



From The Editor's Desk

In the previous edition of The Financial Kaleidoscope titled 'Demat Simplified', we took a look at the basics of demat account and related services and facilities available to an investor. We also noted some best practices that an investor should follow while operating the demat account.

In this issue of The Financial Kaleidoscope, we will cover some more facilities available in demat account. We believe that

knowing these will help you to make maximum use of your demat account.

As always, we welcome your suggestions and feedback to make this newsletter better. Please feel free to write to us at info@nsdl.co.in.

Regards,
Team NSDL

Introduction to Nomination

What is the meaning of nomination?

Nomination is a simple process by which a holder of securities communicates his / her preference regarding who should receive these securities after his / her death.

Why is nomination important for a demat account?

Nomination makes the process of transmission of shares easier. In case of death of the demat account holder, shares can be transferred to nominee(s) mentioned in the demat account without the need for a Succession Certificate or Letter of Administration, etc. if nomination is given in the demat account, it avoids disputes and legal hassles that may arise after the death of the account holder.

When can nomination be done in demat account?

Process of nomination in demat account can be done at the time of opening of demat account or any time later. Once nomination is done, it can be modified or cancelled by the account holder(s) anytime, any number of times.

Who can nominate?

All Individual demat account holders can nominate their preferred individuals in demat account. Nomination is not applicable to demat account held by non-individuals, such as companies, and minors.

Who can be a nominee?

A demat account holder operating his/her demat account either singly or jointly can appoint any individual as a nominee. A minor can also be a nominee in a demat account (his / her guardian details will be required).

Is nomination mandatory to open a demat account?

No, nomination is not mandatory at the time of opening a demat account. If an account holder wishes not to nominate, then he/she should give a clear declaration mentioning "I/We do not wish to make a nomination". However, it is very much recommended to have nominee mentioned in the demat account.

What is the procedure to appoint a nominee?

A demat account holder can appoint a nominee(s) at the time of

opening a demat account by mentioning the details of nominee in the account opening form. Account holder also has the option to add nominee(s) or modify nominee(s) anytime later by submitting details in specified format. The format can be obtained from your DP. The form should be signed by sole account holder or in case of a joint demat account, by all the account holders.

Can a demat account holder have multiple nominations in a demat account?

Yes, a demat account holder has option to appoint upto three nominees in one demat account. While the procedure to appoint multiple nominees is same, account holder is required to specify the proportion (in %) in which the securities lying in the demat account should be distributed among the named nominees in case of his / her death.

Can separate nomination be made for each security held in a demat account?

No. Nomination can be made account wise and not security wise. This means, in case of death of account holder, all the securities lying in the demat account, are liable to be transmitted to nominee(s) in the pre-registered proportion. If you wish different nominees for different securities, then you may consider keeping the securities in different demat accounts and mention nominee(s) as per your choice.

Can a NRI be a nominee?

Yes, NRI can be a nominee in a demat account subject to the provision of foreign exchange regulations in force.



Pledging shares held in demat account

Pledging is basically committing the shares held by a person (pledgor) in favour of another person (pledgee) as a security or collateral for the credit / loan / exposure granted by pledgee. Generally, shares are pledged by the holders for taking loan against shares (popularly known as LAS).

What is the process of pledging securities held in demat account in favour of a bank?

The procedure is as follows:

- a) You need to arrive at a deal with the bank in terms of loan amount, tenure, rate of interest and kind of securities acceptable to bank as collaterals, etc. The commercial aspects of such deal are subject matter of mutual negotiation and outside the purview of Depository.
- b) Both of you (pledgor) and bank / lender (pledgee) must have demat account with the same depository (with same or different DPs).
- c) You as pledgor need to initiate the pledge by submitting a duly filled up 'Pledge Initiation Instruction Slip' to your DP.
- d) Once your DP processes your instruction, the details can be seen (or searched) by the DP of the bank / lender (pledgee). Pledgee needs to give duly filled in 'Pledge Confirmation Instruction Slip' to its DP. (Alternatively, pledgee may opt to have automatic pledge confirmation facility in its demat account, which removes the requirement of such a confirmation instruction). Upon execution of such confirmation instruction, pledge will be created in the depository system.

