

**Study Notes for
NISM Series VI Depository Operations
Certification Examination (DOCE)
Version – Feb 2020
Prepared By**

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NISM SERIES VI DEPOSITORY OPERATIONS CERTIFICATION EXAM (DOCE)

There are several major players in the primary market. These include the merchant bankers, mutual funds, financial institutions, Foreign Portfolio investors (FPIs) and individual investors.

In the secondary market, there are the stock exchanges, stock brokers (who are members of the stock exchanges), the mutual funds, financial institutions, Foreign Portfolio investors (FPIs), and individual investors. An active Secondary Market promotes the growth of the Primary Market and capital formation.

The Registrars and Transfer Agents, Custodians and Depositories are capital market intermediaries which provide important infrastructure services to both the primary and secondary markets.

Regulatory Environment - SEBI Act, 1992:

SEBI Act maintains its control and regulation over both the Primary and Secondary Markets.

The main objectives of SEBI Act are as follows

1. Protecting the interests of the investors who invest in securities
2. Promoting the development of the securities market
3. Regulating the securities market

SEBI has power to register and regulate all market intermediaries and also to penalize them in case of violation of the provisions of the Act.

The orders of SEBI under the securities laws are appealable before a Securities Appellate Tribunal. The powers under the Companies Act relating to issue and transfer of securities and non-payment of dividend are administered by SEBI

Securities Contracts (Regulation) Act, 1956:

This Act provides for direct and indirect control of virtually all aspects of security trading and the running of stock exchanges and aims to prevent undesirable transactions in securities.

It gives central Govt. and SEBI regulatory jurisdiction over

- a) stock exchange through a process of recognition and continued supervision,

- b) contracts in securities, and
- c) Listing of securities on stock exchanges.

The stock exchanges determine their own listing regulations which have to conform to the minimum listing criteria set out in the Securities Contract Rules.

Depositories Act, 1996:

This Act is established for ensuring the smooth functioning of the transferability of the securities between the investors with speed, accuracy and security.

- a) Primary objective of Dematerializing the securities in the depository mode
- b) Making securities of public limited companies freely transferable
- c) Maintenance of ownership records in a book entry form

NSDL and CDSL are the two depositories in India.

Companies Act, 2013:

- a) Issue, allotment and transfer of securities
- b) Underwriting, the use of premium and discounts on issues, rights and bonus issues, substantial acquisitions of shares, payment of interest and dividends, supply of annual report and other information. Act also provides for Insolvency and NCLT/NCLAT provisions
- c) It provides for standard of disclosure in public issues of capital, particularly in the fields of company management and projects. The SROs ensure compliance with their own rules as well as with the rules relevant for them under the securities laws.

Introduction to Depository: Need for a Depository System:

- a) Bad Deliveries
- b) Unable to transfer securities in quick and speedy manner as each transfer requires physical movement of securities and change of ownership being evidenced by an endorsement on physical security.
- c) Delay in delivery of physical securities and
- d) Theft, forgery, mutilation of certificates and other irregularities.

To eliminate such issues, the Depository Act, 1996 was passed.

1. **Multi-Depository system: NSDL and CDSL are offering Depository services.**
2. **Dematerialization:** Physical securities are converted into electronic form. Benefits are Lower costs, lower risks of theft or forgery and efficiency in settlement of trades.
3. **Fungibility:** Securities held in a depository are fungible. No Folio or distinctive or Certificate numbers for Dematerialized Sec. All securities in the same class are identical and interchangeable.
4. **Depository - Registered Owner** in the books of the issuer and **Investor - Beneficial Owner.**

5. The Depositories offer their services to the investors through their agents called Depository Participants. The DPs are appointed under the SEBI (Depositories and Participants) Regulations.

The Depository System

The Depositories Act, 1996, defines a depository as "a company formed and registered under the Companies Act and which has been granted a certificate of registration under sub-section (IA) of section 12 of the Securities and Exchange Board of India Act, 1992.

Principal function of a depository - dematerialize securities and enable their transactions in book-entry form.

The operations of depositories in India are regulated primarily under the following:

- a) The Depositories Act, 1996
- b) SEBI (Depositories and Participants) Regulations, 2018
- c) Bye-laws approved by SEBI, and
- d) Operating Instructions of the depository.
- e) Prevention of Money Laundering Act, 2002 (PMLA)

Who can Start a Depository?

