Study Notes for NISM-Series-VI: Depository Operations Certification Examination

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Examination Details

Total Questions	100 X 1 Marks
Total Marks	100
Type	Multiple Choice
Pass Score	60% = 60 marks
Duration	2 Hours
Negative marks	-0.25

Chapterwise Weightages

Chapter no	Chapter name	Marks
1	Introduction to Securities Market	5
2	Introduction to depository	10
3	Depository and its business partners	12
4	Functions of DP - Account Opening	12
5	Functions of DP- Account Operations	3
6	Functions of DP - Transmission & Nomination	5
7	Functions of DP Dematerialisation	9
8	Functions of DP - Trading and Settlement	13
9	Functions of DP - Pledge and Hypothecation	10
10	Functions of DP - Corporate Action & Public Issues	7
11	Functions of DP - Debt and Government Securities	10
12	Additional Services – Foreign Portfolio Investor	2
13	Investor Services	2

NISM-Series-VI: Depository Operations Certification Examination

Chapter 1: Introduction to the Indian Capital Market

Capital Market: The capital market facilitates raising funds through securities like equity and debt for long-term financing.

Primary Market: Involves issuance of new securities to raise capital, directly involving issuers and investors.

Secondary Market: Provides a platform for trading existing securities, ensuring liquidity and price discovery.

Regulatory Framework: Governed by laws like the Securities Contracts (Regulation) Act, 1956, and SEBI Act, 1992.

SEBI's Role: SEBI regulates intermediaries, protects investors, and ensures market integrity.

Depositories: Act as intermediaries providing infrastructure for holding and transferring securities in dematerialized form.

Stock Exchanges: Recognized platforms for trading securities, ensuring compliance with regulations.

Securities Types: Include equity shares, preference shares, debentures, and government securities.

Market Intermediaries: Include stockbrokers, depositories, and clearing corporations facilitating market operations.

Investor Protection: SEBI enforces measures to safeguard investor interests and penalize non-compliance.

Depository Functions: Enable dematerialization, transfer, and maintenance of securities in electronic form.

Capital Market Segments: Comprise equity, debt, and derivative markets for varied investment needs.

SCRA 1956: Governs stock exchanges and securities contracts to ensure fair trading practices.

SEBI Act 1992: Empowers SEBI to regulate securities markets and protect investors.

Depositories Act 1996: Provides legal framework for depository operations and dematerialization.

Companies Act 2013: Regulates issuance and transfer of company securities.

Market Liquidity: Ensured by market makers quoting bid and ask prices.

Book Entry System: Securities are held and transferred electronically, reducing physical certificate risks.

SROs: Self-regulatory organizations like stock exchanges enforce compliance with securities laws.

Securities Appellate Tribunal: Hears appeals against SEBI orders under securities laws.

HLCCFM: High-Level Coordination Committee on Financial Markets addresses inter-regulatory issues.

Dematerialization: Conversion of physical securities into electronic form for ease of transfer.

Ownership Records: Depositories maintain records in book-entry form for transparency.

Market Infrastructure: Depositories and clearing corporations provide critical support to markets.

Investor Education: SEBI promotes awareness to enhance investor decision-making.

Securities Transfer: Depositories make securities freely transferable, subject to exceptions.

Regulatory Compliance: Intermediaries must adhere to SEBI and stock exchange regulations.

Primary Market Role: Facilitates capital raising through IPOs and rights issues.

Secondary Market Role: Enables trading of listed securities for liquidity.

Market Regulation: SEBI penalizes intermediaries for market misconduct.

Depository Benefits: Reduce risks like theft, forgery, and mutilation of certificates.

Electronic Trading: Stock exchanges facilitate trading through electronic platforms.

Market Transparency: Ensured through regulatory disclosures and reporting.

Capital Market Growth: Supported by robust regulatory and infrastructural frameworks.

Intermediary Registration: SEBI mandates registration for market intermediaries.

Investor Grievances: SEBI provides mechanisms like SCORES for complaint resolution.

Market Efficiency: Enhanced by depositories' streamlined processes.

Securities Laws: Include SCRA, SEBI Act, Depositories Act, and Companies Act.

Depository Participants: Act as agents of depositories for investor services.

Market Accessibility: Depositories improve access to securities trading.

Corporate Governance: SEBI enforces standards for listed companies.

Financial Instruments: Include shares, bonds, and derivatives traded in markets.

Market Oversight: SEBI monitors intermediaries to prevent market abuse.

Clearing Corporations: Ensure settlement of trades, reducing counterparty risk.

Securities Listing: Stock exchanges regulate listing of securities.

Investor Confidence: Bolstered by SEBI's regulatory oversight.

Depository System: Multi-depository system with NSDL and CDSL in India.

Market Development: SEBI promotes innovation and growth in capital markets.

Legal Framework: Ensures securities are held and transferred securely.

Market Participants: Include issuers, investors, and intermediaries like DPs.

Chapter 2: Introduction to Depository

Depository System: Enables holding and transferring securities in electronic form.

Multi-Depository System: India has NSDL and CDSL as primary depositories.

Dematerialization: Converts physical securities into electronic records.

Book Entry Form: Ownership records maintained electronically by depositories.

Depositories Act 1996: Provides legal framework for depository operations.

SEBI Regulation: Depositories are regulated by SEBI for compliance.

Depository Participants (DPs): Act as intermediaries between depositories and investors.

