, actual losses & damages of any nature whatsoever suffered or incurred by any of them for the failure by the DP to comply with the provision of the Bye-Laws or the DP agreement or to comply with any directions or procedures of the depository or due to the acts by its officers & employees.

***Prohibition of Assignment*** – No DP can assign or delegate its functions as a depository participant to any other person without prior approval of the depository in which it is a participant.

***Insurance*** – DPs should take appropriate insurance cover to insure against losses arising from any possible business risk & system failure. The depository, however takes insurance for itself & on behalf of all DPs. The insurance covers business risk & system failure risk. DPs may additionally take for themselves insurance to cover risks like theft, fire, etc.

### **Record of Services – for 10 Years as per PMLA Act 2002**

- Forms for Opening, Closing, Freezing & Defreezing of A/cs.
- Record of all demat & remat requests received from the clients.
- Record of all the delivery/ receipt instructions given by the clients & CM.
- Copies of correspondence received from clients for updating client details
- Details of grievances/arbitration proceedings received from the clients, action taken & status of the same.
- Record of Pledge, Securities Lending & Transmission of securities.
- Records of all the actions taken on the exception reports generated by the system.

### **PMLA – Prevention of Money Laundering Act 2002**

Entities Covered under PMLA Act 2002

Banking company, Financial institution, Chit Fund Company, a co-operative bank, a housing finance institution & a non-banking financial company.

Intermediaries like stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser & any other intermediary associated with securities market

Each Participant should appoint a senior management executive to be designated as the Principal Officer. Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, are of suspicious nature to FIU-IND (Financial Intelligence Unit).

The Compliance Officer of the DP is required to submit a Compliance Certificate every 6 months as per the PMLA, 2002.

Transactions to be recorded under PMLA Act 2002

1. Maintenance of records of transactions
2. Cash transactions greater than Rs 10 lakh or its equivalent in foreign currency
3. Series of cash transactions integrally connected to each other which have been valued below Rs 10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month & aggregate value of transactions exceeds Rs 10 lakh;
4. All suspicious transactions whether or not made in cash.

### **Termination by DP**

DP may terminate itself from NSDL/CDSL by giving a notice 30 days prior.

On receipt of such notice, the depository may cease to provide any service or act for the DP.

The depository should notify the DP, other DP, clients of the surrendering DP & SEBI within seven days of this action.

### **Backup of Data**

- Business partners have to take back ups every day without fail.
- Two copies of back-ups have to be taken; one copy has to be preserved at a remote site away from the operations & another on the site itself

### **Clearing Corporation / Clearing House (CC/CH):**

A Clearing Corporation/House is an entity which handles the clearing & settlement of all the trades done by clearing members on a stock exchange.

The CC/CH cannot open any beneficiary accounts for the clients, except where it has been permitted by RBI to open Constituent SGL account facility to the investors.

SGL accounts are meant for Government Securities (G-Sec) only.

### **Issuers & Registrar & Transfer Agents (RTA):**

#### **Main Features of Tripartite Agreement**

The Issuer/R&T Agent shall furnish a list of authorised officials who shall represent & interact on behalf of the Issuer &/or R&T Agent with the depository within 15 days of the execution of this agreement & any changes including additions/deletions thereof shall be communicated to the depository within 15 days of such change.

The Issuer shall furnish information to the depository of any further issues such as rights, bonus, public offerings with details viz., opening & closing dates, issue size, issue price, record date, book closure, proportion, along with a copy of the offer document.

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The Issuer & its R&T Agent undertakes that the dematerialization & rematerialisation requests are processed within 15 & 30 days respectively. However, the period may be relaxed by the depositories in case of bulk dematerialization requests.

Depository provides reports updating details of BOs on a fortnightly basis to Issuer/R&T Agent.

Issuer &/or R & T Agent shall inform the depository of any proposed changes in the address of the Registered Offices, Corporate Office or of the location where the equipment for communication with the depository is situated not less than 30 days before the date of change.

All parties to this agreement shall resolve the grievances of the BOs within a period of 21 days for NSDL & 30 days as per CDSL agreement, from the date of receipt of the complaint, concerning the depository, the Issuer &/ or its R & T Agents.

The Issuer/RTA has to ensure that the dematerialization & rematerialization of the shares are processed within 15 & 30 days respectively.

If the Issuer/RTA rejects any dematerialization request, it has to inform the depository electronically about the rejection within 15 days.

The depository allots a unique identity code to the securities issued which is called ISIN (International Securities Identification Number).

SEBI may suspend the certificate of registration if it is found that the DP has failed to comply any direction of SEBI, or to cooperate in any inspection or enquiry so conducted, or to furnish any information related to its activity, or to pay the annual fees to SEBI.

SEBI may cancel the certificate of registration of a DP if the DP is found guilty of fraud or moral offence or repeated defaults after suspension

### **Functions of a DP – Account Opening**

A DP may be required to open two categories of A/c for clients - Beneficiary A/c & Clearing Member A/c.

An A/c opened by a DP for the custody of & transactions in its own investments is referred to as a **house A/c**, & all other BO A/c are referred to as **non-house A/c**

A BO A/c is an ownership A/c. The holder/s of securities in this type of A/c owns those securities.

The CM A/c is a transitory A/c. The securities in CM A/c are held for a commercial purpose only.

