



From The Editor's Desk

Dear Reader,

Did you chance upon a stack of yellowed sheets in your cupboard when you did your spring cleaning recently? Yes, those share certificates, perhaps bought in the IPO-crazy 90s market or even earlier. Your share certificates are a classic case of profits only on paper. Besides difficulty in selling or transferring these shares, you run the risk of someone forging a transfer, faking your certificate or maybe simply losing your certificate. To avoid these pitfalls, you can dematerialise (demat) your shares.

A demat account is a must for trading in stocks and ETFs. Importantly, it does not attract stamp duty. In the last decade or so, the stock market has moved towards paperless trading. For investors, who used to be burdened with reams of stock certificates, a demat account has become a necessity. Not having a depository or demat account has now become the biggest entry barrier to investing in equities. It is no wonder that more and more entities (commodities futures and spot market) are moving to the dematerialised form of trading.

Dematerialisation or demat of shares, as it is popularly known, has been the answer to many of the ills of the physical trading system such as fake shares, transfer delays and bad signatures. Investors using the facility need to know that selection of a particular demat service and transacting at the least cost does not mean an end to their worries as they should remain alert for different problems causing a dent in their finances. A demat or 'dematerialised' account holds shares in electronic form, thus saving you the bother of holding shares in paper form.

Holding your securities in demat enables faster settlement of trades, easy monitoring of portfolio and lesser scope for forged transactions. If you hold shares in demat form, any change in address or bank account can be simply intimated to the DP instead of writing to every company in which you hold shares.

In this issue of Kaleidoscope, we will glance through the various facilities such as Basic Service Demat account (BSDA), importance of Nomination in a demat account, Pledge, SMS alert facility etc. offered in a demat account.

Best Regards,
NSDL

Click & Find: Basic Services Demat Account (BSDA)

In order to achieve wider financial inclusion, encourage holding of demat accounts and to reduce the cost of maintaining securities in demat accounts for retail individual investors, Securities and Exchange Board of India (SEBI) has introduced "Basic Services Demat Account" (BSDA), a facility which will be available for retail investors. Let us look at some of the important elements to operate Basic Services Demat Account.

Who can open BSDA account

The "Basic Services Demat Account" (BSDA) promises to provide limited services at reduced costs to retail investors. All individual who currently have one account or plan to open an demat account where they are the sole first holder, will be allowed to open the BSDA, provided that the value of securities held here will not be more than ₹2 lakh at any given point of time. An investor should keep in mind that he is allowed to open only one BSDA across all Depository Participants (DPs).

What are the charges

The Annual Maintenance Charges (AMC) which you will have to shell out for BSDA will be as per predetermined slabs. If the value of your holdings is up to ₹50,000/-, there won't be any annual maintenance charge. However, if the value of your holding is in between ₹50,001 to ₹2,00,000, you will have to pay a fee of ₹100 as AMC.

Who decides the value

SEBI has entrusted the DPs to determine the value of holding on the basis of the daily closing price or Net Asset Value of the securities or units of mutual funds. Keep in mind that, if the value of your holdings exceeds the slabs mentioned above, DP's are permitted to charge you the same as they charge non- BSDA regular demat accounts.

What about Statements for BSDA

If you choose to avail the electronic statements, you won't have to pay anything. However, for physical statements, DPs have to provide two statements free of cost to you during the billing cycle. But additional statements will be charged a fee, which cannot be more than ₹25. You will get a transaction statement at the end of every quarter, provided there has been at least a single transaction in the quarter. For accounts where there are transactions, you will get an annual statement of holding, as per your choice, that is electronically or physical.

What if you are an existing demat account holder

If you are an existing eligible individual and hold a demat account with a DP, DPs are advised to convert all such eligible demat accounts into BSDA unless you specifically opt to continue to avail the facility of a regular demat account.

Blog

By Shweta Joshi

A stock market is a platform that facilitates trading of financial instruments such as company shares, bonds, derivatives, commodities etc. It is a meeting place for the traders or investors who primarily have opposite views on a security motivating one to buy it when other is selling.

The two main components of Capital Market are Primary Market & Secondary Market. Primary market involves purchasing shares of a company selling it for the first time, taking it 'public' through an Initial Public Offering. These shares, once sold in the primary market, are then traded in the secondary market where an investor buys shares from another investor at the prevailing market price or at a mutually agreed upon price. These transactions are typically facilitated by an intermediary such as a broker.