1. Scheduled Commercial Bank & Foreign Bank
2. Foreign Portfolio Investors (FPI) & Financial Institutions in India
3. A Recognized Stock Exchange etc.
4. A body corporate engaged in providing financial services where not less than 75% of the equity is held jointly or severally by these institutions
5. A custodian of securities approved by Government of India, and
6. A foreign financial services institution approved by Government of India
7. Promoters of a depository are also called as Sponsors. A depository company must have a minimum net worth of Rs.100 crore. SEBI registration is must for starting a Depository.
8. Sponsor(s) of the depository to hold at least 51% of the equity capital.
9. Participants of the Depository can hold a maximum of 15% of Equity Capital.
- 10.No person other than a sponsor can hold more than 15 percent of the equity share capital in the depository.
- 11.If a stock exchange is a sponsor of any depository then it cannot hold more than 24 percent of the paid up equity share capital of the depository.
- 12.Combined holding of all persons resident outside India cannot exceed 49 percent of its equity share capital. No FPI can have any representation in the Board of Directors of the depository. No FPI can acquire shares of the depository otherwise than through the secondary market.

Commencement of Business

1. Depository should be registered with SEBI before commencing business
2. A depository must apply for and obtain a certificate of commencement of business from SEBI within one year from the date of receiving the certificate of registration from SEBI.
3. Bye-Laws of the depository have been approved by SEBI;

Records to be maintained by Depository - for a period of last 5 years as per PMLA, 2002 and for 8 years as required by SEBI regulations.

- Records of securities dematerialised and rematerialised.
- The names of the transferor, transferee, and the dates of transfer of securities.
- A register and an index of beneficial owners.
- Details of the holdings of the securities of beneficial owners as at the end of each day.
- Records of instructions received from, and sent to, participants, issuers, issuers' agents and beneficial owners.
- Records of approval, notice, entry and cancellation of pledge or hypothecation.
- Details of participants.
- Details of securities declared to be eligible for dematerialization in the depository.
- Such other records as may be specified by SEBI for carrying on the activities as a depository

Depository and its Business Partners

Depository Participants:

A Depository Participant is an agent of the Depository. They are the intermediaries between the depository and the investors. A DP is registered with SEBI under the provisions of the SEBI (Depositories and Participants) Regulations, 2018. Act. The terms between a DP and its depository are governed by an agreement under the Depositories Act, 1996. A DP can start its operations only after getting a certificate of registration from the SEBI.

Net worth Criteria for becoming DP

Rs 50 Lakhs for NBFC and Stock Brokers as Per SEBI DP Regulations

Rs 3 Crore for NSDL, Rs 2 Crore for CDSL.

Rs 10 Crore for R&T Agents

Rs 50 Crore for NBFC to act as DP on behalf of others.

If a stockbroker seeks to act as a DP in more than one depository, he should comply with the specified net worth criterion separately for each such depository.

In case of a stock-broker DP, the total value of the securities held by its clients, should not be more than 100 times the net worth of the DP. If the stock-broker DP's net worth is more than Rs. 10 crores, then the above limit on the total value of client's securities is not applicable.

Who can Act as a Depository Participant?

1. A public financial institution
2. A bank included for the time being in the Second Schedule to the RBI Act, 1934
3. A foreign bank operating in India with approval of the Reserve Bank of India
4. A State Financial Corporation
5. A custodian of securities
6. A clearing corporation or a clearing house of a stock exchange
7. A stockbroker who has been granted a certificate of registration by SEBI
8. A non-banking finance company.
9. An R&T Agent who has been granted a certificate of registration by SEBI

Steps for joining as a DP and Steps for Renewal

Entity eligible and desirous of becoming a DP makes an application to Depository
Depository forwards it to SEBI within 30 days with its recommendations.

SEBI approves. DP also pays Security Deposit, Insurance Charges etc.

SEBI has introduced a system wherein DP are given lifelong validity.

To keep registration in force DP should pay registration fee once in 5 years to SEBI

Conditions for grant of Registration:

1. Business history for a minimum period of last 3 years.
2. Should not have been convicted in the last 5 years involving fraud, theft, forgery etc.
3. It should not have been suspended or expelled by SEBI or any Stock Exchange. But if 3 or more years have passed since the punishment, the depository may also consider the application on its discretion.
4. Required Infrastructure, security measures, risk control, data security, insurance
5. Appoint Compliance as well as furnish all details of the Board of Directors.

Securities can be transferred only on beneficial owner's instructions.

