



Demat Simplified

From The Editor's Desk

In recent years, we have witnessed a spurt in interest in capital market investments among investors. The popular stock market indices have touched all-time high. At the same time, there have been events concerning different market intermediaries which have created enough anxiety among the retail investors.

At NSDL, we believe that Knowledge is best way to safeguard investors' interest. It has always been our effort to provide correct and useful information to retail investors. In this issue of The Financial Kaleidoscope, we explain the basics of a demat account, its facilities & services that an investor can capitalize on and some of the best practices related to capital markets. We invite our readers to read our new publication 'e-Guide for Demat Account Holders' which contains detailed information about your demat account. This guide is available online at www.nsdl.co.in/publications/investorguide.php in 9 different languages namely English, Hindi, Marathi, Bengali, Gujarati, Kannada, Tamil, Telugu and Malayalam.

As always, your feedback is awaited. Do write to us at info@nsdl.co.in with your comments/suggestions.

Regards,

Team NSDL

What is a Depository account or Demat account?

Dematerialisation or Demat is an electronic form of keeping various securities, such as shares, debentures, bonds, mutual funds, government securities, sovereign gold bonds, etc. This is an alternate and efficient way for holding and transacting in securities than physical or paper form. To keep your securities in electronic form, you need to have an account with a depository. Such an account is known as Depository or Demat account. NSDL is a depository, registered with SEBI which enables investors to have a Depository or Demat account through its agents, known as 'Depository Participant' or DP in short.

What is a Broking account or Trading account?

Any person or entity which intends to indulge in trading (means buy and sell) of securities, need to have an account with a stock broker who is registered with SEBI and is a member of any SEBI recognized stock exchange. Such an account is known as trading or broking account and it contains record of buy and sell transactions undertaken by the account holder over a period.

How to find whether an entity is a SEBI registered broker or DP?

List of all SEBI registered market intermediaries which provide different kinds of services to investors and various other players in the capital market, is available at SEBI website www.sebi.gov.in. Investors must deal with SEBI registered DP / Broker only, as in case of any dispute or problem, SEBI can be approached for assistance / resolution.

What is the procedure for opening a demat account?

The procedure for opening a demat account is quite simple. You just need to approach any DP of your choice to open a demat account. You may select your DP based on your convenience, services offered and charges levied by the DP. You will need to provide some information about yourself in a prescribed format (known as Account Opening Form) and certain documents like proof of identity and address. DPs are required to follow 'Know Your Client' (KYC) norms before opening any demat account as prescribed by The Prevention of Money-Laundering (Maintenance of Records Rules, 2005). Once documentation is found to be in order, information is entered in the software provided by the depository and a Unique Account Number or Client ID is generated. In NSDL depository system, each account is identified by a combination of DP ID and Client ID (8 + 8 = 16 character long code).

What are the documents / information required at the time of opening a demat account?

In addition to providing information in prescribed account opening form, you need to submit the following:

- ✓ Passport size photograph,
- ✓ PAN
- ✓ Proof of Address (such as Passport, Driving license, Voter's Identity card or Aadhaar).
- ✓ Proof of bank details (copy of cancelled cheque or passbook or bank statement containing your name, account number, IFSC and MICR code).

Please remember to take original documents to the DP for verification. In case you are unable to produce original document for verification, then the photocopy should be attested by any authorized entity, like a public notary. Your DP may ask additional proof of identity / address to meet its requirements in addition to above-mentioned.

While the basic services and obligations are standard across operators, the value-added services and charges may vary. For example, there are some DPs / brokers which offer offer digital online account opening facility, which makes the entire process fast and efficient. Information about charges levied by different NSDL DPs is available at www.nsdl.co.in. Investors are advised to satisfy themselves before selecting a Depository Participant or Stock Broker.

What is the procedure for opening a trading or broking account?

The procedure for opening a broking or trading account is similar to that of a demat account. You need to approach a registered stock broker and provide certain information in a prescribed format (Account Opening form) and certain documents for KYC. Once

Introduction to Demat (Contd.)

documentation is complete, broker records the information in a computer system and generates a Unique Client Code (UCC).

What is meant by a 2-in-1 account or 3-in-1 account?

Any person who intends to buy / sell various securities in India, is required to have to a demat account, a trading (or broking) account and a savings bank account. As such the three accounts are offered by three different entities, namely a DP, a Broker and a Bank. However, there are many entities which have made arrangements to offer a combination of two or three accounts based upon a common application form. For example, many DPs which are also registered as brokers, offer a combination of Demat account and a Trading account (2-in1 account). Further, there are some banks which are also registered as DPs and have tie up with registered stock brokers. They offer their customers a combination of all the three accounts (3-in-1 account).