How will you know when to invest or when to liquidate, if already in? I agree that stock market movements are unpredictable, but you can make an informed decision by considering – fair value of the stock, a disrupting event that may change it and the 'behavioral' angle of your decision-making process. For value, simply and aptly put in Warren Buffet's words, "Price is what you pay; value is what you get. Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down." For a disrupting event, you should watch out for the one that indicates a reversal in trend from the time you chose to invest. Finally, accept that your decision-making is not always rational and a product of emotions, biases, and many other influences.



Nomination in Demat Account

Background

As Nomination being one of the important elements while operating a demat account, let us understand the importance of nomination while nominating an individual in a demat account. Nomination is a facility that enables a depository account holder to nominate an individual, who can claim the securities held in a Demat account, post the demise of the depository account holder(s). For a jointly held demat account, in case of death of any of the joint holder(s), the securities will be transmitted to the surviving holder(s). Only in the event of death of all the joint holders, the securities will be transmitted to the nominee.

Nomination smoothen the process of transmission of your securities to your heirs, upon demise. For physical shares, you have to avail nomination separately for each company in which you hold shares / debentures whereas, by availing nomination for your demat account, all your investments in that account is covered under that nomination. Nomination can be made only by individuals holding beneficiary accounts either singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of power of attorney cannot nominate.

The benefit of nomination is that in the event of death of an account holder(s), the Depository Participant (DP) can transmit the securities held to the nominee(s) without insisting upon a Succession Certificate, Letter of Administration or Court Order. The nominee has to submit a duly filled-in transmission form, notarised copy of death certificate and an affidavit in the prescribed format to the DP. After verifying these documents and if found to be in order, the DP will transmit the securities to the account of the nominee.

An investor should duly follow the below mentioned procedure while carrying out the nomination process in their demat account:

- The nomination form duly filled-in should be submitted to the DP either at the time of account opening or later.
- The account holder, nominee and two witnesses must sign this form and the name, address and photograph of the nominee must be submitted.
- If nomination was not made at the time of account opening, it can be made subsequently by submitting the nomination form.

Nomination can be changed anytime by the account holder/s by simply filling up the nomination form once again and submitting it to the DP. Investor wanting to make NRI as a nominee can do so subject to the exchange control regulations in force from time to time. Further, an investor can make a minor as a nominee. In such a case, the guardian will sign on behalf of the nominee and in addition to the name and photograph of the nominee, the name, address and the photograph of the guardian must be submitted to the DP.

Basic guidelines to be followed while completing a nomination form

- ✓ The form needs to be complete and duly signed by all the account holders.
- ✓ The Client ID & DP ID number of each account that is being nominated must be specifically mentioned in the nomination forms.
- ✓ The nominee also has to sign the nomination form and affix his / her photograph that is signed by the nominee. Where the nominee is a minor, the form will need to be signed by the guardian and a signed photograph of the guardian along with that of the nominee is affixed on the nomination form.
- ✓ If a minor is being nominated on the account, minor's Date of Birth (DOB) is mandatory along with complete details of the guardian with necessary signatures of the guardian appointed.
- ✓ Only for nomination requests with thumb impression, two witnesses are required. Two independent witnesses need to be recorded on the Annexure JA.
- ✓ In case nomination is not made by the sole account holder, the securities would be transmitted to the account of legal heir(s), as may be determined by an order of the competent court. However in cases where the value of securities to be transmitted is less than ₹1,00,000/- the DP may process the request based on submission of necessary letter of indemnity, surety, affidavits and NOC documents.

Get Started – SMS Alert Facility

Background

In order to facilitate risk mitigation and providing value added services to clients, NSDL provides SMS Alert facility for demat account holders whereby investors can receive alerts for various transactions in demat account. On registering for the SMS Alert facility, Investors get important updates on their mobile phones about their depository accounts.

Registering for SMS Alert Facility

An Investor can register for SMS Alert facility by submitting a written request to his/her Depository Participant (DP) alongwith the mobile number for availing this facility. This facility is not available to investors who have registered mobile numbers originating outside India.

Other important details about registration are:

- This facility will be available to the investors provided they have given their mobile number to their DPs and the DPs have captured the number in the DPM system and have also enabled (ticked) the SMS flag for receiving SMS alerts in DPM system.
- For change of address and registration & de-registration of Power of Attorney in DPM system, SMS alerts will be sent to Client's mobile phone (captured in DPM system) irrespective of client availing SMS alert facility. Further, it is mandatory for individual accountholders whose accounts are operated through Power of Attorney (POA) to register for SMS Alert facility.