NSDL and CDSL: Two main depositories facilitating securities transfer.

Legal Framework: Includes Depositories Act, SEBI regulations, and bye-laws.

Net Worth Requirement: Depositories must maintain a minimum net worth of Rs. 100 crore.

Bye-Laws: Approved by SEBI to govern depository operations.

Electronic Transfer: Securities transferred via book entries, enhancing efficiency.

Investor Services: DPs provide account opening, demat, and transfer services.

Depository Benefits: Eliminates risks like theft, forgery, and mutilation.

Regulatory Compliance: Depositories ensure adherence to SEBI guidelines.

Ownership Records: Maintained in electronic form for transparency.

Inter-Depository Transfer: Facilitates movement of securities between NSDL and CDSL.

Depository Infrastructure: Supports capital market operations with technology.

Account Types: Include beneficial owner, clearing member, and corporate accounts.

PMLA Compliance: Depositories adhere to anti-money laundering regulations.

Record Maintenance: Depositories maintain records as per SEBI specifications.

Investor Protection: Depositories ensure secure handling of securities.

Depository Functions: Include demat, remat, pledge, and corporate actions.

Technology Integration: Depositories use automated systems for efficiency.

SEBI Oversight: Ensures depositories comply with securities laws.

Client Identification: DPs follow KYC norms for account opening.

Securities Eligibility: Only SEBI-approved securities can be dematerialized.

Depository Registration: Requires SEBI approval and compliance with bye-laws.

Risk Reduction: Electronic systems reduce physical certificate risks.

Depository Operations: Governed by SEBI and depository bye-laws.

Investor Access: Depositories provide easy access to securities markets.

Corporate Actions: Depositories facilitate distribution of benefits like dividends.

System Audits: Depositories conduct regular reviews of controls and systems.

Intermediary Role: DPs act as agents for depository services.

Securities Transfer: Enabled through electronic instructions.

Depository Accountability: Subject to SEBI inspections and audits.

Client Grievances: Depositories provide mechanisms for complaint resolution.

PMLA Records: Reduced retention period from 10 to 5 years per 2013 notification.

Depository Agreements: Govern rights and obligations of DPs and clients.

Market Integration: Depositories link with stock exchanges and clearing corporations.

Securities Holding: Held in demat form for ease of transfer.

Depository Technology: Ensures speed, accuracy, and security in transactions.

Investor Education: Depositories promote awareness of demat benefits.

Regulatory Framework: Ensures depositories operate within legal boundaries.

Depository Participants: Must register with SEBI and depositories.

Securities Records: Depositories maintain detailed records of securities.

Electronic Systems: Enhance efficiency and transparency in operations.

Depository Services: Include account maintenance, transfers, and pledges.

Market Infrastructure: Depositories are key components of market ecosystem.

Client Protection: Depositories ensure safeguards for investor assets.

Chapter 3: Depository and its Business Partners

Depository Participants (DPs): Act as agents for depositories, providing client services.

Business Partners: Include issuers, R&T agents, and clearing corporations.

DP Registration: Requires SEBI approval and compliance with depository bye-laws.

Eligibility Criteria: DPs must meet financial and operational standards.

Net Worth Requirement: DPs need a minimum net worth as per SEBI norms.

Office Space: DPs must have dedicated space for depository operations.

DP Agreement: Formal agreement with depository outlines rights and obligations.

SEBI Oversight: DPs are subject to SEBI inspections and audits.

KYC Compliance: DPs follow KYC norms for client identification.

Client Services: DPs offer account opening, demat, and transfer services.

Issuer Role: Companies issue securities eligible for dematerialization.

R&T Agents: Facilitate demat and remat processes for issuers.

Clearing Corporations: Ensure settlement of trades in coordination with DPs.

PMLA Compliance: DPs adhere to anti-money laundering regulations.

Record Maintenance: DPs maintain client and transaction records as per SEBI.

Grievance Redressal: DPs resolve investor complaints as per guidelines.

Technology Integration: DPs use automated systems for efficiency.

DP Responsibilities: Include compliance with depository and SEBI rules.

Client Identification: DPs verify client identity through KYC documents.

Securities Transfer: DPs facilitate electronic transfer of securities.

DP Audits: Conducted to ensure compliance with regulations.

Investor Protection: DPs ensure secure handling of client securities.

Corporate Actions: DPs facilitate distribution of benefits like dividends.

Depository Oversight: Depositories monitor DP operations for compliance.

DP Training: DPs must pass NISM certification for operations.

Account Types: DPs manage various account types like BO and CM accounts.

SEBI Circulars: DPs comply with SEBI guidelines for operations.

Client Statements: DPs provide periodic transaction statements to clients.

Anti-Money Laundering: DPs appoint designated directors for PMLA compliance.

Record Retention: DPs maintain records for 8 years under PMLA.

DP Infrastructure: Requires adequate technological and operational setup.

Investor Services: DPs offer services like pledge and nomination.

Compliance Reporting: DPs submit reports to depositories and SEBI.

DP Termination: Requires depository approval for cessation of operations.

Client Grievances: DPs resolve complaints through depository mechanisms.

Depository Agreements: Govern DP-client relationships.

Securities Eligibility: DPs ensure only approved securities are dematerialized.

DP Operations: Include account maintenance, transfers, and pledges.

Regulatory Compliance: DPs adhere to SEBI and depository regulations.

Client Verification: DPs verify client details through KYC processes.

