

Dematerialization of Shares

What are the benefits of availing depository services?

- A safe, convenient way to hold securities;
- Immediate transfer / trading of securities;
- No stamp duty on transfer of securities;
- Elimination of risks associated with physical certificates such as bad delivery, fake securities, Delays in transit, thefts etc.
- Faster settlement cycle.
- Faster disbursement of cash / non-cash corporate benefits like dividend, rights or bonus issue etc.
- Reduction in paperwork involved in transfer of securities;
- Reduction in transaction cost;
- No odd lot problem, even one share can be sold;
- Easy Change in address recorded with DP gets registered with all companies in one go in which the investor holds securities electronically thereby eliminating the need to correspond with each of them separately;
- Easy Nomination facility;
- Smooth Transmission of securities in case of any eventualities.
- Lower brokerage is charged by many brokers

How can services of a depository be availed?

To avail the services of a depository one require to open an account with any of the depository Participant of National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL).

How does one open such an account?

One has to approach a DP and fill up an account opening form and follow the Account opening procedure. The account opening form must be supported by a Proof of Identity (self attested copy of PAN Card). Signature and photograph of investor must be authenticated by an existing demat account holder or by investor's banker. Alternatively, one can submit a copy of a valid Passport, Voters Id Card, Driving License or PAN card with photograph or such other identity proof as may be acceptable to the DP. For Proof of Address he can provide a copy of ration card or passport or voter ID or PAN card or driving license or bank passbook or such other documents as may be acceptable to the DP.

(Investor should carry original documents for verification by an authorized official of the depository participant, under his signature.)

Further investor has to sign an agreement with DP in the prescribed standard format, containing details of investor's and DP's rights and duties. DP should provide investor with a copy of such agreement and schedule of charges for his future reference. Thereafter the DP will open his account in the system and provide him the account number.

Can one open multiple accounts?

Yes. One can open more than one account in the same name with the same DP at their different locations and also with different DPs.

Do one needs to have any minimum balance of securities in his account?

No. He does not require to maintain any such minimum balance of securities.

Does one have to keep his account with the same DP as his broker does?

No. Depository / DP can be chosen by investor as per his convenience irrespective of the DP of the broker.

Can an investor open a single account for securities owned in different ownership patterns such as securities owned individually and securities owned along-with others?

No. The demat account must be opened in the same ownership pattern in which the securities are held in the physical form. E.g. if one share certificate is in his individual name and another certificate is jointly held with some other person, in such case two different accounts would need to be opened.

What is required to be done if one has physical certificates with the same combination of names, but the sequence of names is different i.e. some certificates with 'A' as first holder and 'B' as second holder and other set of certificates with 'B' as first holder and 'A' as the second holder?

In this situation one may open only one account with 'A' & 'B' as the account holders and lodge the security certificates with different order of names for dematerialisation in the same account. One needs to fill-up an additional form called "Transposition cum Demat" form, which is provided by the DP, whenever any such account is being opened. This would help to effect change in the order of names while dematerialising the securities.

Can one freeze or lock his accounts?

Yes. One can freeze or lock his accounts for any given period of time. Accounts can be frozen for debits (preventing transfer of securities out of accounts) or for credits (preventing any movements of hindrances into accounts) or for both.

Can Transfer - cum dematerialisation be done simultaneously?

No. Now the said facility has been done away with by SEBI vide its circular no. SEBI/MRD/Cir - 10/2004 dated February 10, 2004.

How do I buy or sell dematerialised securities?

The procedure for buying and selling dematerialised shares is similar to the procedure for buying and selling physical shares. The difference lies in the process of delivery (in case of sale) and receipt (in case of purchase) of securities.

In case of Purchase

The broker will receive the securities in his account on the payout day. The broker will give instruction to its DP to debit

his account and credit your account You will give 'Receipt Instruction to DP for receiving credit by filling appropriate form. However you can give standing instruction for credit into your account that will obviate the need of giving Receipt Instruction every time.