Benefits of SMS Alert facility

On registering for the SMS alert facility, investor will receive SMS Alert facility from NSDL for:

1. All Debits (transfers)
2. Credits for IPO, bonus & sub-division
3. Failed instructions
4. Overdue instructions
5. Change of mobile number
6. Change of address
7. Debit of Mutual Fund Units
8. Invocation of pledged securities
9. Registration and De-registration of Power of Attorney
10. Modification / Cancellation of nominee name

Fees

At present, NSDL does not levy any charge for this facility on the Depository Participants for providing this facility to investors.

For more details about SMS Alert facility, visit www.nsdl.co.in. Alternately, you can contact your DP to know more about this facility.

How to Pledge demat securities

Background

Investors can take a loan against securities (shares, debentures, bonds, mutual fund units) that are held in their demat accounts. The securities are offered as collateral to the lender by the borrower. This is known as pledging. The borrower can take a higher loan at better rates since there is very little risk of contesting the ownership of the securities. The time and documentation required to process such loans are also lesser.

In order to pledge dematerialised securities, both the borrower and lender should have demat accounts with the same depository i.e. NSDL. However, the demat accounts can be held with the same or different Depository Participant (DP) of NSDL.

Information

The borrower is required to fill up a form with details like the names and DP IDs of the borrower and lender, details of securities offered for pledging (ISIN, ISIN name, quantity), date and value of pledging, and the expiry date.

Acceptance

After verification, the borrower's DP sets up the pledge in the system. A system generated Pledge Sequence Number (PSN) is recorded on the pledge request form (PRF) and a copy sent to the lender for acceptance.

Closure

On repayment of the loan, a request for closure of the pledge can be registered in the depository system by the borrower or lender. The request needs the confirmation of the lender to take effect.

Distribution of Bonus shares for Pledged shares

NSDL software has a module to handle distribution of bonus entitlements through Automatic Corporate Action (ACA). This works as follows:

- The holdings as of record date/book closure, (including those holdings which are pledge) are considered for computing bonus entitlements
- At the time of effecting the credit of bonus shares, the system checks whether pledge existing as on record date is still open or closed
- Where pledge orders are not closed/invoked or partially closed/invoked, the bonus entitlements in such cases are credited to the pledgor's account with pledge marked in favour of the pledgee
- If the pledge is closed/invoked fully after the record date, the bonus entitlements will be credited to the pledgor's account as free balances

Points to note

- Financial transactions between the borrower and lender are handled outside the depository system.
- One can un-pledge either part or entire quantum of pledged securities.
- Till invocation, the borrower continues to be the owner of the pledged securities. Hence, he continues to receive corporate benefits like dividends, bonus, rights, etc.
- Borrower will continue to receive dividend on the pledged securities. Lender will get the benefits only if a pledge is invoked and on record date the shares are in the pledgee's account.

Brief on Transmission

Before we understand transmission in relation to the demat account, let us first glimpse through the transmission in Physical Share Certificate Environment

One of the lesser-known but widely experienced problems with respect to dealing in share certificates is transmission of shares. The word 'transmission' means devolution of title to shares otherwise than by transfer, for example, devolution by death, succession, inheritance, bankruptcy, marriage, etc. While transfer of shares is brought about by delivery of a proper instrument of transfer (viz., transfer deed) duly stamped and executed, transmission of shares is done by forwarding the necessary documents (such as a notarised copy of death certificate) to the company. On registration of the transmission of shares, the person entitled to transmission of shares becomes the shareholder of the company and is entitled to all rights and subject to all liabilities as such shareholder.

In case the deceased shareholder had holdings in different companies, then in order to effect transmission for these shares, the relevant documents must be sent to each of the companies, along with the share certificates. This results in a heavy reliance on the postal system. Follow-up may have to be made with each of the companies in order to get the transmission effected before the book closure, if the survivor(s) wishes to avail of the benefits accrued through these shares.

Now let us glimpse through Transmission of Securities in Depository System

In the depository system, all the aforementioned problems are mitigated as the shares are account balances in the electronic form. The process of transmission through the depository is not only simple but it is also faster. This is because the successor to the title interacts only with one entity - his Depository Participant (DP).