A CM A/c is opened by a broker or a CM for the purpose of settlement of trades. It is also termed as Brokers Pool A/c or Settlement A/c. The securities in this account will be eligible for any corporate action benefit declared.

Only those who are eligible to become members of a company under the Companies Act, can open a beneficiary A/c with a depository. Partnership Firms are not considered as members of a company. Hence a DEMAT A/c can't be opened in the name of Partnership Firm. In the case of a Partnership Firm, DEMAT A/c is opened in the name of any of the partner(s). Partnership Firms can however open Trading A/c since they can become Stock Brokers as per SEBI rules.

**Proof of Identity for opening a DEMAT account:-**

PAN card (mandatory)  
 Passport / Voter Id card / Driving License  
 ID card issued by Central / State Govt. / Regulatory authority  
 ID card issued by PSU / Schedule Commercial bank  
 ID card issued by professional bodies such as ICAI, ICSI, Bar Council etc.  
 ID card issued by colleges affiliated to Universities (only for students)  
 Credit cards/Debit cards issued by Banks  
 Colleges affiliated to Universities (valid only till the time the applicant is a student).

**Proof of Address for opening a DEMAT Account:-**

Passport / Voter Id card / Driving License / Ration card  
 ID card issued by all the above mentioned bodies  
 Electricity & telephone bills (last 2 months only)  
 Leave & License agreement / Agreement for sale  
 Self-declaration by High Court / SC judge for their accounts  
 Bank passbook/statement (last 6 months only)

**Documents required for account opening (Non-Individual):**

Memorandum & Articles of Association (MoA & AoA)  
 Board Resolution specifying manner of operation & authorized persons  
 List of authorized signatories with specimen signatures duly verified by Managing Director or Company Secretary  
 Proof of address of the corporate as attested by Registrar of Companies  
 Proof of address in form of copy of IT return or bank statement or Lease & License / Sale agreement.  
 PAN Card

All the above documents in both the categories need to be verified by an authorized official of the DP with his signatures on the documents & stamping "Verified with originals".

In case of individuals, if the application is of joint holders, Identity proof is required of all the holders. For address proofs, in case of 1st holder, both permanent & correspondence address proofs are required, whereas for other holders only permanent address proof is required. A Demat account can have maximum 3 holders.

**Client Types**

1. Resident (Individual in case of CDSL)
  - Ordinary (Resident Individual in CDSL)
  - Hindu Undivided Family (HUF)
2. Financial Institutions (FI)
  - Government-sponsored FI
  - State Financial Corporation
  - Others
3. Foreign Institutional Investors (FIIs)

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- Mauritius-based
  - Others
  - 4. Non-resident Indian (NRI)
    - Repatriable
    - Non-Repatriable
  - 5. Body Corporate
    - Domestic Company
    - Government Company
    - Central Government
    - State Government
    - Co-operative Body
    - Non-Banking Finance Companies (NBFC)
    - Non-NBFC
    - Broker
    - Foreign Bodies
    - Group Companies
    - Foreign Venture Capital
    - Limited Liability Partnership
    - Others
  - 6. Clearing Member (CM)
  - 7. Foreign National
  - 8. Mutual Fund
  - 9. Trust
  - 10. Bank
  - 11. Intermediary

The DP should ensure that the name in the Demat Account is identical to that which appears on the certificate(s) to be dematerialized, if any. In the case of a joint account, the names of the holders should be in the same order as appearing in the share certificate to be dematerialized, if any. Account to be opened in Fully Exp&ed Name or in the name present in the PAN Card.

**Application forms & specifications:**

In case of NSDL for NRI accounts, proof is required for both addresses – that of the account holder as well as the constituted attorney. In case of CDSL, address of the persons authorized to open the account on behalf of the company is not needed to be submitted. Also, for CDSL cases, PAN card of the authorized signatories is not needed to be verified with the originals or maintained for record purpose.

Detail of guardian in case the account holder is a minor is required. PAN card of Minor is required.

Clearing Member Account can be opened only after the depository approves it & allots clearing-member business partner identification number (CM-BP-ID). However, the concept of a separate CM-BP-ID is not followed by CDSL. A broker member can have only one clearing account per stock exchange of which he is a member. The DP should obtain, with the account opening form, the necessary details from the clearing member along with a letter from the Clearing Corporation allotting a CC-CM-ID.

Detail of Bank account is required with MICR details for ECS of Dividend / Interest.

A demat account can have maximum three holders. Proof of identity is to be obtained for all the holders. For First holder proof of correspondence address as well as permanent address is to be obtained in case the correspondence address is not the same as the permanent address. For joint holders proof of only permanent address is to be obtained. In addition, obtaining PAN Card details of all the holders is compulsory for all categories of demat account holder(s).

U.N. entities/multilateral agencies which are exempt from paying taxes/filing tax returns in India are exempted from the mandatory requirement of PAN. Residents of SIKKIM are also exempted from the mandatory requirement of PAN.

Foreign address & RBI approval details for NRI, FII or OCB accounts are required in case of NSDL. However this is not applicable in case of CDSL.

In case of CDSL, PIOs falls under the category of Foreign Nationals. In case of NSDL they fall under the category of NRI.

