



From The Editor's Desk

Dear Reader,

Our previous issue of Kaleidoscope laid down the rudiments of investing vis-à-vis the risks associated with it. Investing your hard earned money to beat inflation is a serious business and once the decision to invest has been taken, the next logical step for an investor is to choose his/her investment options. Today, the arena of investment opportunities is steadily widening for the average investors and it presents them with various investment avenues to invest their hard-earned money.

One such investment avenue to invest is in equities or mutual funds or any such instrument which can beat inflation. To invest in equities or mutual funds you will need to have a 3 in 1 account i.e. Bank Account with a Bank, Demat account with a Depository Participant and a Trading account with a Stock Broker. A Demat account becomes mandatory when you decide to trade in various types of securities.

In the last decade or so, stock trading has moved towards paperless transactions, simplifying dealings in securities which earlier used to involve reams of paper, difficult to store. A Demat account is very similar to your saving bank account. Just like a saving account which is a place to hold your money, a demat account holds your investment in various securities in electronic form. The importance of a demat account can be stressed upon by the numerous benefits it offers e.g. increased convenience, reduced transaction cost and less time taken to complete the transactions. Today, in the globalised market, we can see a gradual rise of Foreign Investors investing in Indian Capital Market since India's economy is growing at a rapid pace. We believe this will definitely boost the Indian Capital Market.

This issue of Kaleidoscope tackles the concept of dematerialisation to give you a 360-degree view of the process and benefits of opening a demat account with NSDL. Please feel free to contact us or any NSDL DP for any questions or clarifications.

**Best Regards,
NSDL**

Click & Find: Introduction to Stock Market

Technology has become an integral part of our daily life and even the stock market has changed to incorporate this aspect into its functioning to make our life and investing smoother. Bombay Stock Exchange or BSE Limited was started in 1875, as an open outcry floor trading exchange. While trading, the traders would stand and shout the prices of the stocks for buying and selling. The traders would then exchange the money collected with physical receipts of the shares called certificates. This resulted in great amount of paper work. The settlement of agreements took a huge amount of time because of the requirement to physically deliver the share certificates. The risk associated with these transactions was substantial as the physical securities could be forged, stolen and the handling of the massive amount of paperwork often led to errors.

Towards the end of the 1980s, new economic forces, the economic growth and currency crisis emphasized the need for modernization of the financial system. Government created the Securities and Exchange Board of India (SEBI) in 1988.

In April 1992, with market crashing due to Harshad Mehta Scam, then Finance Minister Mr. Manmohan Singh urged the need of another Stock Exchange & with that in **November 1992, National Stock Exchange of India Limited (NSE)** was established as the first electronically traded Stock Exchange in India. NSE was the first to introduce electronic screen based trading. Three segments of the NSE trading platform were established one after another. The Wholesale Debt Market (WDM) commenced operations in June 1994 and the Capital Market (CM) segment was opened at the end of 1994. Finally, the Futures and Options segment began operating in 2000.

With the introduction of depository and mandatory dematerialization of shares, chances of fraud reduced further. In **1996, National Securities Depository Limited (NSDL)**, commenced its operations coining the term dematerialization or demat, as it is commonly known, to mitigate the risks associated with share trading in paper form. Dematerialisation is the process through which an investor converts his/her physical share certificate to electronic form. NSDL holds the securities of investors in electronic form in its Depository system. NSDL interfaces with its investors through its agents called Depository Participants (DPs). If an investor wants to avail the services offered by the Depository, the investor has to open an account with a DP. In India, all demat accounts are currently held by two Depositories, namely National Securities Depository Limited (NSDL) & Central Depository Services (India) Limited (CDSL). NSDL holds 90% of the market share in terms of custody value.

A Demat account secures all the investments that an individual makes in the form of shares, exchange traded funds, government securities, bonds and mutual funds in one place. For online trading, it is necessary for an investor to hold a Demat account.

Get Started: Process of Dematerialisation of physical shares

How does Dematerialisation work?

Dematerialisation is the process by which you can get physical certificates converted into electronic form.