DP Technology: Ensures efficient and secure transaction processing.

Issuer Coordination: DPs work with issuers for demat and corporate actions.

Clearing Member Accounts: DPs manage CM accounts for trade settlement.

DP Certification: Requires NISM certification for operational staff.

Investor Education: DPs promote awareness of depository services.

DP Accountability: Subject to SEBI and depository oversight.

Securities Records: DPs maintain detailed records of client securities.

Operational Guidelines: DPs follow SEBI circulars for operational clarity.

Client Protection: DPs ensure safeguards for investor assets.

Depository System: DPs are integral to the multi-depository system.

Market Integration: DPs link with depositories and stock exchanges.

Chapter 4: Functions of Depository Participant-Account Opening

Account Opening: DPs facilitate opening of demat accounts for investors.

KYC Compliance: Mandatory KYC verification for account opening.

Beneficial Owner Account: Used by investors to hold securities in demat form.

Clearing Member Account: Used by brokers for trade settlement.

SARAL Account: Simplified account for small investors with relaxed KYC.

Document Verification: DPs verify documents like PAN, Aadhaar, and address proof.

In-Person Verification (IPV): Mandatory for account opening, can be done via webcam.

Authorized Signatories: Required for corporate and non-individual accounts.

Rights and Obligations: Clients receive a document outlining rights and duties.

SEBI Guidelines: DPs follow SEBI circulars for account opening procedures.

Client Identification: DPs verify client identity through KYC documents.

PAN Mandatory: PAN is required for all demat account holders.

Bank Details: DPs capture bank details for transactions and payouts.

Nomination Facility: Clients can nominate beneficiaries for their accounts.

Account Types: Include individual, corporate, HUF, and NRI accounts.

Power of Attorney (POA): Can be used for account operations with client consent.

Electronic KYC: Aadhaar-based e-KYC allowed for resident investors.

Client Statements: DPs provide transaction statements to clients.

DP Responsibilities: Include ensuring compliance with SEBI and depository rules.

Account Closure: Requires client request and depository approval.

Grievance Redressal: DPs handle client complaints as per SEBI guidelines.

PMLA Compliance: DPs adhere to anti-money laundering regulations.

Record Maintenance: DPs maintain client records for regulatory compliance.

Investor Education: DPs inform clients about account operations.

SEBI Circulars: Guide DPs on account opening and KYC processes.

Client Verification: DPs verify client details through KYC documents.

Account Activation: Requires depository system integration for live operations.

DP Technology: Ensures secure and efficient account opening processes.

Nominee Details: Captured during account opening for transmission.

HUF Accounts: Require PAN of HUF entity and Karta for opening.

Corporate Accounts: Need board resolution and authorized signatory details.

NRI Accounts: Require attested KYC documents for foreign nationals.

Minor Accounts: Operated by guardians with restricted debit instructions.

Partnership Accounts: Require partnership deed and authorized signatory details.

Trust Accounts: Need trust deed and trustee details for account opening.

DP Audits: Ensure compliance with account opening procedures.

Client Protection: DPs safeguard client assets and data.

Depository Oversight: Depositories monitor DP account opening processes.

Account Modification: DPs allow changes like address or nomination updates.

KYC Attributes: Mandatory attributes include PAN, address, and contact details.

Accredited Investors: Defined by income or net worth criteria for special accounts.

UCC Mapping: DPs ensure client UCC is mapped with demat accounts.

DP Training: Staff must be NISM-certified for account operations.

Electronic Signatures: eSign allowed for KYC document submission.

Client Consent: Required for account operations and document submission.

Depository System: DPs integrate with NSDL/CDSL for account management.

Investor Services: DPs provide nomination, pledge, and transfer services.

Regulatory Compliance: DPs adhere to SEBI and depository regulations.

Account Security: DPs ensure secure handling of client accounts.

Client Awareness: DPs educate clients on demat account benefits.

Chapter 5: Functions of Depository Participant-Account Operations

Account Operations: DPs manage demat account transactions and maintenance.

Transaction Statements: Provided periodically to clients for transparency.

BSDA Accounts: Basic Services Demat Accounts for small investors with lower charges.

KYC Updates: DPs update client KYC details as per SEBI guidelines.

Account Freezing: DPs can freeze accounts for debits or credits as needed.

Delivery Instruction Slips (DIS): Issued to clients for transaction instructions.

Electronic Instructions: Clients can use facilities like SPEED-e for transactions.

Pledge Services: DPs facilitate pledge creation and closure for clients.

Nomination Updates: DPs allow changes to nomination details in accounts.

Account Closure: Requires client request and depository approval.

SEBI Guidelines: DPs follow circulars for account operation procedures.

Client Verification: DPs verify client instructions for transactions.

Corporate Actions: DPs facilitate distribution of benefits like dividends.

Inter-Depository Transfers: DPs manage transfers between NSDL and CDSL.

Account Types: DPs handle BO, CM, and corporate accounts.

PMLA Compliance: DPs adhere to anti-money laundering regulations.

Record Maintenance: DPs maintain transaction records for 8 years.

Investor Protection: DPs ensure secure handling of client securities.

DP Technology: Supports efficient and secure account operations.

Client Grievances: DPs resolve complaints through depository mechanisms.

Standing Instructions: Clients can opt for automatic transaction instructions.

Account Monitoring: DPs monitor accounts for compliance and activity.

SMS Alerts: DPs provide alerts for debits, credits, and account changes.