It may be noted that opting for 2-in-1 or 3-in-1 account is a voluntary choice of the investor. He can opt for services as per his / her requirements.

How to operate Demat Account and Trading Account?

Let's understand the process of operating the demat account and trading account. Whether it's a demat account or broking account, any transaction or activity is permitted in the account only on the basis of instruction provided by the concerned account holder (or holders in case of joint account). The market intermediaries – DP or stock brokers are not permitted to undertake any activity in client's account without their due permission. In respect of a demat account, such permission must be a written permission, signed by all the joint holders.

Any buy or sell activity in your broking account is undertaken by your stock broker based upon your instruction. You can give instruction to your broker as per the methods preferred by you. These method(s) should be selected carefully at the time of opening of broking account. Typically, there are following modes of giving order for buy / sell –

- a. Over telephone or through email
- b. Over internet / through website of stock broker
- c. Through mobile application of stock broker
- d. Through written order slip

In case of telephonic orders, it is important that you call up the broker on a pre-identified line and identify yourself clearly (by mentioning your name / code). SEBI has mandated that brokers must preserve the call recording of these lines for a certain period so that in case of any dispute w.r.t. order, details can be verified objectively.

Once an order is received, broker will provide you an order acknowledgment (generally system generated). After due verification (like availability of sufficient shares in your demat account in case of a sell order or sufficient funds available in your bank account in case of buy order), your broker enters the order in the stock exchange system and generates an order confirmation number. Once an order is executed successfully, it results into a 'Trade'. At the end of the day, a 'Contract Note' is prepared by the stock broker and it must be provided to concerned client within 24 hours of the trade. Now a days, most clients opt for electronic version of contract note (Electronic Contract Note or ECN) while opening of trading account. In such cases, contract note is sent to the email ID of the client registered in computer system. If someone is not comfortable with this, he / she can opt for contract note in paper form.

For example, if you have sold some shares through your stock broker, you will need to deliver the shares to broker's pool account, so that he can fulfill his pay-in obligations to the clearing corporation. In order to deliver the shares from your demat account to your broker's pool account, you need to provide a duly filled 'Delivery Instruction Slip' (DIS) to your DP. Your DP will enter the instruction in depository system and once executed successfully, shares will be debited from your account and credited to broker's pool account.

Having understood the basic flow of buying / selling the securities, let's find if there is any alternative to providing instruction to your

DP, other than a written and signed DIS. One of the most popular options is to grant of a 'Power of Attorney' by demat account holder to their broker. And an even better option is to use online facility provided by NSDL, called Speed-e.

What is Power Of Attorney (POA) in respect of a demat account?

As the name suggests, a Power of Attorney is a legally valid authorization given by a demat account holder to another person or entity (his / her stock broker here) to operate the demat account on his /her behalf.

The demat account can be operated both by the account holder(s) as well as by the POA holder. The right of account holder to operate his / her demat account cannot be overridden by the POA.

Is POA mandatory for a demat account?

No. As per SEBI's guidelines, giving a POA is optional for a Demat account holder and not mandatory for opening or operating the account. No stock broker or DP shall deny services to the client if he/she refuses to execute a POA in their favor (POA can be mentioned as a mandatory requirement only if client wishes to avail internet based trading facility offered by the broker).

What are the other salient guidelines / restrictions prescribed by SEBI in respect of POA for a demat account?

When POA is given to a Stock Broker

- ✓ Such a POA can be used for debiting the client's demat account to meet the pay in / margin / settlement obligations of the client in respect of the trades undertaken by client on the stock exchange through the same stock broker.
- ✓ Such a POA can be used for applying in IPOs, NFOs, OFS, rights issue, buy back and for redemption, on behalf of client, after receiving an instruction from the client.

When POA is given to a Stock Broker and DP

- ✓ POA must have the particulars of the beneficial owner account(s) of the client(s) that the broker is entitled to operate.
- ✓ POA must provide the list of clients' & brokers' demat accounts where securities can be moved to. Such demat accounts should be accounts of related party only.
- ✓ It is necessary that details of the demat account where securities can be transferred to, are mentioned in the POA. In other words, target Pool account of broker must be mentioned in the POA (Securities cannot be transferred to any other demat account based upon such POA)

General Guidelines about POA

- ✓ POA must be written in favor of SEBI registered entity only, not in the name of any employee or representative of that entity.
- ✓ Such a POA cannot be used for opening a demat account for client and for off – market transfers out of demat account.
- ✓ Such a POA must be revocable by client at any time, without notice. However, such revocation shall not be applicable for any outstanding settlement obligation arising out of the trades carried out prior to receiving request for revocation.

Can my broker pledge the shares lying in my demat account using the POA?