What happens to shares which are pledged?

Shares which are pledged remain in the same demat account (means that the pledgor continues to be the beneficial owner of pledged shares). However, these shares are blocked in favour of the pledgee and cannot be transferred to anyone else, until pledge is closed.

What is a pledge closure?

As the name suggests, a pledge closure is a process in which the securities blocked in pledgers demat account are released

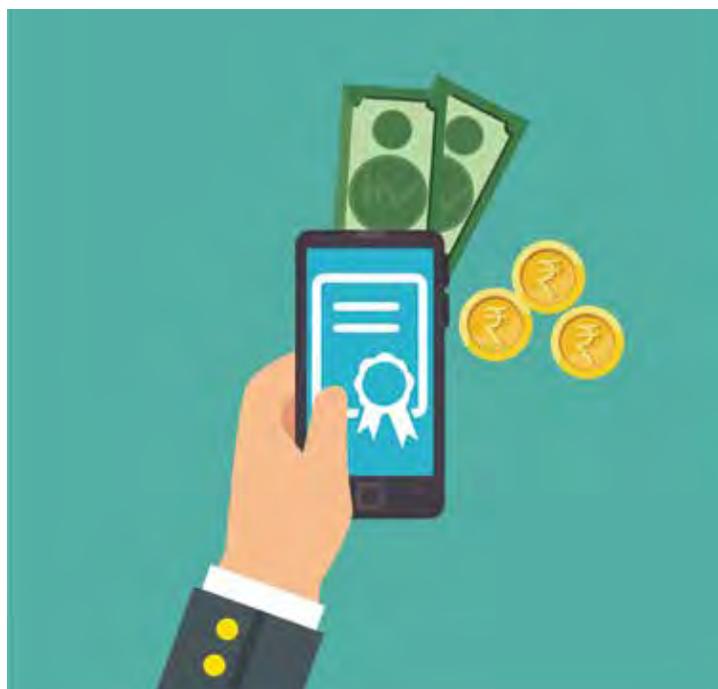
upon the instruction of pledgee. Once a pledgor repays the loan amount to bank / lender, pledgor should submit a 'Pledge Closure Initiation Slip' to his / her DP. The pledgee then should submit 'Pledge Closure Confirmation Instruction' to his / her DP. Once such instruction is executed successfully by pledgee's DP, the block created on shares at the time of pledge creation is removed and shares become freely transferable once again.

Who will receive dividend on the pledged securities?

The pledgor continues to be the beneficial owner of the underlying securities during the period of pledge. Therefore, all the corporate benefits declared by the company during this period belong to pledgor. The pledgee will get the benefits if pledge is invoked and on record date, the shares remain in pledgee's account.

What is Digital LAS facility?

Digital LAS (Loan Against Shares) is a facility enabled by NSDL for making the process of loan against shares online. Using this facility, a demat account holder can obtain finance (loan) against pledge of eligible securities held in demat account in favour of lending bank. For more information on this, you may check with a participating bank offering this service.



Securities Lending and Borrowing Scheme

What is the meaning of lending and borrowing of securities? How does it work?

Securities Lending and Borrowing Scheme (SLBS) is a mechanism by which short sellers can borrow the required securities on the stock exchange platform to meet their delivery obligations or as collaterals. This scheme is run by clearing corporations which are registered as 'Approved Intermediaries.'

Stockbrokers who register themselves as 'Participant' with the Approved Intermediary, may participate in SLBS for their own account or on behalf of their clients. Retail investors may participate in the scheme through their stockbroker as lender or borrower. Lending and borrowing are effected through the depository system on a T + 1 settlement basis. SLBS is permitted in dematerialized form only.

