



Chapter-6: Depository

Role of depository similar to a bank

A Depository can be compared with a bank, which holds the funds for depositors. An analogy between a bank and a depository may be drawn as follows:

BANK	DEPOSITORY
Holds funds in an account	Hold securities in an account
Transfers funds between accounts on the instruction of the account holder	Transfers securities between accounts on the instruction of the account holder.
Facilitates transfers without having to handle money	Facilitates transfers of ownership without having to handle securities.
Facilitates safe keeping of money	Facilitates safekeeping of shares.

Types of depositories in India

There are two depositories in India which provide dematerialisation of securities. The National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

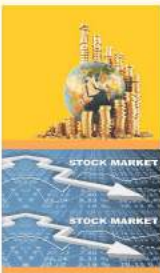
Benefits of participation in a depository

The benefits of participation in a depository are:

- ➔ Immediate transfer of securities
- ➔ No stamp duty on transfer of securities
- ➔ Elimination of risks associated with physical certificates such as bad delivery, fake securities, etc.
- ➔ Reduction in paperwork involved in transfer of securities
- ➔ Reduction in transaction cost
- ➔ Ease of nomination facility
- ➔ Change in address recorded with DP gets registered electronically with all companies in which investor holds securities eliminating the need to correspond with each of them separately
- ➔ Transmission of securities is done directly by the DP eliminating correspondence with companies
- ➔ Convenient method of consolidation of folios/accounts
- ➔ Holding investments in equity, debt instruments and Government securities in a single account, automatic credit into demat account, of shares, arising out of split/consolidation/merger etc.

Depository Participant (DP)

The Depository provides its services to investors through its agents called depository participants (DPs). These agents are appointed by the depository with the approval of SEBI. According to SEBI



regulations, amongst others, three categories of entities, i.e. Banks, Financial Institutions and SEBI registered trading members can become DPs.

Minimum balance requirement with DP

The depository has not prescribed any minimum balance. You can have zero balance in your account.

ISIN

ISIN (International Securities Identification Number) is a unique identification number for a security.

Custodian

A Custodian is basically an organisation, which helps register and safeguard the securities of its clients.

Besides safeguarding securities, a custodian also keeps track of corporate actions on behalf of its clients:

- ➔ Maintaining a client's securities account
- ➔ Collecting the benefits or rights accruing to the client in respect of securities
- ➔ Keeping the client informed of the actions taken or to be taken by the issue of securities, having a bearing on the benefits or rights accruing to the client.

Dematerialisation

In order to dematerialise physical securities one has to fill in a Demat Request Form (DRF) which is available with the DP and submit the same along with physical certificates one wishes to dematerialise. Separate DRF has to be filled for each ISIN number.

Dematerialisation of odd lot shares

The odd lot share certificates can also be dematerialised.

Features of Dematerialised shares

Dematerialised shares do not have any distinctive numbers. These shares are fungible, which means that all the holdings of a particular security will be identical and interchangeable.

Rematerialisation

If one wishes to get back your securities in the physical form one has to fill in the Remat Request Form (RRF) and request your DP for rematerialisation of the balances in your securities account.

Dematerialisation of debt instruments, mutual fund units and government securities

An investor can also dematerialise debt instruments, mutual fund units and government securities and hold all such investments in a single demat account.