As per SEBI's guidelines, pledging of the securities in favor of broker for the limited purpose of meeting the margin requirements of the client(s) in connection with the trades executed by the clients on the stock exchange through the same broker is permitted using the POA.

How can I revoke the POA given to my broker for my demat account?

As per SEBI's guidelines, POA given to stock broker can be revoked any time by the concerned account holder by way of a written and duly signed intimation. After receipt of such intimation, broker can no longer use the powers granted to it earlier. As the POA is registered by your DP in your demat account, it is important that you provide intimation of revocation of POA to your DP so that it can remove the required details from depository system.

What is SPEED-e?

SPEED-e is an internet based facility offered by NSDL for its demats account holders that enables them to submit instructions to DP electronically and also to view the transactions and holdings in the account. This is a secured and convenient alternate to submission of written instruction slips to DP.

Who can avail the service?

SPEED-e facility can be used by demat account holders whose DP is registered with NSDL for this facility. You need to register with your DP for using this facility. List of DPs offering this service is available at <https://nsdl.co.in/speede-dps.php>. Kindly note that DP may charge for extending this facility to you.

Whether I can transfer securities to any account of my choice using SPEED-e?

The instructions which can be submitted on SPEED-e platform depends upon the kind of access you opt for. There are two options available – password user and e-token users.

- ✓ Password users can log in with their user ID & password and can transfer securities only to six pre-specified broker accounts of their choice. Password users can change their pre-notified brokers' accounts anytime by informing their DP.
- ✓ e-token users can log in with the help of e-token and can transfer securities to any demat account of their choice.
- ✓ All SPEED-e users can freeze their demat account (entirely or partially). If account is frozen by SPEED-e user, then it can be unfrozen by the SPEED-e user only. A user may submit delivery instruction and transfer securities when he/she wishes, lock the account and unlock it again when needed; thus giving complete control on demat account to the account holder.

For more information about SPEED-e, please visit <https://eservices.nsdl.com>.

Frequently Asked Questions

1) What are the options available to monitor the activities in my demat account?

You hold various valuable assets in your demat account and hence knowing what's happening (or even what has not happened) in demat account is very much required. Following are some facilities available for this purpose.

A) NSDL Mobile App

NSDL has developed an extremely useful mobile app for demat account holders. This is completely free for investors, available on Google Play Store or Apple App Store. This App will help you -

- ✓ To View securities available in your account along-with latest (as of previous working) valuation
- ✓ To use NSDL e-Voting service & participate in the company's resolution process

B) NSDL Consolidated Account Statement (CAS)

NSDL provides CAS every month to Demat account holders which contains securities available in various demat accounts and mutual fund units held with different mutual fund companies in statement form. This statement also contains valuation of portfolio, changes in portfolio value over a period and client information as registered in various Demat accounts etc. This is an extremely handy tool to monitor your portfolio and make informed decisions. In case you have not yet opted for this, you may approach your DP or subscribe online at <https://nsdlcas.nsdl.com/#subscribe-to-ecas>.

C) Internet based Demat Account Statement (IDeAS) facility

IDeAS is another internet based facility, completely free for all NSDL demat account holders. This will help you -

- ✓ To View securities available in your account along-with latest valuation
- ✓ To use NSDL e-Voting service

- ✓ To View and Download previous CAS sent by NSDL
- ✓ To subscribe to e-CAS and change the email ID for receiving e-CAS

For more information on using this facility, please visit <https://eservices.nsdl.com>.

D) NSDL SMS Alert Facility

NSDL helps demat account holders to monitor the important transactions happening in their account by sending SMS alerts on their mobile number registered in the demat account. As the alerts are sent by NSDL directly, they reflect the true status of the demat account. This facility is completely Free for all Demat account holders.

SMS alerts are sent from NSDL for following transactions:

- ✓ All debit transfers
- ✓ Credits for IPO, sub-division and bonus
- ✓ Failed instructions
- ✓ Overdue instructions
- ✓ Change of mobile number
- ✓ Change of address
- ✓ Debit of mutual fund units
- ✓ Registration and de-registration of Power of Attorney
- ✓ Modification, cancellation or deletion of nominee name
- ✓ Pledge initiation, confirmation and invocation (to pledger)
- ✓ Blocking and debit of shares in respect of Tender Offer instruction

2) What is the procedure to avail the SMS Alert facility?

You can avail the SMS alert facility by:

- ✓ Submitting a written request to your DP along with your mobile number. You will start receiving the alerts once your mobile number is recorded in the depository system.
- ✓ If you happen to change your mobile number, please inform your number to DP so that record can be updated and you continue to enjoy the service.

3) How can I transfer all my assets from one demat account to another?