In case of Sale

You will give delivery instruction to DP to debit your account and credit your broker's account. Such instruction should reach to your DP's office

What is delivery instruction slip (DIS)? What precautions do one I need to observe with respect to Delivery Instruction Slips?

To give the delivery instruction to DP you have to fill one form called Delivery Instruction Slip (DIS). DIS may be compared to 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;
- Ensure that DIS numbers are pre-printed and DP takes acknowledgment for the DIS booklet issued to investor;
- Ensure that your account number [client id] is pre-stamped;
- 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;
- Do not use loose slips;
- Do not leave signed blank DIS with anyone viz., broker/sub-broker; and
- Keep the DIS book under lock and key when not in use.

How do I know that the DP has updated the account after each transaction?

The DP gives a Transaction Statement periodically, which details current balances and various transactions made through the depository account. If so desired, DP may provide the Transaction Statement at intervals shorter than the stipulated ones, probably at a cost.

At what frequency should I receive my Transaction Statement from DP?

Transaction Statement is received from the DP once in a quarter. If a transaction has been carried out during the quarter, the statement is received within fifteen days of the transaction.

Whom do I contact in case of any complaint / problem/ query?

In case of any complaint / problem / query you may first contact DP. If DP is unable to solve complaint / problem / query you should approach concerned depository. If you have yet not got redressal/reply you may approach SEBI. One may also approach SEBI directly.

I wish to consolidate my share certificates into marketable lots. What is the procedure that I should follow?

Please forward your share certificates along with a request letter signed by the registered shareholder/s and we shall consolidate the share certificates accordingly.

I am holding more than one folio in the same name. Can I consolidate these folios?

Yes. Please forward the share certificate relating to those folios which you wish to merge and we shall consolidate your folios and return the share certificates by endorsing the consolidated folio number.

You may please note that the folios to be consolidated should be in the identical name or in the same order of identical names (in case of joint-holding) and bear the same address.

In case the folios to be consolidated are not in identical name or in the same order of identical names (in case of joint-holding), you will required to execute duly filled in transfer deed, original certificates, copy of self attested PAN card.

How do I convert shares to demat form or vice versa?

In order to dematerialise physical securities one has to fill in a DRF (Demat Request Form) 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 no.

The complete process of dematerialisation is outlined below:

- Surrender certificates for dematerialisation to your depository participant.
- Depository participant intimates Depository of the request through the system.
- Depository participant submits the certificates to the registrar.
- Registrar confirms the dematerialisation request from depository.
- After dematerialising certificates, Registrar updates accounts and informs depository of the completion of dematerialisations.
- Depository updates its accounts and informs the depository participant.
- Depository participant updates the account and informs the investor

If you wish to get back your securities in the physical form one has to fill in the RRF (Remat Request Form) and request your DP for rematerialisation of the balances in your securities account. The process of rematerialisation is outlined below:

- Make a request for rematerialisation.
- Depository participant intimates depository of the request through the system.
- Depository confirms rematerialisation request to the registrar.
- Registrar updates accounts and prints certificates.
- Depository updates accounts and downloads details to depository participant.
- Registrar dispatches certificates to investor.

Can odd lot shares be dematerialised?

Yes, odd lot share certificates can also be dematerialised.

Do dematerialised shares have distinctive numbers?

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.

What should I do if there are any discrepancies in transaction statement?

In case of any discrepancy in the transaction statement, you can contact his/her DP. If the discrepancy cannot be resolved by the DP you should approach the Depository.

What is SMS alert facility?

NSDL and CDSL have launched SMS Alert facility for demat account holders whereby investors can receive alerts for debits (transfers) to their demat accounts and for credits in respect of corporate actions for IPO and offer for sale. Under this facility, investors can receive alerts, a day after such debits (transfers) / credits take place. These alerts are sent to those account holders who have provided their mobile numbers to their DP. Alerts for debits are sent, if the debits (transfers) are up to five ISINs in a day. In case debits (transfers) are for more than five ISINs, alerts are sent with a message that debits for more than five ISINs have taken place and that the investor can check the details with the DP.