

Basic concepts for Dealing in Securities

The first question is that are shares of PNB Gilts Ltd. required to be traded compulsorily in demat form? Can a Shareholder hold the shares in physical form?

Yes. The shares of PNB Gilts Ltd. are to be compulsorily traded in demat form. However, one can still hold the shares in physical form. Investors may please note that the company's equity shares are under compulsory trading in demat form only.

What is Demat Account ?

It is often known as Beneficial Owner Account (B.O. Account). It is an account opened with a depository participant in the name of the investor for the purpose of holding and transferring securities.

What is Trading Account ?

It is an account opened by the broker in the name of the investor for maintenance of transactions executed while buying and selling of securities.

What is necessity of having a Bank Account?

The bank account is used for debiting or crediting money for trading in the securities market. In the same account or other specified account, the investor may receive corporate benefits like dividend, bonus shares etc

What is the Process of trading of Securities?

The normal course of trading in the Indian market context is briefed below :

- Step 1. Investor / trader decides to trade.
- Step 2. Places order with a broker to buy / sell the required quantity of respective securities.
- Step 3. Best priced order matches based on price-time priority.
- Step 4. Order execution is electronically communicated to the broker's terminal.
- Step 5. Trade confirmation slip issued to the investor / trader by the broker.
- Step 6. Within 24 hours of trade execution, contract note is issued to the investor / trader by the broker.
- Step 7. Pay-in of funds and securities before T+2 day.
- Step 8. Pay-out of funds and securities on T+2 day.

In case, the delivery could not be settled on account of bad or short delivery of funds , the Exchange may order for an auction so as to settle the delivery. However, the shares could not be sold in the auction, the transaction will be closed in accordance with SEBI guidelines.

Why should I keep Delivery Instruction Slip (DIS)? If yes, what precautions I need to observe?

To give the delivery, one has to fill in a form called Delivery Instruction Slip (DIS). DIS is just like your cheque book of a bank account. The following precautions are to be taken in respect of DIS :-

- Ensure and insist with DP to issue DIS book. This is your right to ask for.
- Ensure that DIS numbers are pre-printed and DP takes acknowledgement for the DIS booklet issued to investor.
- Ensure that your account number (client id) is prestamped.
- If the account is a joint account, all the joint holders have to sign the instruction slips. Instruction cannot be executed if all joint holders have not signed.
- Avoid using loose slips.
- Do not leave signed blank DIS with anyone viz., broker / sub-broker, DPs or any other person / entity.
- Keep the DIS book under lock and key when not in use.
- If only one entry is made in the DIS book, strike out remaining space to prevent misuse by any one.
- Personally fill in target account-id and all details in the DIS.
- If the DIS booklet is lost / stolen / not traceable, the same must be intimated to the DP immediately in writing. On receipt of such intimation, the DP will cancel the unused DIS of the said booklet.

Can I do online trading in securities?

Yes, you can. This online trading in securities refers to the facility available to an investor for placing his own orders using the internet trading platform offered by the trading member viz., the broker. The orders so placed by the investor using internet would be routed through the trading member.

What precautions I must take while trading online?

An investor trading online must take following precautions:

- Default password provided by the broker should be changed before placing of order.
- The password should not be shared with others and password should be changed at periodic interval.
- Proper understanding of the manner in which the online trading software has to be operated.
- Adequate training on usage of software.
- The online trading system has facility for order and trade confirmation after placing the orders.

What are the other safety measures online investor must observe?

- Avoid placing orders from the shared PC's / through cyber cafes.
- Log out after having finished trading to avoid misuse by others.
- Ensure that one does not click on "remember me" option while signing on from non-regular location.
- Do not leave the terminal unattended while one is "signed-on" to the trading system. Sign out before leaving your seat.
- Always protect your personal computer against viruses by placing firewall and an anti-virus solution.
- Do not open email attachments from people you do not know.