Easi/Easiest Facility: Allows clients to manage accounts online.

Mutual Fund Units: DPs handle demat and transfer of MF units.

DP Audits: Ensure compliance with account operation procedures.

Client Education: DPs inform clients about account operation processes.

Depository Oversight: Depositories monitor DP account operations.

Transaction Security: DPs ensure secure processing of instructions.

KYC Attributes: Mandatory updates for PAN, address, and contact details.

Account Suspension: Non-compliant accounts may be suspended for credits.

Power of Attorney (POA): Allows authorized persons to operate accounts.

Client Statements: DPs provide electronic or physical statements as requested.

SEBI Circulars: Guide DPs on account operation compliance.

Account Modification: DPs allow changes like address or bank details.

Nominee Details: Updated through online facilities like easi/easiest.

DP Responsibilities: Include ensuring transaction accuracy and compliance.

Investor Services: DPs offer pledge, nomination, and transfer services.

Electronic Systems: Enhance efficiency in account operations.

Regulatory Compliance: DPs adhere to SEBI and depository regulations.

Client Protection: DPs safeguard client assets and data.

Depository System: DPs integrate with NSDL/CDSL for operations.

Account Security: DPs ensure secure handling of client transactions.

Client Awareness: DPs educate clients on account operation benefits.

Transaction Processing: DPs process instructions within stipulated timelines.

KYC Verification: DPs verify client details for transaction authenticity.

Corporate Benefits: DPs ensure timely distribution to eligible clients.

Account Maintenance: DPs manage accounts for compliance and efficiency.

Investor Access: DPs provide easy access to account services.

Depository Integration: DPs link with depositories for seamless operations.

Chapter 6: Functions of Depository Participant-Transmission and Nomination

Transmission: Transfer of securities to legal heirs or nominees upon death.

Nomination Facility: Allows clients to nominate beneficiaries for accounts.

Companies Act 2013: Governs nomination provisions for securities.

SEBI Guidelines: DPs follow SEBI circulars for transmission and nomination.

Nominee Eligibility: Individuals, including minors, can be nominees.

Non-Individuals: Cannot nominate (e.g., societies, trusts, HUFs).

Joint Accounts: All holders must sign nomination forms.

Transmission Process: Requires death certificate and KYC documents.

Legal Heirship: Certificate or equivalent required for transmission.

HUF Transmission: New Karta appointed upon death of existing Karta.

Nomination Form: Signed by account holder(s) and witnessed.

Depository Oversight: Ensures compliance with transmission procedures.

KYC Compliance: DPs verify nominee/legal heir KYC details.

Account Closure: Transmission may lead to account status change.

SEBI Circulars: Guide DPs on transmission and nomination processes.

Nominee Accounts: Nominees must open demat accounts for transmission.

Multiple Nominees: Securities distributed as per specified percentages.

Death Certificate: Mandatory for initiating transmission process.

PMLA Compliance: DPs adhere to anti-money laundering regulations.

Record Maintenance: DPs maintain transmission records for compliance.

Investor Protection: DPs ensure secure transmission of securities.

DP Responsibilities: Include verifying transmission documents.

Client Grievances: DPs resolve transmission-related complaints.

Nomination Updates: Can be changed through online facilities.

Legal Heirs: May require indemnity and affidavit for transmission.

Depository System: Supports electronic transmission processes.

Account Types: Transmission applies to individual and HUF accounts.

Nominee Verification: DPs verify nominee identity through KYC.

Transmission Timeline: Must be processed within stipulated periods.

Client Education: DPs inform clients about nomination benefits.

Regulatory Compliance: DPs adhere to SEBI and depository rules.

Joint Holder Transmission: Surviving holders inherit securities.

HUF Partition: Securities distributed to members upon partition.

Nomination Cancellation: Allowed with client request and verification.

DP Audits: Ensure compliance with transmission procedures.

Investor Services: DPs provide nomination and transmission support.

Electronic Systems: Facilitate efficient transmission processes.

KYC Attributes: Mandatory for nominees/legal heirs in transmission.

Account Security: DPs ensure secure handling of transmission.

Client Awareness: DPs educate clients on transmission processes.

Depository Integration: DPs link with depositories for transmission.

Nomination Records: Maintained for regulatory compliance.

Transmission Requests: Processed with proper documentation.

Legal Framework: Governed by Depositories Act and Companies Act.

Nominee Rights: Nominees receive securities upon account holder's death.

DP Technology: Supports secure transmission processing.

Client Protection: DPs safeguard securities during transmission.

SEBI Oversight: Ensures compliance with transmission guidelines.

Transmission Disputes: Resolved through depository mechanisms.

Nomination Benefits: Ensure seamless transfer of securities.

Chapter 7: Functions of Depository Participant-Dematerialisation

Dematerialisation: Converts physical securities into electronic form.

ISIN: Unique identification number for each security in demat form.

Depository Approval: Only SEBI-approved securities can be dematerialized.

DRF Form: Dematerialisation Request Form submitted by clients.

Issuer/R&T Agent: Processes demat requests within 15 days.

SEBI Guidelines: DPs follow circulars for demat procedures.

KYC Compliance: DPs verify client KYC for demat requests.

Physical Certificates: Submitted with DRF for dematerialization.

Signature Verification: DRF signatures must match account records.

Lock-In Securities: Require separate DRF for demat processing.

Rejection Reasons: Include stolen, fake, or prohibited certificates.