- ✓ Dematerialization starts with opening a Demat account. You need to approach any Depository Participant (DP) of your choice for demat account opening. NSDL offers Depository services through a network of 266 DPs (as on August 31, 2017) having more than 27,500 service centres spread across the country.
- ✓ To convert the physical shares into electronic form, a Dematerialization Request Form (to be provided by DP) needs to be filled in and submitted to your DP along with share certificates. On each share certificate, '**Surrendered for Dematerialization**' needs to be mentioned to avoid any risk on account of loss of certificate in transit.
- ✓ The DP will process this request and arrange to send the share certificates to the concerned company or its Registrars and Transfer Agent.
- ✓ Once the request is confirmed by the concerned company or its Registrar and Transfer Agent, the share certificates in the physical form will be cancelled and a confirmation of dematerialization will be sent to depository.
- ✓ The depository will then confirm the dematerialization of shares to your DP. Once this is done, credit of your securities can be seen in your demat account.
- ✓ This cycle generally takes 15 to 30 days after the submission of complete and properly filled up dematerialization request form. Dematerialization is possible only with a demat account.

Get Started: How to open a Demat account with a Depository Participant (DP) of NSDL

A demat account is a facility that allows investors to hold and transfer shares and other types of securities in electronic format. It is essential to have a demat account to trade in capital market. You can open a demat account in few simple steps as mentioned below:

Step 1: Select a DP to open a demat account just like you select a bank for opening a savings account. Some of the important factors for selection of a DP can be:

- **Convenience** - Proximity to your office or place of residence, business hours.
- **Comfort** - Reputation of the DP, past association with the organisation, whether the DP is in a position to give the specific service you may need?
- **Cost** - The service charges levied by DP and the service standards.

Complete list of NSDL DPs, their service centres and their comparative charge structure, are available at www.nsdl.co.in

Step 2: After you have selected a DP, you need to fill up an account opening form along with KYC form. You will be asked to provide copy of your PAN card and any one of Aadhaar Card / Passport / Driving License / Voter ID Card. As per SEBI's requirements, your DP will verify the photocopies with the original documents and also conduct in-person verification before activating your account in NSDL system.

Step 3: On opening of your demat account, your DP will provide you a Delivery Instruction Slip (DIS) booklet which is similar to a cheque book used in banking system. On receiving the DIS booklet, kindly verify that DP name, DP ID & Client ID are pre-printed / pre-stamped. You will need to fill & submit DIS slip to your DP every time you want to transfer shares from your account.

Note: In case demat account is opened by two or three joint holders, then PAN card and other documents as mentioned above would be required for each joint holder. Remember to obtain a copy of 'Rights and Obligations of the Beneficial Owner and Depository Participant' and schedule of charges from your DP.

Understanding Financial Lingo

Market Trades

Any transaction for sale or purchase of securities through a stock broker done on the stock exchange platform which is settled through a Clearing Corporation is generally termed as Market Trade.

Off Market Trades

Off Market trade is one which is settled directly between two demat account holders without a stock broker and where no Clearing Corporation is involved.

Distinctive Numbers

Distinctive numbers are the serial numbers given by the company to the shares issued by it. The companies use this for maintaining register of members.

Delivery Versus Payment (DVP)

Delivery Versus Payment (DVP) is a settlement system that stipulates that cash payment must be made prior to or simultaneously with the delivery of the security. Delivery Versus Payment is from the buyer's perspective; from the seller's perspective, this system is called Receive Versus Payment (RVP).

Beneficial Owner (BO)

A Beneficial Owner (BO) is a person who enjoys the benefits of ownership of the securities. The benefits can be cash benefits like dividend or non cash benefits like bonus shares, etc.

Asset Allocation

The process of determining the optimal division of an investor's investible portfolio among different kinds of assets. Most frequently, this refers to allocation between debt and equity.

Our elder generations were stuck with investment opportunities which were a sum total of saving accounts, term deposits and insurance policies. We however, are blessed with a bouquet of options to choose from – ranging from high risk-high return, low risk-low return to low risk - guaranteed return. The risk-taking capabilities of an investor decides most of his investment avenues – mutual funds, stocks, Exchange Traded Funds (ETFs), to name a few.