Below mentioned is the Transmission process case wise:

Case A - Transmission of Securities in case of Single Account Holder:

In case of death of the sole account holder, the legal heir(s) or legal representative(s) of the deceased must request the DP to transmit the balances lying in the Client account of the deceased to the account of the legal heir(s) or legal representative(s). For this, the legal heir (s) or the legal representative(s) of such securities must submit duly filled in "Transmission form" to the DP along with the following documents:

- a. A copy of the death certificate duly notarised
- b. A copy of the Succession certificate duly notarised or an order of a court of competent jurisdiction where the deceased has not left a Will; or
- c. A copy of the Probate or Letter of Administration duly notarised.

However, if the legal heir(s) or the legal representative(s) express inability to produce either of the documents mentioned under (b) and (c) above, and the market value of the securities held in each account of the deceased as on the date of application for transmission does not exceed ₹1lakh, then the DP will process the transmission request on the basis of the following documents:

- a. Transmission form;
- b. Copy of the death certificate duly notarised;
- c. Letter of Indemnity duly supported by a guarantee of an Independent surety acceptable to the DP, made on appropriate non judicial stamp paper;
- d. An affidavit made on appropriate non judicial stamp paper; and
- e. No Objection Certificate(s) from all the legal heir(s) who do not object to such transmission.

The DP will ensure that the documents submitted by the legal heir(s) or the legal representative(s) are in order and will then effect a transfer of the balances to the Client account of the legal heir(s) or the legal representative(s). After effecting the transmission, the DP will close the account of the deceased.

Case B - Transmission of Securities in case of Joint Account Holder:

In case the deceased was one of the joint holders, then the surviving holder has to request his DP vide a form called the "Transmission Form" along with a copy of notarised death certificate to transmit the securities lying in the account of the deceased to the account of the surviving holders.

Case C – Transmission of Securities to Nominee upon death of sole/all account holder(s):

Upon the death of the sole client (in case of securities held singly) or the death of all the clients (in case of securities held jointly), the nominee must request the DP in writing along with a certified true copy of the death certificate and transmission form to transmit the securities covered by the nomination to the account of the Nominee. The DP will ensure the completeness of the form and validity of the signature of the client and then execute the transmission request. Thus transmission of securities where nomination has been made eliminates the need of cumbersome legal documents such as will, succession certificate etc.

1. What do you mean by 'Market Trades' and 'Off Market Trades'?

Any trade settled through a clearing corporation is termed as a 'Market Trade'. These trades are done through stock brokers on a stock exchange. 'Off Market Trade' is one which is settled directly between two parties without the involvement of clearing corporation.



2. Do I have to keep any minimum balance of securities in my account?

No, there is no prescribed minimum balance. You can have a zero balance in your account.

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

Yes, if you authorise any person to operate your account by executing a Power of Attorney (POA) by updating the details with your DP, that person can operate the account on your behalf. If you have given POA earlier and now wish to operate the account yourself, the POA has to be revoked by you in writing to the Depository Participant (DP).

4. Why should I give my bank account details at the time of account opening?

Your bank account number will be mentioned on the interest or dividend warrant, you are entitled to, so that these warrants cannot be encashed by anyone else. Further, a bank account number is mandatory to open a DP account.

5. What is 'Standing Instruction' given in the account opening form?

In a bank account, the account is credited only when a 'paying in' slip is submitted along with cash/cheque. Similarly, in a depository account 'Receipt in' form has to be submitted to receive securities in the account. However, for the convenience of investors, the facility of 'standing instruction' is provided. If you say 'Yes' for standing instruction, you need not submit 'Receipt in' slip every time you buy securities.

6. 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 the bank account. Any instruction in a Demat account needs to be executed "jointly".

7. How would I get my dividend / interest or other cash entitlements?

The concerned company obtains the details of beneficiary holders and their holdings from NSDL. The payment to the investors will be made by the company through the ECS (Electronic Clearing Service) facility or by issuing warrants on which your bank account details are printed. The bank account details will be those which you would have mentioned in your account opening form or changed thereafter.

8. Can I change details of my bank account?

Yes. In the depository system, monetary benefits on your security balances are paid directly into the bank account as per the details provided by you at the time of opening the account. Hence you must ensure that you inform your DP of any subsequent change in bank account details.

9. What settlement details are required on the delivery instruction slip?

On every stock exchange, various settlements are effected every day such as daily settlement, auction settlement, etc. Each of these settlements is identified by a combination of a market type and a settlement number. You are required to mention the appropriate settlement details on the delivery instruction slip while transferring the shares to your broker's account. These settlement details are available on the contract note issued by the broker.