Nomination can be done by Individuals & only Individuals can be Nominees. HUF cannot nominate. In case of Power of Attorney Account Nomination facility is not available. A minor can nominate through a guardian. A minor can also be appointed as a nominee represented by a guardian. If the account is held jointly all joint holders will be required to sign the nomination form. Nominee can be only individual. Non-individual entities such society, trust, body corporate, HUF cannot be appointed as nominee. **As per CDSL Operating instructions, nominee's photograph, signature, or in case of minor, the guardian's signature are not required.**

**Details of Introducer:** In case the account holder has come on the introduction of an existing client, the signature of the introducer is also required on the application form. However, this concept of introducer is only with the NSDL.

Currently maximum of 3 people can open a joint holding account.

All the joint holders need to sign on the form.

Documents of all the holders are needed to be submitted.

Any communication relating to the a/c is only sent to the first holder.

Any interest or dividends, notices or reports are sent to the first holder only.

#### Four or More Joint Holders

1. Separate A/c opened for more than 4 joint holders
2. No standing instructions to receive credits, receipt instructions, new issue applications & any other instruction which has the effect of crediting this A/c should be accepted
3. Undertakings from the client that he will not use this A/c for the purpose of allotments in the primary market or for purchases from the secondary market except for DEMAT, bonus, rights & preferential offer of existing shares.
4. After the balances in such a joint A/c become nil, the A/c should be closed.

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5. For holdings of a Trust in the joint names of four or more trustees, there are no restrictions on receiving credits into that A/c.

### **Minor becoming Major – Procedure to be followed**

1. Minor becomes major at 21 Yrs if Guardian is Court Appointed. Other Cases its 18.
2. An application for transferring securities from the old A/c to the new A/c in the name of Major. No joint Holders in the New A/c.
3. Attested Copy of Birth Certificate.
4. Old A/c is close after transferring the balances.

### **Unique Client ID or Client Account Number**

16 Digits ID (8 Digit DP ID + 8 Digit Client ID)  
IN NSDL DP ID starts with IN

### **Freezing of A/c – Types & Procedures**

- Freezing for Debit Only
  - Freezing for Debit & Credit.
  - Freezing of all Sec or Certain ISIN or Partial Freezing of Sec.
- However Freezing for Credit only is not possible.

**Transposition:** The process of changing the order of joint holder names in a security certificate is called Transposition. It does not require any stamp duty & can be done by giving a letter to DP.

### ***TRANSPOSITION CUM DEMAT IS POSSIBLE IN NSDL AS WELL AS CDSL.***

The DP may also close the client a/c if the client has defaulted in fulfilling its obligations. This is done by giving a notice to the client, 30 days in case of CDSL.

A CM may transfer its clearing a/c from one DP to another with the depository approval in case of NSDL. In case of CDSL, no approval is required.

A BO can transfer all his securities in his account to another branch of the same DP or to another DP of the same depository or another depository. In such cases, there are no charges levied by a Depository to a DP or by a DP to its BO.

### **Changes in Client Details that can be done**

Father's/Husb&'s Name (change from father's name to husb&'s name may be necessary on account of marriage). This is not permitted in CDSL.

St&ing instruction facility (an investor can activate/deactivate it)

Address (both local as well as correspondence), telephone number, mobile number Occupation details

Nominee details

Bank details

PAN Number details

In case of NRIs, RBI & approval date for NSDL.

E-mail addresses

Names of the account holders however, cannot be changed after opening of Demat A/c.

## **TRANSMISSION & NOMINATION**

### **What is Transmission?**

The word "transmission" means devolution of title to shares, for example, devolution by death, succession, inheritance, bankruptcy, lunacy, bankruptcy, winding-up (in case of corporate) etc. Transfer of shares relates to a voluntary act of the shareholder, transmission is brought about by operation of law

### **Procedure for Transmission – Joint Holding**

New A/c is opened in the name of Survivors  
 All A/c Holders should sign Transmission Form.  
 A Copy of Notarized Death Certificate should be given.  
 Securities are transferred to the new A/c of Survivors. Old A/c is closed.

### **Procedure for Transmission – Single Holding with out Nomination.**

In the event of death of the sole holder, if valid nomination has not been made, the successors/legal heirs of the deceased can get the securities transmitted in their favor by submitting their claim duly supported by the relevant legal documents to the DP.

1. A copy of the death certificate
2. A copy of the succession certificate, duly notarized, or an order of a competent court, if the deceased has not left a Will
3. A copy of the Probate or Letter of Administration duly notarized

Market value of the securities held in each of the A/c of deceased is less than Rs. 1 lakh

1. Copy of death certificate duly notarized. NOC from all Legal Heirs.
2. Letter of Indemnity duly supported by a guarantee
3. An affidavit made on appropriate non-judicial stamp paper
4. A copy of Family Settlement Deed duly attested by a Notary Public or by a Gazetted Officer & executed by all the legal heirs of the deceased BO

### **Procedure for Transmission – Single Holding with Nomination**

New A/c is opened in the name of Nominee  
 Transmission Form.  
 A Copy of Notarized Death Certificate should be given.  
 Securities are transferred to the new A/c of Nominee. Old A/c is closed.

### **Transmission in case of Hindu Undivided Family (HUF) :**

Upon the death of the Karta of a HUF, the surviving members of the HUF may appoint another person as the Karta.