Auto Corporate Action: Facilitates automatic corporate benefit distribution.

Rematerialisation: Converts electronic securities back to physical form.

RRF Form: Rematerialisation Request Form submitted by clients.

Mutual Fund Units: Can be dematerialized with separate MF-DRF.

Restatamentization: Converts MF units back to Statement of Account form.

Depository Oversight: Ensures compliance with demat procedures.

Client Verification: DPs verify client details for demat requests.

Record Maintenance: DPs maintain demat records for compliance.

Investor Protection: DPs ensure secure demat processing.

DP Responsibilities: Include verifying demat documents.

Client Grievances: DPs resolve demat-related complaints.

Depository System: Supports electronic demat processes.

ISIN Allotment: Done by depositories for eligible securities.

PMLA Compliance: DPs adhere to anti-money laundering regulations.

Dematerialisation Timeline: Must be processed within 15 days.

Client Education: DPs inform clients about demat benefits.

Regulatory Compliance: DPs adhere to SEBI and depository rules.

Account Types: Demat applies to various account types like BO and CM.

Electronic Systems: Facilitate efficient demat processes.

DP Audits: Ensure compliance with demat procedures.

Investor Services: DPs provide demat and remat support.

KYC Attributes: Mandatory for demat account holders.

Account Security: DPs ensure secure handling of demat requests.

Client Awareness: DPs educate clients on demat processes.

Depository Integration: DPs link with depositories for demat.

Dematerialisation Benefits: Reduce risks like theft and forgery.

Rematerialisation Timeline: Physical certificates issued within 30 days.

MF-DRF Form: Used for mutual fund dematerialization.

Restatamentization Process: Requires MF-RRF form submission.

DP Technology: Supports secure demat processing.

Client Protection: DPs safeguard securities during demat.

SEBI Oversight: Ensures compliance with demat guidelines.

Dematerialisation Disputes: Resolved through depository mechanisms.

Issuer Coordination: DPs work with issuers for demat processing.

Securities Eligibility: Only approved securities can be dematerialized.

Dematerialisation Records: Maintained for regulatory compliance.

Client Verification: DPs verify certificate details for demat.

Dematerialisation Efficiency: Enhanced by electronic systems.

Investor Access: DPs provide easy access to demat services.

Chapter 8: Functions of Depository Participant-Trading and Settlement

Trading and Settlement: DPs facilitate securities trading and settlement.

Off-Market Transactions: Transfers without stock exchange involvement.

On-Market Transactions: Settled through clearing corporations.

Delivery Instruction Slips (DIS): Used for transaction instructions.

SEBI Guidelines: DPs follow circulars for trading and settlement.

Clearing Member Accounts: Used for trade settlement by brokers.

Inter-Depository Transfers: Facilitate movement between NSDL and CDSL.

Early Pay-In: Allows early delivery of securities to clearing corporations.

Direct Delivery: Clearing corporations can deliver securities to client accounts.

Auto Pay-In: Default option for trade settlement in some exchanges.

Mutual Fund Units: Can be traded and settled through depositories.

Client Verification: DPs verify client instructions for transactions.

PMLA Compliance: DPs adhere to anti-money laundering regulations.

Record Maintenance: DPs maintain transaction records for compliance.

Investor Protection: DPs ensure secure transaction processing.

DP Responsibilities: Include verifying transaction instructions.

Client Grievances: DPs resolve trading-related complaints.

Depository System: Supports electronic trading and settlement.

Consideration Details: Captured for off-market sale/purchase transactions.

Stamp Duty: Applicable for off-market transfers, except in Sikkim.

Electronic Instructions: Clients use facilities like SPEED-e for transactions.

SMS Alerts: DPs provide alerts for transaction confirmations.

Easi/Easiest Facility: Allows clients to manage transactions online.

Account Types: DPs handle BO and CM accounts for trading.

Depository Oversight: Ensures compliance with trading procedures.

Client Education: DPs inform clients about trading processes.

Regulatory Compliance: DPs adhere to SEBI and depository rules.

Account Security: DPs ensure secure handling of transactions.

Client Awareness: DPs educate clients on trading benefits.

Depository Integration: DPs link with depositories for settlement.

Transaction Security: DPs ensure secure processing of instructions.

KYC Attributes: Mandatory for transaction processing.

Account Monitoring: DPs monitor transactions for compliance.

Corporate Actions: DPs facilitate settlement-related benefits.

Transaction Timeline: Instructions processed within stipulated periods.

DP Technology: Supports efficient trading and settlement.

Client Protection: DPs safeguard securities during transactions.

SEBI Oversight: Ensures compliance with trading guidelines.

Transaction Disputes: Resolved through depository mechanisms.

Clearing Corporations: Ensure trade settlement with DPs.

Market Integration: DPs link with stock exchanges for trading.

Investor Services: DPs provide trading and settlement support.

Electronic Systems: Enhance efficiency in trading processes.

Client Verification: DPs verify transaction details for authenticity.

Settlement Process: Involves pay-in and pay-out of securities.

DP Audits: Ensure compliance with trading procedures.

Investor Access: DPs provide easy access to trading services.

Transaction Records: Maintained for regulatory compliance.

Client Consent: Required for transaction processing.

Depository Benefits: Reduce risks in trading and settlement.

Chapter 9: Special Services - Pledge & Hypothecation

Pledge Creation: Securities pledged as collateral for loans.