DP has to provide monthly transaction statements to its clients, and if there are no transactions, such statements to be sent at least once in a half year. Transaction Statements are dispatched directly to the client's address mentioned in the Depository system of and not through any franchisee / collection centre. SEBI has vide its Circular No. CIR/MRD/DP/31/2014 dated November 12, 2014 notified the requirement to issue a Consolidated Account Statement (CAS) to enable a single consolidated view of all the investments of an investor in mutual funds and securities held in demat form with the Depositories.

A statement shall be furnished to the Clients at monthly intervals and to the Clients opting for Basic Services Demat Account at quarterly intervals.

The DP should reconcile its records with Depository on a daily basis.
SEBI permits the DP's to provide transaction statements and other documents to the BOs under Digital Signature

Connectivity with Depository

DP should have proper connectivity systems in place. The primary connectivity can be V-Sat or leased line and secondary connectivity can be a PSTN or a dial-up line.

Rights and Obligations Document

The DP must provide a copy of the Rights and Obligations document to the client and keep an acknowledgement of the same on record before acting as a Participant on his behalf

The document clearly mentions the services to be provided by the depository, rights and obligations of the DP and the client, as well as charges and fees to be paid.

No such document is required if a Foreign Portfolio Investor (FPI) is registered with the DP either directly or through its Power of Attorney (PoA).

No such document is required for an International Multilateral Agency, who has entered into an agreement with the DP.

DP to Indemnify Depository – A DP has to indemnify the depository, its officers and employees for all costs, fees, expenses, liabilities, taxes, actual losses and damages of any nature whatsoever suffered or incurred by any of them for the failure by the DP to comply with the provision of the Bye-Laws or the DP agreement or to comply with any directions or procedures of the depository or due to the acts by its officers and employees.

Prohibition of Assignment – No DP can assign or delegate its functions as a depository participant to any other person without prior approval of the depository in which it is a participant.

Insurance – DPs should take appropriate insurance cover to insure against losses arising from any possible business risk and system failure. The depository, however takes insurance for itself and on behalf of all DPs. The insurance covers business risk and system failure risk. DPs may additionally take for themselves insurance to cover risks like theft, fire, etc.

Record of Services – for 5 Years as per PMLA Act 2002 and for 8 years as per SEBI regulations

- Forms for Opening, Closing, Freezing and Defreezing of A/cs.
- Record of all demat and remat requests received from the clients.
- Record of all the delivery/ receipt instructions given by the clients and CM.
- Copies of correspondence received from clients for updating client details
- Details of grievances/arbitration proceedings received from the clients, action taken and status of the same.
- Record of Pledge, Securities Lending and Transmission of securities.
- Records of all the actions taken on the exception reports generated by the system.

PMLA – Prevention of Money Laundering Act 2002

Entities Covered under PMLA Act 2002

Banking company, Financial institution, Chit Fund Company, a co-operative bank, a housing finance institution and a non-banking financial company.

Intermediaries like stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market

Each Participant should appoint a senior management executive to be designated as the Principal Officer. Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, are of suspicious nature to FIU-IND (Financial Intelligence Unit).

The Compliance Officer of the DP is required to submit a Compliance Certificate every 6 months as per the PMLA, 2002.

Transactions to be recorded under PMLA Act 2002

1. Maintenance of records of transactions
2. Cash transactions greater than Rs 10 lakh or its equivalent in foreign currency
3. Series of cash transactions integrally connected to each other which have been valued below Rs 10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and aggregate value of transactions exceeds Rs 10 lakh;
4. All suspicious transactions whether or not made in cash.

Termination by DP

DP may terminate itself from NSDL/CDSL by giving a notice 30 days prior.

On receipt of such notice, the depository may cease to provide any service or act for the DP.

The depository should notify the DP, other DP, clients of the surrendering DP and SEBI within seven days of this action.

Backup of Data

- Business partners have to take back ups every day without fail.
- Two copies of back-ups have to be taken; one copy has to be preserved at a remote site away from the operations and another on the site itself

Main Features of Tripartite Agreement

The Issuer/R&T Agent shall furnish a list of authorised officials who shall represent and interact on behalf of the Issuer and/or R&T Agent with the depository within 15 days of the execution of this agreement and any changes including additions/deletions thereof shall be communicated to the depository within 15 days of such change.

The Issuer shall furnish information to the depository of any further issues such as rights, bonus, public offerings with details viz., opening and closing dates, issue size, issue price, record date, book closure, proportion, along with a copy of the offer document.

The Issuer and its R&T Agent undertakes that the dematerialization and rematerialisation requests are processed within 15 and 30 days respectively. However, the period may be relaxed by the depositories in case of bulk dematerialization requests.

Depository provides reports updating details of BOs on a fortnightly basis to Issuer/R&T Agent.