Transmission and Transposition of Shares

What is Transmission in relation to demat account?

Transmission is the process of transferring the ownership title of shares to surviving joint holder(s) or nominee(s) or legal heir(s) in case of death of demat account holder(s).

Following diagram explains how the transmission will take place in case of death of a single or a joint demat account holder:

Transmission

In the event of ↓	Transmission in favour of ↓	
	Nomination given	Nomination not given
Death of a single holder	Nominee	Legal heir (as per Succession certificate / Will / Probate / Letter of Administration)
Death of one of the joint holders	Surviving joint holder (s)	Surviving joint holder(s)
Death of all the joint holders	Nominee	Legal heir (as per Succession certificate / Will / Probate / Letter of Administration)

What is the procedure for Transmission of securities?

For securities held in a demat account, the process for transmission is fairly straightforward as against shares held in a paper form.

- **In case of the death of the sole account holder where nominee(s) is mentioned in demat account:**

Nominee(s) need to apply for the transmission of securities held in demat account to DP along with following documents

- a. Duly filled in and signed Transmission Form
- b. Copy of the death certificate of the deceased account holder attested by a public notary or a Gazetted Officer,
- c. If nominee does not hold a demat account with the same DP, he / she is required to submit a copy of the Client Master Report certified by the respective DP.

Upon verification of the above documents, the securities are transmitted by the DP to the demat account of the nominee(s).

- **In case of the death of the sole account holder where nominee(s) is not mentioned:**

In such a case, the securities are transmitted to the demat

account of legal heir(s), as may be determined by an order of the competent court. Following documents are required for this purpose -

- a. Duly filled in and signed Transmission Form.
- b. Copy of death certificate of the deceased account holder attested by a public notary or a Gazetted Officer,
- c. Copy of the Succession certificate or Will or Probate or Letter of Administration duly notarized.
- d. In case the account of the claimant is not with the same DP, he / she is required to submit a copy of the Client Master Report certified by the respective DP.

However, if the value of securities to be transmitted is below ₹ 5 lakh (on the day of application for transmission), the DP may process the request based on following documents in place of succession certificate, probate, will or letter of administration:

- a. Letter of Indemnity (in prescribed format),
- b. Affidavit (in prescribed format) and
- c. No Objection Certificate(s) in prescribed format or Family Settlement Deed.

What is Transposition in a demat account?

The joint holders are entitled to change the sequence of names by making a written request to the company. This does not constitute a transfer of ownership. Changing the sequence of names of joint holders is called 'Transposition'. Transposition facility can be availed for entire holdings in a folio and not allowed for part of the holdings.

If the same set of joint holders hold securities in different sequence of names, then there is no need to open multiple demat accounts for dematerialization of such securities. Using 'Transposition cum Demat facility' securities held vide certificates in different combinations of names, can be dematerialized in one demat account. For this purpose, Dematerialization Request Form (DRF) and an additional form called 'Transposition cum Demat Form' should be submitted to the DP.

Basic Service Demat Account (BSDA)

What is Basic Service Demat Account (BSDA)?

Basic Services Demat Account (BSDA) is just like a regular demat account which allows account holder to avail demat services at no or low Annual Maintenance Charges (AMC).

Who can avail BSDA?

Individuals meeting the following conditions may avail the benefit of BSDA –

- Individuals who have only one demat account as sole or first holder (across depositories). Individuals can be second or third holder in any other demat account(s).
- Value of securities held in the demat account shall not exceed Rs.4,00,000 at any point of time.
- It is necessary to provide a mobile number and opt for SMS alert facility in order to avail BSDA.

What are the annual maintenance charges for BSDA?