This brings us to the subject of dematerialisation. When you deal in stocks or ETFs, a demat account is mandatory as all the dealings are carried through this account. In simple terms, a demat account is a place to park all your securities electronically instead of holding them in physical form in your safe deposit locker.



With the introduction of dematerialisation, the whole process of buying and selling shares has become smooth and easy. The advantages offered by demat are varied in their usefulness. A demat account makes pledging for shares a hassle-free job and avoids confusion in the ownership title of securities. It also provides an easy receipt of public issue allotment. You can avoid delays in transaction, making you liquidity rich. It is the easiest way to transfer securities, eliminating the risk of forgery and counterfeiting. A single instruction given to the Depository Participant (DP) is capable to bring about any change you wish to see. You may nominate upto three persons of your choice in your demat account to make the process of transmission convenient.

The disadvantages of holding a physical certificate have been completely wiped out by the electronically held demat account offering various advantages over its predecessor. But, the hands down best feature of the demat account is that **investors have access to their transaction details through Internet and emails.**

Opening a demat account has never been easier than now. You can open a demat account by approaching any DP of NSDL and the procedure is quite simple. List of Depository Participants (DPs) of NSDL is available on www.nsdl.co.in. Most Banks, Stock Brokers and other financial institutions are DPs of NSDL. In the Indian Stock Market scenario, there is an upward trend with tremendous growth opportunities for both short term and long-term investments. First time investors can go ahead and open their demat account to grasp the benefits. The larger the coverage of instruments under the demat account umbrella, the greater the convenience that you will experience. Remember, a demat account is not for shares only. You can use the same account for mutual fund units, tax saving bonds, debentures, government securities, sovereign gold bonds etc.

Your Questions Our Answers

1. What is a depository?

A depository can be compared to a bank. A depository holds securities (like shares, debentures, bonds, Government Securities, sovereign gold bonds, mutual fund units etc.) of investors in electronic form. Besides holding securities, a depository also provides services related to transactions in securities.

2. Can I open more than one demat account with the same DP?

Yes. You can open more than one demat account with the same DP as per your need and convenience. You can also open multiple demat accounts with different DPs. There is no restriction on the number of demat accounts to open with a DP or DPs. However, you may like to check the charges that your DP may levy for maintaining your demat account.

3. Can someone else operate my demat account on my behalf on the basis of a Power of Attorney?

Yes. If you authorize a person to operate your demat account by executing a power of attorney and submit it to DP, that person can operate your demat account on your behalf. The depository account can be operated both by the account holder(s) as well as by the Power of Attorney (POA) holder.

4. How can I avail ECS facility for crediting dividend / interest to my bank account?

You need to provide your bank account details, IFSC & MICR code to your DP so that it can record the details provided by you in NSDL system. This will help you to receive the dividend / interest / redemption proceeds directly in your bank account.

5. Can I operate a joint account on “either or survivor” basis just like a bank account?

No. The demat account cannot be operated on “either or survivor” basis like a bank account.

6. What does transmission mean in relation to demat accounts?

Transmission is the process by which securities of a deceased account holder are transferred to the account of the surviving joint holder(s)/ legal heirs / nominee of the deceased account holder. Process of transmission in case of dematerialised holdings is very convenient as the transmission formalities for all securities held in a demat account can be completed by submitting documents to your DP whereas in case of physical securities the surviving joint holder(s)/ legal heirs/ nominee have to correspond independently with each company in which shares are held.

7. Can I dematerialise my debentures, bonds, mutual fund units and government securities also in my demat account?

Yes. You can dematerialise and hold all such investments in single demat account.



Report of Pledge instructions “Pending for Pledgee Confirmation” through SPEED-e facility

NSDL had launched Pledge facility on **SPEED-e** which enabled client whose demat account is registered for e-Token based facility to submit Pledge instructions through **SPEED-e**. NSDL has further enhanced **SPEED-e** facility to facilitate the Pledgee (i.e. demat account holder in whose favour pledge instruction has been submitted for confirmation / lender) to view the report of pledge instructions pending for confirmation. This facility has been made available to e-Token users who are registered with their Participants for **SPEED-e** Direct Facility. (Ref.: Circular Nos. NSDL/POLICY/2017/0023 dated April 24, 2017 & NSDL/POLICY/2017/0043 dated July 14, 2017. These circulars are available on www.nsdl.co.in)

Display of price and value of ISINs pertaining to Sovereign Gold Bonds on IDeAS facility

NSDL provides a facility called **IDeAS** (Internet-based Demat Account Statement) which facilitates demat account holders to access their demat account online. Using IDeAS, demat account holders can view latest balances and transactions available in their demat accounts along with the value based on the previous day's closing prices on the stock exchange platform. IDeAS facility has been further enhanced to display the price as of the previous date and value in respect of ISINs pertaining to Sovereign Gold Bonds held by Clients in their demat accounts.