True copy of the death certificate of the Karta, duly certified by a Notary Public



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 An appropriate order by a competent court. (This is not required by CDSL)

If the surviving members are unable to produce a Court order & if the market value of securities in the deceased karta's a/c is not more than Rs. 10 lakhs, then the DP can execute the transmission on the basis of such documents:

1. Transmission form signed by new Karta
2. Letter of indemnity by surviving members
3. A declaration of the list of surviving members of HUF in an affidavit

In CDSL, in case of a partial partition, the others can still continue the HUF in the existing name. In case of full partition, the entire HUF is dissolved. In both the above cases, the karta can transfer shares to the members who seek partition. If the transfer cannot be amicably settled, the family members can go to a court & transfer of shares can then be based on the court direction.

***TRANSMISSION CUM DEMAT IS POSSIBLE IN NSDL AS WELL AS CDSL.***

***TRANSFER CUM DEMAT IS NOT POSSIBLE IN NSDL AS WELL AS CDSL.***

### **Functions of Depository Participant-Dematerialization**

Dematerialisation is the Process of converting Physical Shares into Electronic form.

Primary Objective of Depositories Act is Dematerialisation. Securities in Demat form are Fungible. They do not have any Folio/Distinctive/Certificate No.

### **International Securities Identification Number (ISIN)**

International Securities Identification Number (ISIN) is a unique identification number for each security issued in accordance with the ISIN standard (ISO 6166).

SEBI has delegated **NSDL** to allot ISIN for various securities

For securities getting admitted on CDSL, the ISIN is allotted by NSDL to those securities on receiving request from the CDSL.

Allotment of ISIN for G-Sec is done by RBI

Securities issued by the same company, issued at different times or carrying different rights, terms & conditions are considered different securities for the purpose of allocating ISIN & are allotted distinct ISINs

#### **12 digit alpha numeric string.**

The First two letters st&s for "Country Code"

The third character represents the Issuer Type.

<b>Issuer Type</b>	<b>Code</b>
Central Government	A
State Government	B
Company, Statutory Corporation, Banking Company	E
Mutual Funds including UTI	F
Equity shares with rights which are different	9

Maximum issuer types can be 35 (A to Z & 0 to 8).

The next 4 characters (4th to 7th character) represent **company identity**

Starts with '001A' & continues till '999A' & proceeds to '001B'

Next two characters (8th & 9th ) represent **security type for a given issuer**

Next two characters (10th & 11th) are **serially issued for each security** of the issuer.

Last digit is double-add-double check digit. The check digit at the end of the ISIN is computed according to the modulus 10 "Double-Add-Double". It establishes that the ISIN is valid.

### **Which Securities can be dematerialized?**

1. Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of similar nature of any incorporated company or other body corporate, including underlying shares of ADRs & GDRs.
2. Units of mutual funds, rights under collective investment schemes & venture capital funds, commercial paper, certificate of deposit, securitized debt, money market instruments, government securities & unlisted securities.
3. Only those securities whose ISIN has been activated by the depository can be Dematerialized

### **DEMATERIALIZATION PROCESS**

1. Investor gives DRF (DEMAT Request Form) & Physical Certificates to DP
2. Client defaces certificate by stamping 'Surrendered for Dematerialisation'
3. DP punches two holes on the name of the company & draws two parallel lines across the face of the certificate
4. DP enters the demat request in his system & informs NSDL electronically.
5. The System generates Demat Requisition Number (DRN)
6. DP despatches the physical certificates along with the DRF to the R&T Agent with in 7 days of receipt from the client.
7. NSDL forwards the electronic request from DP to the R&T Agent
8. R&T Agent verifies both & confirms NSDL electronically.
9. R&T Agent destroys physical certificates.
10. NSDL credits the Dematerialized securities to the beneficiary A/c of the investor & intimates the DP electronically.
11. The DP issues a statement of transaction to the client

### **Objection / Rejection by R&T**

1. R&T informs DP along with reason for rejection.
2. DP informs client & takes steps to resolve.
3. If DP fails to resolve with in 15 days, then R&T will send Certificates to DP
4. DP will send certificate to clients.

### **Separate DRF to be used for**

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1. Each ISIN
  2. Free Securities & Locked In Securities
  3. Securities Locked for different reasons.
  4. Partly Paid Securities
  5. For Each client A/c
  6. For Government Securities (DRF GS) in case of NSDL. This is not applicable for CDSL

### **Rejection Reason**

- Signature mismatch
- Signature of the 1st/2nd/3rd holder(s) not present
- Mismatch between share quantity received & quantity mentioned in DRF
- Certificates sent are fake / Certificates sent are reported stolen
- Duplicate certificates already issued /
- Incorrect Holder(s) name / Pattern
- Certificate details mismatch
- DRF sent to incorrect registrar
- Court injunction pending / Shares under Stop Transfer
- Security Certificates recd not available for Demat
- Mismatch of DP ID/ Client ID on certificates
- DRF not signed/ stamped by DP
- Miscellaneous

### **REMATRIALISATION PROCESS**

1. Process of converting Electronic form to Physical Certificates.
2. The beneficial owners of the securities should make the request.
3. There should be sufficient free /lock-in balance of securities available in the beneficiary account to honour the rematerialization request
4. DEMAT A/c of a BO is debited for the securities sought to be rematerialized & physical certificates for the equivalent number of securities is/are issued
5. REMAT REQUEST FORM is used
6. Once REMAT request is given, Demat account will be locked & *No trading is possible on the securities sent for rematerialisation*
7. Issuer issues Physical Certificates with in 30 days.