“Did You Know”

The total custody value of securities by top 10 CSD's in the world sums up to a mammoth figure of 84.63 trillion USD. NSDL alone is ahead of 180 countries in its custody value which is also higher than the aggregate bank deposits in India. This shows the power and potential in the securities market.

“Quote of the month”

Investment philosophy is the clear understanding that by owning shares of stocks he owns businesses, not pieces of paper.
- Warren Buffett

Statement of Account through Electronic Mode and registration of email ID

The procedure for providing statement of account in electronic mode by the Participants is revised as given below:

- 1. Participants have to obtain a written or electronic request from Client. The electronic request can be obtained in any of the following modes provided controls are implemented:**
 - a. Through registered email ID
 - b. Through website of Participant
 - c. Through IVRS system by using tele-pin
 - d. Through ATM in case of Bank Participants
- 2. Participants have to Inform Client about the following:**
 - a. Client must ensure the confidentiality of the password of email account.
 - b. Client must promptly inform the Participant if the email address has changed.
 - c. Client may opt to terminate this facility by giving 10 days prior notice. Similarly, Participant may also terminate this facility by giving 10 days prior notice.

NSDL has developed a new facility on NSDL CAS microsite (<https://nsdlcas.nsd.com/>) whereby Clients can submit their requests to receive statement of account in electronic mode (i.e. eCAS) and also able to provide its email ID for the same. Further, the NSDL CAS microsite facility will be enhanced by November 30, 2015 so that the updated email ID and the request to receive statement of account in electronic mode which is recorded on NSDL CAS microsite will be updated directly in the demat account of the Client.

(Ref: Circular No. NSDL/POLICY/2015/0090 dated October 9, 2015)

Launch of Online registration facility for IDeAS

NSDL has enhanced its IDeAS (Internet-based Demat Account Statement) facility whereby Clients can register for IDeAS through 'Register Online for IDeAS facility' directly on e-Services website (<https://eservices.nsd.com>) and start using the same. This facility eliminates the need for Clients to submit the online registration documents to the Participants for subsequent authorization of IDeAS facility. This facility can be availed by only those clients who have registered mobile number in DPM system for at least one of the account holders.

Further details about this circular are posted on NSDL website www.nsd.co.in.

(Ref: Circular No. NSDL/POLICY/2015/0093 dated October 27, 2015)

Investor Education initiatives undertaken by NSDL

Joint Awareness Programmes :

In order to reach out to investors that are spread across the country and to apprise them about the facilities available in NSDL depository system and the awareness on stock markets, NSDL conducted 40 Joint Awareness Programmes during October 2015 in association with Axis Securities Limited, BMA Wealth Creators Limited, Geojit BNP Paribas Financial Services Limited, ICICI Securities Limited, SMC Global Securities Limited, Jhaveri Securities Limited, Ventura Securities Limited, Tracom Stock Brokers Private Limited, Sharekhan Limited, Religare Securities Limited, Peerless Securities Limited & Kotak Securities Limited. NSDL also conducted two Joint Awareness Programmes in association with Integrated Enterprises (India) Limited, NSE, Nanayam Vikatan & a Joint Awareness Programme with Economic Times presenting Money Gurukul. These programmes were attended by more than 3,500 investors.

Regional Investor Awareness Programme with Securities and Exchange Board of India (SEBI) & National Stock Exchange of India Limited (NSE):

In order to reach out to masses spread across the country and to apprise them about the facilities available in NSDL depository system, NSDL conducted three Joint Awareness Programmes with SEBI at Kannur, Chandigarh & Delhi & a Joint Investor Seminar with SEBI & NSE at Guwahati, Assam in October 2015. These programmes were attended by more than 450 investors.

Participation in events conducted by Institutions:

In October 2015, NSDL participated in an event CAPAM, the annual capital markets conference organized by Federation of Indian Chamber of Commerce and Industry (FICCI) at Mumbai. This event was attended by more than 250 participants.

Read and Win!

What are the benefits of availing SMS alert facility in a demat account?

Send your replies providing your contact details (Name, address and contact no.) with the subject 'Knowledge Wins Contest - November 2015' 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 contact details (contact name, address & contact number) with the subject "Suggestions for the newsletter" to info@nsdl.co.in

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