Hypothecation: Used in NSDL for creating charges on securities.

Pledge Request Form (PRF): Submitted by pledgor to initiate pledge.

Unpledge Request: Pledgor requests closure of pledge after loan repayment.

Unilateral Closure: Pledgee can close pledge without pledgor consent.

Invocation: Pledgee can invoke pledge if pledgor defaults.

SEBI Guidelines: DPs follow circulars for pledge processes.

Pledge Confirmation: Requires pledgee DP verification.

KYC Compliance: DPs verify client details for pledge requests.

Record Maintenance: DPs maintain pledge records for 8 years.

Investor Protection: DPs ensure secure pledge processing.

DP Responsibilities: Include verifying pledge documents.

Client Grievances: DPs resolve pledge-related complaints.

Depository System: Supports electronic pledge processes.

Pledge Status: Updated in DP and depository systems.

PMLA Compliance: DPs adhere to anti-money laundering regulations.

Lock-In Securities: Cannot be invoked until lock-in period ends.

Pledge Closure: Requires verification by pledgee DP.

Electronic Instructions: Pledges can be managed via online facilities.

Depository Oversight: Ensures compliance with pledge procedures.

Client Education: DPs inform clients about pledge processes.

Regulatory Compliance: DPs adhere to SEBI and depository rules.

Account Security: DPs ensure secure handling of pledges.

Client Awareness: DPs educate clients on pledge benefits.

Depository Integration: DPs link with depositories for pledges.

Pledge Records: Maintained for regulatory compliance.

Pledge Verification: DPs verify pledge details for authenticity.

Pledge Timeline: Processed within stipulated periods.

DP Technology: Supports secure pledge processing.

Client Protection: DPs safeguard securities during pledges.

SEBI Oversight: Ensures compliance with pledge guidelines.

Pledge Disputes: Resolved through depository mechanisms.

Pledgee Rights: Can invoke securities upon pledgor default.

Pledgor Obligations: Must repay loan to close pledge.

Pledge Forms: Include PRF, URF, and IRF for processing.

Depository System: Tracks pledge status electronically.

Pledge Benefits: Provide collateral for financial transactions.

DP Audits: Ensure compliance with pledge procedures.

Investor Services: DPs provide pledge and hypothecation support.

Electronic Systems: Enhance efficiency in pledge processes.

Pledge Security: DPs ensure secure handling of pledged securities.

Client Consent: Required for pledge creation and closure.

Pledge Monitoring: DPs monitor pledge status for compliance.

Depository Benefits: Reduce risks in pledge transactions.

Pledge Agreements: Govern rights and obligations of parties.

Pledge Processing: Involves verification and system updates.

Client Verification: DPs verify client details for pledges.

Pledge Records: Maintained for regulatory compliance.

Depository Integration: DPs link with depositories for pledge management.

Investor Access: DPs provide easy access to pledge services.

Chapter 10: Special Services - Public Offering / Corporate Actions

Corporate Actions: Include dividends, bonus issues, and rights issues.

Public Offering: Involves issuance of new securities in primary market.

SEBI Guidelines: Govern public offerings and corporate actions.

Depository Role: Facilitates distribution of corporate benefits.

Record Date: Determines eligibility for corporate benefits.

Rights Issue: Allows existing shareholders to buy additional shares.

Bonus Issue: Free shares issued to existing shareholders.

Dividend Distribution: Depositories facilitate payment to eligible clients.

IPO Process: DPs capture bid details for public issues.

Dematerialised Form: Public issues above Rs. 10 crores must be in demat form.

KYC Compliance: DPs verify client details for corporate actions.

Record Maintenance: DPs maintain records of corporate actions.

Investor Protection: DPs ensure secure processing of benefits.

DP Responsibilities: Include verifying corporate action instructions.

Client Grievances: DPs resolve corporate action-related complaints.

Depository System: Supports electronic corporate action processes.

Auto Corporate Action: Automates benefit distribution to clients.

Issuer Coordination: DPs work with issuers for benefit distribution.

PMLA Compliance: DPs adhere to anti-money laundering regulations.

Client Education: DPs inform clients about corporate action benefits.

Regulatory Compliance: DPs adhere to SEBI and depository rules.

Account Security: DPs ensure secure handling of corporate actions.

Client Awareness: DPs educate clients on corporate action processes.

Depository Integration: DPs link with depositories for corporate actions.

Corporate Action Records: Maintained for regulatory compliance.

Client Verification: DPs verify client eligibility for benefits.

Corporate Action Timeline: Benefits processed within stipulated periods.

DP Technology: Supports secure corporate action processing.

Client Protection: DPs safeguard securities during corporate actions.

SEBI Oversight: Ensures compliance with corporate action guidelines.

Corporate Action Disputes: Resolved through depository mechanisms.

Tender Offer: Instructions processed for buyback or delisting.

Capital Reduction: Involves new ISIN creation for securities.

Depository Oversight: Ensures compliance with corporate action procedures.

Investor Services: DPs provide support for corporate actions.

Electronic Systems: Enhance efficiency in corporate action processes.

Client Consent: Required for certain corporate action instructions.

Corporate Action Security: DPs ensure secure handling of benefits.

DP Audits: Ensure compliance with corporate action procedures.

Investor Access: DPs provide easy access to corporate action services.

Corporate Action Benefits: Enhance investor returns.

Depository System: Tracks corporate action eligibility electronically.

Client Verification: DPs verify client details for benefit distribution.