### **Functions of DP – Trading & Settlement**

#### **Types of Share Transfer**

1. Transfer due to a transaction done on a person to person basis is called 'offmarket' transaction
2. Transfer arising out of a transaction done on a stock exchange – Market Transfer
3. Transfer arising out of transmission & A/c closure

#### **Off Market Transfer**

1. Any trade that is cleared & settled without the participation of a clearing corporation is called off market trade

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2. Transfer due to a transaction done on a person to person basis is called 'offmarket' transaction
  3. Large deals between institution, trades among private parties, transfer of securities between a client & a sub-broker, large trades in debt instruments are normally settled through off-market route
  4. Seller gives Off-market Delivery Instructions to his DP to move securities from his A/c to the buyer's A/c.
  5. Buyer automatically receives the credit of the securities into his A/c on the basis of st&ing instruction for credits.
  6. Buyer receives credit of securities into his A/c only if he gives receipt instructions, if st&ing instructions have not been given.
  7. Funds move from buyer to seller outside the Depository system
  8. The instruction will be triggered on the execution date
  9. If sufficient balance is not available, then instruction will wait till EOD.
  10. If adequate balances are not received till the end of the day of the execution date, the instruction will fail.
  11. The A/c will be debited immediately on receipt of adequate balances in A/c.
  12. The movement of funds take place out side the depository system

### **Inter Depository Transfer**

1. Transfer of securities from an A/c in one depository to an A/c in another depository is termed as an inter-depository transfer
2. Both NSDL & CDSL must be inter-connected.
3. Only for securities that are available for dematerialization on both the depositories
4. The Account can be either a clearing A/c or a beneficiary A/c
5. "Inter depository delivery instruction" form to be filled by Transferor & Transferee
6. Inter Depository Transfer instructions for the day are exchanged online between the two depositories
7. The deadline time for DPs to verify & release Inter Depository Transfer delivery/ receipt instructions is 8 p.m. on weekdays & 2.30 p.m. on Saturdays.
8. For crediting the Transferee A/c, the st&ing instruction given for automatically crediting the A/c is applicable. In case the st&ing instructions are not given, then the form for "Inter-Depository Receipt Instruction" is required to be submitted by the clearing member/beneficial owner to its DP
9. The instruction will be triggered on the execution date
10. If sufficient balance is not available, then instruction will wait till EOD.
11. If adequate balances are not received till the end of the day of the execution date, the instruction will fail.
12. The A/c will be debited immediately on receipt of adequate balances in A/c.
13. The movement of funds takes place outside the depository system.

### **Settlement of Market Transactions**

1. Delivery of securities to or from a clearing corporation are called "Market Trades"
2. Transfer of securities from an A/c in one depository to an A/c in another depository with the Participation of CC/CM is termed as Market Transfer

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3. The seller client either gives a Delivery Instruction (DI) to his DP to transfer the securities to his broker's pool account or settlement account.
  4. The broker then enters the pay-in instruction from his CM account & ensures that his CM account has sufficient balance for transfer before the specified deadline. The securities are transferred to the account of Clearing Corporation / Clearing House. The process of transferring Securities or Funds from CM to CC is known as PAY IN.
  5. The CC/CH gives the pay-out & then the securities are transferred to the buying broker's account. Then the broker gives DI to his DP to transfer securities to the buyer's account. If the buying client is a sub-broker, then in turn such sub-broker will transfer securities to the final buying client using the off-market route.
  6. Movement of Funds & Securities from CC to CM is known as PAY OUT.
  7. In case the broker gives the pay-out break up of his clients to the CC/CH, the securities are then directly credited to the client's account.

The DI slip contains the name of the exchange, market type & settlement number for which securities are being transferred to CM accounts. The DI slip should contain the BOID of a CM account relevant to the stock exchange in which the trade was done. The contract note/trade confirmation slip given by the broker/ sub-broker will indicate the settlement details.

Every settlement number has a trade beginning day, trade-ending day, settlement pay-in day & settlement pay-out day etc. Stock exchanges divide a period of one year [financial year or calendar year] into several settlement periods & allocate settlement number for each settlement-period. All these days collectively are called 'settlement calendar'.

SEBI has advised DPs to instruct their clients to submit the settlement instructions on T+1 (in physical form upto 4 p.m. & 6 p.m. in case of electronic instructions) for pay-in of securities. For example, pay-in for trades executed on 'Monday' will be on Wednesday. Hence, clients will have to submit instructions to their Participants (upto 4 p.m. in case of physical & upto 6 p.m. in case of electronic instructions) on Tuesday.

A **CM** can give an instruction to move securities from one settlement to another settlement which is called *Inter-settlement transfer*.

In NSDL, delivery-out instructions for moving securities from CM Settlement Account to CM Delivery Account can be generated automatically by the respective Clearing Corporations based on the net delivery obligations of its Clearing Members. The Clearing Corporation can generate auto delivery obligations (Dos) on behalf of those CMs who have authorized it in this regard. Such Instructions are called as **Auto Delivery Out**. Auto Delivery Out will not be generated in case of Irreversible Delivery out Instruction.