Issuer and/or R and T Agent shall inform the depository of any proposed changes in the address of the Registered Offices, Corporate Office or of the location where the equipment for communication with the depository is situated not less than 30 days before the date of change.

All parties to this agreement shall resolve the grievances of the BOs within a period of 21 days for NSDL and 30 days as per CDSL agreement, from the date of receipt of the complaint, concerning the depository, the Issuer and/ or its R and T Agents.

The Issuer/RTA has to ensure that the dematerialization and rematerialization of the shares are processed within 15 and 30 days respectively.

If the Issuer/RTA rejects any dematerialization request, it has to inform the depository electronically about the rejection within 15 days.

The depository allots a unique identity code to the securities issued which is called ISIN (International Securities Identification Number).

SEBI may suspend the certificate of registration if it is found that the DP has failed to comply any direction of SEBI, or to cooperate in any inspection or enquiry so conducted, or to furnish any information related to its activity, or to pay the annual fees to SEBI.

SEBI may cancel the certificate of registration of a DP if the DP is found guilty of fraud or moral offence or repeated defaults after suspension

Functions of a DP – Account Opening

A DP may be required to open two categories of A/c for clients - Beneficiary A/c and Clearing Member A/c.

A BO A/c is an ownership A/c. The holder/s of securities in this type of A/c owns those securities. A beneficiary account holder is legally entitled for all rights and liabilities attached to the securities held in that account

The CM A/c is a transitory A/c. The securities in CM A/c are held for a commercial purpose only. A CM A/c is opened by a broker or a CM for the purpose of settlement of trades. It is also termed as Brokers Pool A/c or Settlement A/c. The securities in this account will be eligible for any corporate action benefit declared.

Only those who are eligible to become members of a company under the Companies Act, can open a beneficiary A/c with a depository. Partnership Firms are not considered as members of a company. Hence a DEMAT A/c can't be opened in the name of Partnership Firm. In the case of a Partnership Firm, DEMAT A/c is opened in the name of partner(s). Partnership Firms can however open Clearing Member A/c since they can become Stock Brokers as per SEBI rules.

- a. Bank account(s) which hold clients funds shall be named as "Name of Stock Broker – Client Account".
- b. Demat account(s) which hold clients' securities shall be named as "Name of Stock Broker-Client Account".
- c. Demat account(s), maintained by the stock broker for depositing securities collateral with the clearing corporation, shall be named as "Name of Stock Broker-Collateral Account".
- d. Demat account(s) held for the purpose of settlement would be named as "Name of Stock Broker - Pool account".
- e. Bank account(s) held for the purpose of settlement would be named as "Name of Stock Broker - Settlement Account"

Proof of Identity for opening a DEMAT account:-

PAN card (mandatory)

Aadhar / Passport / Voter Id card / Driving License

ID card issued by Central / State Govt. / Regulatory authority

ID card issued by PSU / Schedule Commercial bank

ID card issued by professional bodies such as ICAI, ICSI, Bar Council etc.

ID card issued by colleges affiliated to Universities (only for students)

Credit cards/Debit cards issued by Banks

Colleges affiliated to Universities (valid only till the time the applicant is a student).

Proof of Address for opening a DEMAT Account:-

Aadhar / Passport / Voter Id card / Driving License / Ration card

Gas, Electricity and telephone bills (Not more than 3 months only)

Registered Lease Agreement

Self-declaration by High Court / SC judge for their accounts

Bank passbook/statement (Not more than 3 months old)

In case of Merchant Navy NRI's, Mariner's declaration or certified copy of CDC (*Continuous Discharge Certificate*) is to be submitted.

Documents required for account opening (Non-Individual):

Memorandum and Articles of Association (MoA and AoA)

Board Resolution specifying manner of operation and authorized persons

List of authorized signatories with specimen signatures duly verified by Managing Director or Company Secretary

Proof of address of the corporate as attested by Registrar of Companies

Proof of address - IT return or bank statement or Lease and License / Sale agreement.

PAN Card

Copy of the balance sheets for the last 2 financial years (to be submitted every year).

Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year).

Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations

Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly

Copy of the Board Resolution for investment in securities market

All the above documents in both the categories need to be verified by an authorized official of the DP with his signatures on the documents and stamping "Verified with originals".

In case of individuals, if the application is of joint holders, Identity proof is required of all the holders. For address proofs, in case of 1st holder, both permanent and correspondence address proofs are required, where as for other holders only permanent address proof is required. A Demat account can have maximum 3 holders.