The annual maintenance charges for BSDA, as stipulated by SEBI in various situations are as follows:

Value of Debt Securities (₹)	Value of other than Debt Securities (₹)	Total Value (₹)	AMC (₹)
Upto 1,00,000	Upto 50,000	Upto 1,50,000	0 (Nil)
Over 1,00,000 but less than 2,00,000	Over 50,000 but less than 2,00,000	Upto 4,00,000	Maximum 100
Over 2,00,000	Over 2,00,000	Over 4,00,000	As per regular account

The value of the holdings for this purpose is determined by the DP based on the daily closing price or NAV for the securities / mutual fund units. If value of holdings in BSDA exceeds the above limit on any day, DP may change the status of account to a regular account and levy annual maintenance charges applicable to regular accounts (non-BSDA) from that day onwards.

Transferring shares held in demat account

What is a Delivery Instruction Slips (DIS) and why is it important?

DIS is similar to a cheque book of a bank account. It is an instruction given by the demat account holder(s) to his / her DP to transfer share (or other kind of securities) from his / her account to some other specified demat account. It is important for a demat account holder to note the following points while using a DIS:

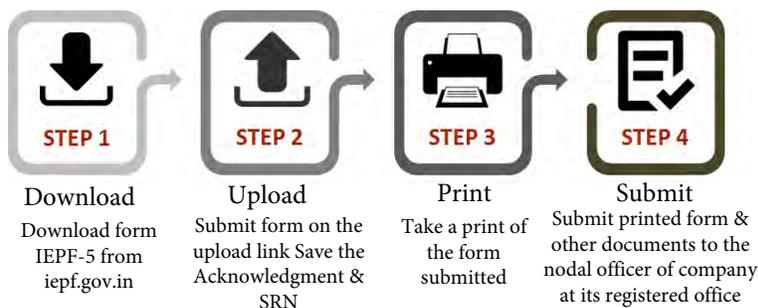
- Ensure that the DIS book issued by a DP is pre-printed and serially-numbered.
- All slips must contain the correct DP ID, DP Name and Client ID.
- Keep DIS book in a safe custody just like a cheque book.
- In case a slip or a DIS book is misplaced or lost, the DP should be notified at the earliest to avoid misuse or fraudulent transactions.
- All instruction slips should be properly filled and signed by all the joint account holders before submitting it to DP.

In addition to physical DIS, demat account holders can submit instructions in electronic form to DP using NSDL

SPEED-e facility. Details of this facility are available on <https://eservices.nsdl.com>.

What is the procedure for claiming dividend amount / shares which have been transferred to IEPF Authority?

All dividends and shares, which remain unpaid or unclaimed for seven consecutive years due to any reason, are transferred by respective companies to Investor Education and Protection Fund (IEPF) Authority. IEPF Authority is a statutory body, constituted under the provisions of Companies Act, 2013. The process for claim are shown below -



One applicant can file one claim form for each company in one financial year. It is important to know that all companies need to publish details of unclaimed shares and dividend on their website.



(From L to R): Mr. G. V. Nageswara Rao, MD & CEO, NSDL and Mr. Samar Banwat, Executive Director, NSDL unveiling the book 'NSDL Primer on Personal Finance'

Launch of 'NSDL Primer on Personal Finance'

NSDL has published a new book on investor education named 'NSDL Primer on Personal Finance'. This aims to serve as a step by step guide to create wealth. This book was launched during the 34th DP Conference held in Mumbai on January 4, 2020 by Mr. G. V. Nageswara Rao, MD & CEO, NSDL. Electronic version of the book is available on NSDL website at <https://nsdl.co.in/downloadables/pdf/NSDL%20Finance.pdf>

Some other useful publications from NSDL are mentioned below –

- **e-Guide for Demat Account Holders** available in 9 languages <https://nsdl.co.in/publications/investorguide.php>
- **Information Brochure for Investors** available in 9 languages <https://nsdl.co.in/publications/infobrochureforinvestors.php>
- **Booklet on Securities Market** <https://nsdl.co.in/downloadables/pdf/SEBI%20Booklet.pdf>

Government of India notification regarding the Indian Stamp (Collection of Stamp-Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019

Investors are requested to take note of recent amendments to the Indian Stamp Act, 1899 enabling states to collect stamp duty on transactions in securities, through the Stock Exchanges or Clearing Corporations or Depositories). Accordingly, with effect from April 1, 2020, the depositories will collect stamp duty from the transferor in case of off market transfers on the consideration amount specified by the transferor, in his/her delivery instruction. In case of invocation of pledge, stamp duty shall be collected from

the pledgee on the market value of the securities. You may refer to circulars issued by NSDL for more information on this.