CDSL offers Electronic Access to Securities Information (easi) which provides real time information to the CMs of their holdings in their demat account. It also provides status of instructions, details of past transactions & enables users to take a print out of their statement of account. It also offers a useful facility of daily valuation of the stocks held in the demat account & aggregate value of the portfolio.

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 CDSL also offers Electronic Access to Securities Information & Execution of Secured Transaction (*easiest*) which is an internet facility which permits BOs/CMs to submit debit/credit transaction instructions to effect off-market, on-market, inter-depository & early pay-in of transactions.

Similarly NSDL provides Internet Based Demat A/c Statement – IDEAS  
**Securities Trading Information Easy Access & Delivery (STEADY)**

### **Pledge & Hypothecation**

The creation of pledge & hypothecation against securities which are held in demat mode is permitted under section 12 of the Depositories Act, 1996.

If the lender of money (pledgee) has unilateral right (without reference to borrower) to appropriate the securities to his A/c if the borrower of money (pledgor) defaults or otherwise, then the transaction is called a pledge.

If the lender needs concurrence of the borrower (pledgor) for appropriating securities to his A/c, then the transaction is called hypothecation.

### **Points to remember in Pledge**

1. Ownership of the pledged/hypothecated securities remains with the pledgor until the pledge/hypothecation is invoked.
2. The pledge/hypothecation created can either be closed on repayment of loan or invoked if there is a default. After the pledgor has repaid the loan to the pledgee, the pledgor initiates the closure of pledge/hypothecation through its DP & the pledgee instructs its DP to confirm the closure of the pledge/hypothecation.
3. If the pledgor defaults in discharging his obligation under the agreement, the pledgee may invoke the pledge/ hypothecation. This has to be done after taking the necessary steps under the terms of the agreement with the pledgor & as stated in the Bye-Laws of the depository & rules & regulations framed by SEBI.
4. Multiple Pledge Transactions is possible between same persons based on a single agreement. In such cases agreement number should be quoted in all transactions. Entering Agreement number is optional in CDSL.
5. Each of these transactions are identified by a unique system generated number (“pledge sequence number”) in the DP system
6. A pledgor (borrower) & pledgee (lender) may have their accounts with the same DP or different DPs. The procedure described does not change
7. Corporate Benefits like Dividend, Bonus etc. flows to Pledgor.
8. All the Corporate benefits are also locked
9. Partial Closure of Pledge Possible.
10. Pledgor & Pledgee should hold DEMAT A/c with same Depository.
11. Substitution of Securities offered in Pledge can be done if Pledgee accepts it. Earlier Pledge Transaction is closed & a new Pledge is created.
12. Securities are marked as “Pledged Balances” once Pledge Creation request is given.
13. Once Pledge is confirmed by the Pledgee, the status of Pledge instruction changes to “Pledged”

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14. Once Pledge Closure is confirmed by the Pledgee, the status changes to “Closed Settled”.
  15. In Case of Partial Closure of Pledge, the status changes to “Partially Closed”
  16. In case of Pledge Invocation, the status changes to “Closed Invoked”
  17. The DP shall maintain copies of all Pledge Request Forms (PRF), Unpledge Request Forms (URF) & Invocation Request Forms (IRF) for a minimum period of 10 years or any such period informed by SEBI / CDSL from time to time.
  18. Pledge is considered as “closed” when the confirmation advice is entered into the system by pledgee's DP.
  19. Pledgee initiates the Unilateral Closure of Pledge.
  20. Locked-in securities cannot be invoked before the lock-in release date.

### **PLEDGE CREATION**

#### **Steps:**

1. Agreement is signed between the pledgor and the pledgee outside the depository system.
2. Pledgor gives a pledge request to his DP who enters it in the system. Securities are transferred from 'Free balance' to 'Pledge setup balance' in the pledgor's account. The pledge request is available to the pledgee DP through depository system.
3. Pledgee DP gives a pledge confirmation request to his DP who enters it on the depository system. Status of the pledge request changes to 'Accepted - Verified'. Balance moves from 'Pledge setup balance' to 'Pledge balance'.
4. Pledgee gives a pledge confirmation to his DP who enters it in the system. Status of pledge instruction is changed to 'pledged'.
5. Loan is given by pledgee to pledgor outside the Depository system.

### **PLEDGE CLOSURE**

#### **Steps:**

1. Pledgor repays the loan to pledgee.
2. Pledgor gives a pledge closure (unpledge) request to his DP.
3. Pledgor's DP forwards the request to the depository.
4. The depository forwards the pledge closure (unpledge) request to pledgees DP.
5. Pledgee's DP intimates the Pledgee.
6. Pledgee gives pledge closure (unpledge) confirmation form to his DP.
7. Pledgee's DP closes the pledge and pledge closure (unpledge) is forwarded to the depository. Securities are moved from 'pledged' balances to free balances in the pledgor's account.
8. The depository forwards the confirmation for pledge closure (unpledge) to pledgor's DP.
9. Pledgor's DP intimates the pledgor

### **UNILATERAL PLEDGE CLOSURE**

#### **Steps:**

1. Pledgor repays the loan to pledgee.
2. Pledgee gives a unilateral pledge closure (unpledge) request to his DP.
3. Pledgee's DP forwards the request to the depository. The pledge is then closed (unpledge) .
4. The depository informs the pledgor's DP . The securities are moved from the 'pledged' balances to free balances in the pledgor's account.
5. Pledgor's DP intimates the pledgor.