Corporate Action Processing: Involves verification and system updates.

PMLA Compliance: Applies to corporate action transactions.

Issuer Role: Coordinates with DPs for benefit distribution.

Corporate Action Records: Maintained for regulatory compliance.

Client Awareness: DPs educate clients on benefit processes.

Depository Integration: DPs link with depositories for corporate actions.

Corporate Action Efficiency: Enhanced by electronic systems.

Investor Protection: DPs ensure secure benefit distribution.

Chapter 11: Special Services - Debt Instruments & Government Securities

Debt Instruments: Include bonds, debentures, CDs, and CPs.

Government Securities: Include treasury bills, bonds, and SDLs.

ISIN Allotment: Depositories assign ISINs to debt instruments.

Dematerialisation: Debt instruments held in electronic form.

SEBI Guidelines: Govern demat of debt and government securities.

Certificate of Deposit (CD): Issued in demat form with minimum Rs. 5 lakh face value.

Commercial Paper (CP): Issued with minimum Rs. 5 lakh face value.

RBI Regulations: Govern issuance of CDs and CPs in demat form.

KYC Compliance: DPs verify client details for debt securities.

Record Maintenance: DPs maintain records of debt transactions.

Investor Protection: DPs ensure secure handling of debt securities.

DP Responsibilities: Include verifying debt demat requests.

Client Grievances: DPs resolve debt-related complaints.

Depository System: Supports electronic debt transactions.

Instrument Descriptor: Indicates issuer, coupon rate, and security name.

Redemption Process: Issuer/RTA pays redemption proceeds directly.

SGL Account: Used for holding government securities with RBI.

DRF-GS Form: Used for demat of government securities.

Rematerialisation: Converts debt securities back to physical form.

RRF-GS Form: Used for rematerialisation of government securities.

PMLA Compliance: DPs adhere to anti-money laundering regulations.

Client Education: DPs inform clients about debt securities.

Regulatory Compliance: DPs adhere to SEBI and RBI rules.

Account Security: DPs ensure secure handling of debt securities.

Client Awareness: DPs educate clients on debt investment benefits.

Depository Integration: DPs link with depositories for debt securities.

Debt Records: Maintained for regulatory compliance.

Client Verification: DPs verify client details for debt transactions.

Debt Timeline: Demat and remat processed within stipulated periods.

DP Technology: Supports secure debt processing.

Client Protection: DPs safeguard debt securities.

SEBI Oversight: Ensures compliance with debt guidelines.

Debt Disputes: Resolved through depository mechanisms.

Issuer Coordination: DPs work with issuers for debt processing.

RBI Role: Manages government securities transactions.

Corporate Benefits: DPs facilitate interest payments for debt securities.

Debt Eligibility: Only approved securities can be dematerialized.

Depository Oversight: Ensures compliance with debt procedures.

Investor Services: DPs provide support for debt transactions.

Electronic Systems: Enhance efficiency in debt processing.

Debt Security: DPs ensure secure handling of debt instruments.

Client Consent: Required for debt transaction instructions.

Debt Processing: Involves verification and system updates.

DP Audits: Ensure compliance with debt procedures.

Investor Access: DPs provide easy access to debt services.

Debt Records: Maintained for regulatory compliance.

Client Verification: DPs verify client details for debt demat.

Debt Efficiency: Enhanced by electronic systems.

Investor Protection: DPs ensure secure debt transactions.

Depository System: Tracks debt securities electronically.

Corporate Action Benefits: DPs facilitate interest and redemption payments.

Chapter 12: Foreign Portfolio Investors (FPI)

FPI Concept: Allows foreign investors to invest in Indian securities.

SEBI Guidelines: Govern FPI registration and operations.

Designated Depository Participant (DDP): Handles FPI registration and custody.

Eligibility Criteria: FPIs must meet SEBI-specified financial and regulatory standards.

KYC Compliance: FPIs require KYC verification for registration.

NSDL FPI Portal: Used for electronic FPI registration applications.

Custodian Role: DDPs act as custodians for FPI securities.

Regulatory Compliance: FPIs adhere to SEBI and RBI regulations.

FPI Categories: Include Category I, II, and III based on entity type.

Investment Limits: FPIs have restrictions on investment thresholds.

Record Maintenance: DDPs maintain FPI transaction records.

Investor Protection: DDPs ensure secure handling of FPI securities.

DP Responsibilities: Include verifying FPI registration documents.

Client Grievances: DDPs resolve FPI-related complaints.

Depository System: Supports electronic FPI transactions.

PMLA Compliance: DDPs adhere to anti-money laundering regulations.

Client Education: DDPs inform FPIs about investment processes.

Account Security: DDPs ensure secure handling of FPI accounts.

Client Awareness: DDPs educate FPIs on investment benefits.

Depository Integration: DDPs link with depositories for FPI operations.

FPI Records: Maintained for regulatory compliance.

Client Verification: DDPs verify FPI details for transactions.

FPI Timeline: Registration processed within stipulated periods.

DP Technology: Supports secure FPI processing.

Client Protection: DDPs safeguard FPI securities.

SEBI Oversight: Ensures compliance with FPI guidelines.

FPI Disputes: Resolved through depository mechanisms.

Issuer Coordination: DDPs work with issuers for FPI transactions.

FPI Registration: Requires SEBI approval and DDP due diligence.

Corporate Actions: DDPs facilitate FPI benefit distribution.