Subscription to SPEED-e

During July 2017, one more Participant **Samridhi Stocks Private Limited (DP ID IN304061)** has subscribed to the **SPEED-e** facility. Clients of Samridhi Stocks Private Limited can now avail the facility of submitting various instructions through **SPEED-e** facility. This takes the total number of Participants which have subscribed to **SPEED-e** to 194.

Investor Education initiatives undertaken by NSDL

Investor Awareness Programmes

In order to reach out to investors which are spread across the country and to apprise them about the facilities available in NSDL depository system, NSDL conducts various Investor Awareness Programmes jointly with Depository Participants (DPs) & with Institutions like SEBI, NSE etc. NSDL also conducts various training programmes for DPs on depository related services. During July 2017, NSDL conducted 39 such programmes with Participants, Corporates and SEBI etc. These programmes were attended by more than 3,000 participants and students. Details as mentioned below:

Sr. No.	Particulars	
1	Joint Awareness Programmes with DPs	No. of Programmes
	Sharekhan Limited	6
	CSE Capital Markets Private Limited	6
	Kotak Securities Limited	4
	SMC Global Securities Limited	2
	Stock Holding Corporation of India Limited	2
	ICICI Bank Limited	2
	BMA Wealth Creators Limited	1

	Inditrade Capital Limited	1
	Nirmal Bang Securities Private Limited	1
	NKGSB Co-op. Bank Limited	1
	Patel Wealth Advisors Private Limited	1
	Shah Investor's Home Limited	1
	Swastika Investmart Limited	1
	Ventura Securities Limited	1
Total Programmes		30

2	Corporate Awareness Programmes (CAPs)	No. of Programmes
	NSDL & its vendor employees	1
Total Programmes		1

3	Awareness Programmes on Capital Market for Institutions	No. of Programmes
	IDBI Bank Limited	1
Total Programmes		1

4	Joint Awareness Programmes with other Institutions	No. of Programmes
	Securities and Exchange Board of India (SEBI)	4
Total Programmes		4

5	Participation at Events	No. of Programmes
	"ICSI Capital Markets Week" in association with Institute of Company Secretaries of India	1
Total Programmes		1

6	Participation at Events	No. of Programmes
	S M Shetty High School & Junior College	1
	Wilson College	1
Total Programmes		2



SMART STATEMENT SMARTER ANALYSIS



NSDL-CAS (Consolidated Account Statement):

A single Consolidated Account Statement for all demat account holders to view all their investments in the securities market [viz. equity shares, preference shares, mutual funds, bonds, debentures etc.]. This information rich statement enables effective monitoring of demat portfolio. NSDL has started this service to its demat account holders from February 2015 which is available both in physical and electronic form.

Features of NSDL-CAS:



Summary of
Portfolio



Asset-Wise
Classification



Graphical
Representation



Demographic
Details



Timely Delivery
in Electronic form



CAS Helpline No. **1800 222 990**



To subscribe to e-CAS, visit **<https://nsdlcas.nsdl.com>**



To know more about NSDL-CAS, give us a missed call on **7065644440**

An Investor Education initiative by



National Securities Depository Limited

Trade World, A Wing, 4th & 5th Floors, Kamala Mills Compound, Lower Parel, Mumbai, Maharashtra - 400013
www.nsdl.co.in

Read and Win!

What are the benefits of opening a demat account ?

Send your replies providing your contact details (Name, address and contact no.) with the subject 'Knowledge Wins Contest - August 2017' 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 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
contact details (contact name, address &
contact number) with the subject
"Suggestions for the newsletter"
to info@nsdl.co.in**

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