### **PLEDGE INVOCATION**

**Steps:**

1. On repayment default, pledgee send an invocation notice to pledgor.
2. Pledgee submits a pledge invocation request to DP. DP forwards the request to the pledgor's DP through the depository system.
3. Securities move automatically from pledgor's account to pledgee's account through the depository system.
4. Pledgor is informed of the movement of the securities by his DP.

**Reasons for Pledge Rejection**

- Closure date not accepted
- Pledged quantity not accepted
- ISIN not accepted
- Security details not accepted
- Market value of pledged ISINs insufficient
- ISIN delisted from trading
- POA not received from all holders
- Holders not acceptable to the pledgee
- Agreement number differs from that on the agreement

**SPECIAL SERVICES – CORPORATE ACTIONS**

1. Corporate actions are events, which affect the rights, obligations &/or interests of the BO of securities held in a depository
2. Cash Corporate Benefit – Dividend
3. Non Cash Corporate Benefit – Merger/Demerger, Split, Bonus, Rights etc.
4. Depository facilitates the execution of corporate actions
5. In case of cash corporate actions, depository merely provides information to the Issuer about the persons entitled to receive corporate benefits
6. In case of non-cash corporate actions, NSDL/CDSL facilitates the distribution of non-cash corporate benefits.
7. DPs ensure that the changes in tax status, bank details, change of address etc. in the BO A/c are updated well in advance of the book closure/record date;
8. All positions in the transit A/c (not applicable in CDSL) e.g., settlement A/c & intermediary A/c, are cleared & the balances lying therein are transferred to the relevant BO A/c well in advance of the book closure/record date as per the instructions received from A/c holders.

**Distribution of Monetary Benefits**

1. R&T agent distributes Dividend to BO list provided by NSDL on the Cut off Date.
2. Companies should use ECS facility to distribute Dividend. Bank Account details should be printed in Dividend / Interest Warrants.
3. In case of Gov Sec, NSDL / CDSL acts as R&T agent & distribute Dividend also.

**Distribution of Non Cash Benefits**

1. Option is given to BO to receive benefits in Physical or DEMAT form.



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2. If no Option is selected by the BO, then benefits are issued in previous form
  3. If BO who is holding Securities in Physical form gives wrong DEMAT A/c details, then those requests are rejected by Depository. NSDL/CDSL gives Issuer 30 days time to rectify. If correct details are not given within that, Securities are issued in Physical form.
  4. Securities balances lying in the A/c of the CM / CC / Intermediaries will be eligible to receive corporate benefits, except in the case of rights offers. The corporate benefits availed by CM / CC & Intermediaries shall be held in trust on behalf of the BO for onward distribution to BO.

**Record Date** - The issuer thus announces a cut-off date to determine the BOs of the securities as of that date. This date is referred to as the “Record Date” & depository system provides holding report i.e. list of BOs having holdings in the ISIN of the issuer as of end of the day of record date.

**Book Closure Start Date / End Date:** In certain cases Issuer may setup a corporate action specifying Book closure start date & book closure end date. In such case The depository system generates holding report i.e. list of BOs having holdings in the ISIN of the issuer as of end of the day of one day prior to book closure start date.

### **Special Services – Public Issues**

#### **SEBI guidelines for public issues in electronic mode**

1. Issuer shall be required to enter into agreement with all the depositories.
2. Issuer shall give an option to subscriber/investor to receive the physical
3. certificates or hold the securities in electronic mode with the depository.
4. Trading in securities of company making an IPO shall be in demat form only
5. Public Issues worth Rs 10 Crore or Above shall be in Demat Form only
6. Investors can apply in public offerings to get allotments directly in dematerialised form. For this purpose, the application form should have provision for investors to furnish their demat account number along with the following information:
  - a. Depository Name
  - b. DP's Name
  - c. DP-ID
  - d. Beneficiary Account Number (BO ID)
7. There are no charges for the allotment process
8. All the applications, whether with demat option or not, are treated alike for allotment purposes.
9. In case the applicant does not exercise the option of holding securities in demat form, the Issuer will allot securities in physical form
10. On allotment, the Issuer / its R&T agent provides the details of successful allottees who have opted for receiving securities in demat form, to the depository & the execution date when the securities should be credited to the beneficial owners accounts
11. Accounts of all the successful allottees will be credited on the BOD/ EOD of allotment date.
12. The allotment advice/refund warrants are sent to the applicants directly by Issuers/ Registrars.

### **Special Services – Debt Instruments & Government Securities**

#### **Certificate of Deposit – CD**

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1. The minimum size to be subscribed/ transacted in the NSDL/CDSL system is Rs. 1 lakh
  2. The procedure for DEMAT of CD is same as that carried out for equity shares
  3. The client/holder has to write on the reverse of the 'CD' : "SURRENDERED FOR DEMATERIALISATION & credit to my/our demat ACCOUNT. (A/c number) with (DP) name /----- number"
  4. Only those CD, which have been made available for dematerialization by its issuer, can be dematerialised
  5. Redemption of CD – CDs are transferred to Issuers Redemption A/c at 3 Pm two days before maturity date. The redemption account opened by the Issuer will be the same for all the CDs issued by the Issuer.
  6. The Issuer will provide the details of the redemption account in the form of a certificate to the first investor of the CD.
  7. Banks & FIs should issue CDs only in the dematerialised form from 30/6/2002.