FPI Investments: Include equity, debt, and derivatives.

Depository Oversight: Ensures compliance with FPI procedures.

Investor Services: DDPs provide support for FPI transactions.

Electronic Systems: Enhance efficiency in FPI processing.

FPI Security: DDPs ensure secure handling of FPI securities.

Client Consent: Required for FPI transaction instructions.

FPI Processing: Involves verification and system updates.

DP Audits: Ensure compliance with FPI procedures.

Investor Access: DDPs provide easy access to FPI services.

FPI Records: Maintained for regulatory compliance.

Client Verification: DDPs verify FPI details for registration.

FPI Efficiency: Enhanced by electronic systems.

Investor Protection: DDPs ensure secure FPI transactions.

Depository System: Tracks FPI securities electronically.

Corporate Action Benefits: DDPs facilitate FPI interest and dividends.

FPI KYC: Requires detailed documentation for compliance.

Regulatory Framework: Includes SEBI and RBI regulations.

FPI Monitoring: DDPs monitor FPI accounts for compliance.

Client Awareness: DDPs educate FPIs on regulatory requirements.

Depository Benefits: Reduce risks in FPI transactions.

FPI Operations: Supported by depository infrastructure.

Chapter 13: Investor Services

Investor Services: DPs provide grievance redressal and support services.

SCORES Platform: SEBI's web-based system for complaint registration.

SEBI Guidelines: Govern investor grievance redressal processes.

ODR Mechanism: Online dispute resolution for securities market disputes.

Grievance Redressal: DPs resolve complaints within 21 days.

IEPF Transfers: DPs facilitate transfer of shares to Investor Education Fund.

KYC Compliance: DPs verify client details for investor services.

Record Maintenance: DPs maintain grievance records for compliance.

Investor Protection: DPs ensure secure handling of complaints.

DP Responsibilities: Include resolving investor grievances.

Client Grievances: Handled through SCORES and ODR mechanisms.

Depository System: Supports electronic grievance processing.

PMLA Compliance: DPs adhere to anti-money laundering regulations.

Client Education: DPs inform clients about grievance processes.

Regulatory Compliance: DPs adhere to SEBI and depository rules.

Account Security: DPs ensure secure handling of investor data.

Client Awareness: DPs educate clients on investor services.

Depository Integration: DPs link with depositories for grievance handling.

Grievance Records: Maintained for regulatory compliance.

Client Verification: DPs verify client details for complaints.

Grievance Timeline: Resolved within stipulated periods.

DP Technology: Supports secure grievance processing.

Client Protection: DPs safeguard investor interests.

SEBI Oversight: Ensures compliance with grievance guidelines.

Grievance Disputes: Resolved through ODR and arbitration.

Investor Services: Include complaint resolution and IEPF support.

Electronic Systems: Enhance efficiency in grievance processing.

Grievance Security: DPs ensure secure handling of complaints.

Client Consent: Required for grievance processing.

Grievance Processing: Involves verification and system updates.

DP Audits: Ensure compliance with grievance procedures.

Investor Access: DPs provide easy access to grievance services.

Grievance Records: Maintained for regulatory compliance.

Client Verification: DPs verify client details for grievance resolution.

Grievance Efficiency: Enhanced by electronic systems.

Investor Protection: DPs ensure secure grievance handling.

Depository System: Tracks grievances electronically.

ODR Portal: Facilitates online conciliation and arbitration.

SCORES Integration: Complaints automatically forwarded to DPs.

Client Awareness: DPs educate clients on grievance redressal.

Depository Oversight: Ensures compliance with grievance procedures.

Investor Education: DPs promote awareness of investor rights.

Grievance Monitoring: DPs monitor complaints for timely resolution.

Regulatory Framework: Includes SEBI and depository regulations.

Client Support: DPs provide support for grievance redressal.

Grievance Security: DPs ensure secure handling of investor data.

Investor Services: Enhance investor confidence in markets.

Depository Benefits: Reduce risks in grievance handling.

Grievance Processing: Supported by depository infrastructure.

Client Access: DPs provide easy access to investor services.

Net Worth Requirement for Depositories: Depositories must have a minimum net worth of Rs. 100 crore.

Dematerialisation Timeline: Demat requests must be processed within 15 days.

Rematerialisation Timeline: Physical certificates issued within 30 days.

Minimum Face Value for CD/CP: Certificates of Deposit and Commercial Papers have a minimum face value of Rs. 5,00,000.

FPI Investment Threshold: Category III FPI applicants need a minimum corpus of US $1.5 million or lower, as applicable.

Grievance Redressal Timeline: Investor complaints must be resolved within 21 calendar days.

PMLA Record Retention: Records must be maintained for 8 years under PMLA.

Accredited Investor Criteria: Annual income >= Rs. 2 crore or net worth >= Rs. 7.5 crore (with at least Rs. 3.75 crore in financial assets).

Public Issue Threshold: Issues above Rs. 10 crores must be in demat form.

Inter-Depository Transfer Deadline: Instructions verified by 9:30 p.m. on weekdays and 2:30 p.m. on Saturdays.

IMPORTANT NOTE :

1. Attend **ALL** Questions.
2. For the questions you don't know the right answer – Try to eliminate the wrong answers and take a guess on the remaining answers.
3. DO NOT MEMORISE the questions & answers. It's not the right to way to prepare for any NISM exam. Good understanding of Concepts is essential.

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All the Best ☺

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