As opening of a demat account with a particular DP is your choice, continuance of the same is too. In case you are not satisfied with your DP or for any other reason you wish to transfer your holdings to a different demat account, you can do so any time. The procedure for doing so is mentioned below –

- ✓ Submit a written and duly signed request in prescribed format (Account Closure Form) to your DP with whom you are holding the demat account.
- ✓ In the form, mention the details of another demat account where you want your holdings to be transferred (that is DP name, DP ID and Client ID).
- ✓ If there are any charges to be paid to your DP in respect of services availed, same should be paid. If you have paid annual account maintenance charges in advance to your DP, you are entitled for proportionate refund for the balance quarters.
- ✓ As per SEBI's guidelines, if you instruct your DP to transfer all your holdings in another account of yours and close the first account immediately, then no charges for transfer and closure should be levied by the DP. Please note that this benefit is available only if both accounts belong to same holder(s) on the basis of PAN.
- ✓ If there is any security in your account which is not available for transfer for any reason (such as under lock-in or pledged), your first account cannot be closed till such reason exists.

Training Programmes for Participants**CPE Training Programmes for Participants**

NSDL, a NISM accredited Continuing Professional Education (CPE) Provider offers CPE training programmes in different modules for eligible associated persons. In October 2019, NSDL conducted four such training programmes at Ahmedabad, Kolkata, Mumbai and New Delhi.

Training Programme for Issuers and Registrar & Transfer Agents

NSDL conducted a training programme for Issuers and Registrar & Transfer Agents in Mumbai during October 2019.

Investor Education initiatives undertaken by NSDL

NSDL conducts Investor Awareness Programmes (IAPs) throughout the country to ensure investors are aware of different aspects of investing. Till date, NSDL has conducted over 3,700 programmes which have been attended by more than 3.61 Lakh investors. Feedback received from investors during these IAPs is extremely encouraging. The schedule of these programs is published online at <https://nsdl.co.in/Investor-Awareness-Programmes.php>. We shall be happy to conduct IAPs for your organization / institute / society. Help us in driving the investor education initiative further by writing to us at info@nsdl.co.in about such programmes to be conducted.

More the education, more the prudence.

Forthcoming Training Programmes for Participants on Continuing Professional Education (CPE) - Depository Operations Module*

Sr. No.	Date of Training	Location of Training
1	December 7, 2019	Ahmedabad
2	December 20, 2019	Mumbai
3	December 21, 2019	Ahmedabad
4	December 28, 2019	Kolkata and New Delhi

* Schedule is subject to change.

Forthcoming Investor Awareness Programmes – update / remove duplicate

Sr. No.	Date	Venue	City	State / UT	Timing
1	11-Dec-19	Theertha International, Cemetary Road, Mahe - 673310, Kerala	Mahe	Kerala	05.30 p.m. - 07.30 p.m.
2	12-Dec-19	Navaratna Inn, Good Shepard Road, Near Railway Station, Thalassery - 670101, Kerala	Thalassery	Kerala	05.30p.m. - 07.30 p.m.
3	14-Dec-19	Hotel Arya Palace, 126/B, Ashok Nagar, Bhubaneswar - 751009, Odisha	Bhubaneswar	Odisha	06.00 p.m. - 09.00 p.m.

* Schedule is subject to change. Please visit <https://nsdl.co.in/Investor-Awareness-Programmes.php> for updated schedule.

Question for Knowledge Wins contest !

What are the benefits of using NSDL Mobile App?

Email your reply mentioning your name, address and contact no. with the subject 'Knowledge Wins Contest - October 2019' to info@nsdl.co.in

Terms and Conditions

- NSDL shall be solely responsible for the execution and administration of this Contest.
- This Contest is only open to Indian Citizens. (NSDL employees are not allowed to participate in this contest).
- All personal details submitted must be accurate and complete and are subject to proof upon request by NSDL.
- NSDL reserves the right, at any time, to verify the validity of entries and entrants and to disqualify any entry not submitted in accordance with these Terms or which tampers with the entry process.
- NSDL reserves the right to discontinue the contest at any given point of time without prior intimation.
- All prize drawings will be made on a strictly random basis and the decision made by NSDL will be final.

KNOWLEDGE WINS Contest

Lucky 25
Winners will
Win Free
Goodies



Your suggestions for newsletter are valuable to us.

Send in your suggestions mentioning your

name, address and contact number

with the subject

"Suggestions for the newsletter"

to info@nsdl.co.in

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- For any grievances, you can email us at relations@nsdl.co.in
- To know more about NSDL Certification Program, you can email us at trainingdept@nsdl.co.in
- For any other information, email us at info@nsdl.co.in

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