Reference: Circular Nos. NSDL/POLICY/2019/0086, NSDL/POLICY/2019/0089, and NSDL/POLICY/2020/0004 dated December 12, 2019, December 18, 2019 and January 8, 2020 respectively, available on NSDL website www.nsdl.co.in

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 December 2019, NSDL conducted six such training programmes at Ahmedabad, Kolkata, Mumbai and New Delhi.

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 3,800 programmes which have been attended by more than 3.73 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	Type of Training Programme
1	January 24, 2020	Mumbai	Continuing Professional Education – Depository Operations Module
2	January 25, 2020	New Delhi	Continuing Professional Education – Depository Operations Module
3	January 25, 2020	Ahmedabad	Continuing Professional Education – Depository Operations Module

* Schedule is subject to change.

Forthcoming Investor Awareness Programmes

Sr. No.	Date	Venue	City	State / UT	Timing
1	18-Jan-20	Morsel Restaurant, G F Atlantis Heritage, Sarabhai Main Road, Wadi, Vadodara - 390017, Gujarat	Vadodara	Gujarat	07.00 p.m. - 09.00 p.m.
2	24-Jan-20	Hotel Delice, 5th Floor, Govindam Commercial Hub, Bhilwara - 311001, Rajasthan	Bhilwara	Rajasthan	05.00 p.m. - 08.00 p.m.
3	24-Jan-20	White Potato, 4 GEB Road, Shrenik Park Char Rasta, Rajnagar Society, Vadodara - 390020, Gujarat	Vadodara	Gujarat	07.00 p.m. - 09.00 p.m.
4	25-Jan-20	Hotel Vamshee International Phulong X-Road, Hyderabad Road, Nizamabad - 503003, Telangana	Nizamabad	Telangana	10.30 a.m. - 01.00 p.m.

Sr. No.	Date	Venue	City	State / UT	Timing
5	25-Jan-20	White Potato, 4 GEB Road, Shrenik Park Char Rasta, Rajnagar Society, Vadodara - 390020, Gujarat	Vadodara	Gujarat	07.00 p.m. - 09.00 p.m.
6	31-Jan-20	Morsel Restaurant, G F Atlantis Heritage, Sarabhai Main Road, Wadi, Vadodara - 390017, Gujarat	Vadodara	Gujarat	07.00 p.m. - 09.00 p.m.
7	31-Jan-20	Navjivan Restaurant, G/42-44 Belgium Tower, Opposite Linear, Bus Stand, Ring Road, Umarwada, New Textile-Market, Surat - 395006, Gujarat	Surat	Gujarat	07.00 p.m. - 09.00 p.m.
8	1-Feb-20	Hotel Sasya Pride, Survey 209/4 & 209/8, Woodland Complex, Near Gowri Gopal Hospital Road, Kurnool - 518002, Andhra Pradesh	Kurnool	Andhra Pradesh	06.30 p.m. - 09.00 p.m.
9	2-Feb-20	The Park No. 1, Sector 10, C B D Belapur	Navi Mumbai	Maharashtra	04.30 p.m. - 09.00 p.m.
10	8-Feb-20	Hotel M B Plaza, Near Thane Mod, Jaipur Road, Chomu - 303702, Rajasthan	Chomu	Rajasthan	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 !

Any dividend etc. declared during the period of pledge, belongs to whom, pledgor or pledgee?

Email your reply mentioning your name, address and contact no. with the subject 'Knowledge Wins Contest - November 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
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