### **Commercial Paper (CP)**

1. An investor can subscribe to minimum of Rs. 5,00,000/- or multiples thereof,
2. The face value of a CP in the Depository system is taken as Rs. 5,00,000/-.
3. CP will be credited in the investor's account in terms of units
4. Redemption of CP – BO should transfer CP to Redemption Account of IPA (Issuing & Paying Agent) by 3 PM one day before maturity
5. From 30/06/01, banks, FIs, PDs & satellite dealers (SDs) will be permitted to make fresh investments & hold CP only in Demat form & outstanding investments in scrip form should also be converted into demat by October, 2001

### **Government Securities**

1. Government security means a security created & issued by the Central Government or a State Government for the purpose of raising a public loan
2. Dated Securities have a maturity period of more than one year.
3. Treasury Bills have a maturity period of up to one year
4. Issue management, settlement of trade, distribution of interest & redemption - are handled by the Reserve Bank of India through its Public Debt Office (PDO)
5. G-Sec can be held in Physical form or SGL (Subsidiary General Ledger) form. SGL form is similar to Demat A/c.
6. SGL-1 A/c : Opened directly with RBI by Primary Dealers, FI, FII etc
7. SGL-2 A/c : A/c for BO of G-Sec. Opened with SGL-1 A/c holders.
8. SGL-2 facility is to be used to keep accounts of the constituent investors. In other words, SGL-2 is used to route investments of clients who are not eligible to directly open SGL-1 accounts. The entity which offers SGL-2 facility has to keep sub-accounts for each investor separately in its books; SGL-2 account with RBI will show the consolidated balances of all account holders.
9. NSDL / CDSL acts as the R&T agents for G-Sec.
10. NSDL / CDSL distribute both Cash & Non-Cash Corporate benefits.
11. Ordinary DEMAT A/c may also be used for G-Sec.
12. If the ISIN for a specific G-Sec has not been activated, the DP informs the G-Sec cell of the depository by faxing a standard letter along with a photocopy of the certificate or the SGL credit advice. Based on this communication, ISIN is generated & activated in the depository system.

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13. SGL-1 A/c is Similar to House A/c. SGL-2 A/c is Similar to Non House A/c
  14. DRF-GS (in case of NSDL) to be used for Dematerialization process.
  15. DP should forward G-Sec along with DRF-GS to NSDL with in 7 days of receipt.
  16. If G-Sec is issued by PDO – Mumbai, Certificate Number is prefixed by “BY” symbol. In such cases no need to get attestation from respective PDO for dematerialization
  17. If G-Sec is issued by other PDO, then the respective PDO should attest it.
  18. The DP endorses on the reverse of the certificate by writing '**Tendered for Cancellation & credit to SGL A/c no. BYSL0838 of NSDL/CDSL, Mumbai**'
  19. DPs are instructed not to Punch Holes on the face of G-Sec
  20. No request for partial dematerialization of a certificate should be entertained
  21. RBI Credits G-Sec to SGL-2 A/c of NSDL

### **Depository Trades**

Trades where both the parties (Buyer & Seller) have their BO A/c with the same depository.  
Transfer of G-Sec within NSDL / CDSL is same to that of transfer of equity shares.

### **RBI Trades**

Trades where only one party to the trade has A/c with a depository, & the counterparty has an SGL A/c with another approved entity or RBI itself.

**Purchase by Depository Client** - the buying client should submit **Inter-SGL Trade Purchase Instructions** in the prescribed format to the DP

**Sale by Depository Client** - the selling client should submit **Inter-SGL Trade Sale Instruction** in the prescribed format to the DP

### **Special Services – Warehouse Receipts**

1. A warehouse receipt is a document that provides proof of ownership of commodities that are stored in a warehouse for safekeeping.
2. Since legal status of warehouse receipts is different from that of securities, it is necessary for DPs to enter into a separate agreement with members/investors, seeking to open a demat account for the purpose of holding & dealing in electronic warehouse receipts.
3. The depositories have provided a model agreement format to the DPs. DPs are free to add any more terms & conditions to the agreement to the extent they are not contradictory to the terms & conditions of the model agreement.
4. Accounts opened under this agreement shall hold only electronic warehouse receipts & cannot be mixed up with securities.
5. DPs may make their own business/contractual agreement with the commodity exchanges/warehouse owners, as they deem fit, including terms & conditions related to collection of rent, etc.
6. Commodities are identified ICIN (International Commodities Identification Number (equivalent to ISIN in Securities) / Commodities Identifier.
7. Depending on the type of commodity, grade, validity, expiry date, name & location of warehouse, the exchanges allot ICIN to each commodity.
8. ICIN for same commodity differs from exchange to exchange.
9. Transfer, pledge & freeze will be the same as is applicable to securities.
10. Inter-depository transfer of warehouse receipts is not possible.

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11. Commodity traded / settled (in electronic form) with one exchange cannot be a part of settlement of trades for another exchange.
  12. Initial credit of electronic warehouse receipts into demat account & revalidation of electronic warehouse receipts will be effected by way of corporate action
  13. At the time of taking Physical Delivery, Investors have to fill PDRF (Physical Delivery Request Form)

*All the Best ☺*



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