Client Types

1. Resident (Individual in case of CDSL)

Ordinary (Resident Individual in CDSL)

Hindu Undivided Family (HUF)

2. Financial Institutions (FI)
 - Government-sponsored FI
 - State Financial Corporation
 - Others
3. Foreign Portfolio Investors (FPIs)
 - Mauritius-based
 - Others
4. Non-resident Indian (NRI)
 - Repatriable
 - Non-Repatriable
5. Body Corporate
 - Domestic Company
 - Government Company
 - Central Government
 - State Government
 - Co-operative Body
 - Non-Banking Finance Companies (NBFC)
 - Non-NBFC
 - Broker
 - Foreign Bodies
 - Group Companies
 - Foreign Venture Capital
 - Limited Liability Partnership
 - Others
6. Clearing Member (CM)
7. Foreign National
8. Mutual Fund
9. Trust
10. Bank
11. Intermediary

The DP should ensure that the name in the Demat Account is identical to that which appears on the certificate(s) to be dematerialized, if any. In the case of a joint account, the names of the holders should be in the same order as appearing in the share certificate to be dematerialized, if any. Account to be opened in Fully Expanded Name or in the name present in the PAN Card.

KYC Registration Agencies – KRA

All Investors have to comply with the KYC formalities. In-Person Verification (IPV) by a SEBI-registered intermediary is compulsory for all investors. IPV done by only one SEBI-registered intermediary (broker, depository, mutual fund distributor etc.). This IPV will be valid for transactions with other SEBI-registered intermediaries too. Distributors who have a valid NISM-Series-V-A: Mutual Fund Distributors certificate

and a valid ARN can carry out the In-person verification if they have completed the KYD process.

Government of India authorised the **Central Registry of Securitisation and Asset Reconstruction and Security Interest of India (CERSAI)** to act as and to perform the functions of the Central KYC Record Registry under the PML Rules 2005, including receiving, storing, safeguarding and retrieving the KYC records in digital form of all the clients in the financial sector

After the successful completion of cKYC (Central KYC) process, an investor is allotted a 14 digit KYC Identification Number (KIN) by CERSAI.

e-KYC service of UIDAI – Investors to authorise the transaction through OTP send by Unique Identification Authority of India (UIDAI) to the mobile number linked with Aadhar. However only investments upto Rs 50,000 can be done through e-KYC
KYC template finalised by CERSAI has to be used by the registered intermediaries

As per PMLA- (Maintenance of Records) Amendment Rules, 2015, Rule 9 (1A), every reporting entity shall within three days after the commencement of an account-based relationship with a client, file the electronic copy of the client's KYC records with the Central KYC Registry.

Application forms and specifications:

In case of NSDL for NRI accounts, proof is required for both addresses – that of the account holder as well as the constituted attorney. In case of CDSL, address of the persons authorized to open the account on behalf of the company is not needed to be submitted. Also, for CDSL cases, PAN card of the authorized signatories is not needed to be verified with the originals or maintained for record purpose.

Detail of guardian in case the account holder is a minor is required. PAN card of Minor is required.

Clearing Member Account can be opened only after the depository approves it and allots clearing-member business partner identification number (CM-BP-ID). However, the concept of a separate CM-BP-ID is not followed by CDSL. A broker member can have only one clearing account per stock exchange of which he is a member. The DP should obtain, with the account opening form, the necessary details from the clearing member along with a letter from the Clearing Corporation allotting a CC-CM-ID.

Detail of Bank account is required with MICR details for ECS of Dividend / Interest.

A demat account can have maximum three holders. Proof of identity is to be obtained for all the holders. For First holder proof of correspondence address as well as permanent address is to be obtained in case the correspondence address is not the same as the permanent address. For joint holders proof of only permanent address is to be obtained. In addition, obtaining PAN Card details of all the holders is compulsory for all categories of demat account holder(s).

U.N. entities/multilateral agencies which are exempt from paying taxes/filing tax returns in India are exempted from the mandatory requirement of PAN. Residents of SIKKIM are also exempted from the mandatory requirement of PAN.

Foreign address and RBI approval details for NRI, FPI or OCB accounts are required in case of NSDL. However this is not applicable in case of CDSL.

In case of CDSL, PIOs falls under the category of Foreign Nationals. In case of NSDL they fall under the category of NRI.

Nomination can be done by Individuals and only Individuals can be Nominees. HUF cannot nominate. In case of Power of Attorney Account Nomination facility is not available. A minor can nominate through a guardian. A minor can also be appointed as a nominee represented by a guardian. If the account is held jointly all joint holders will be required to sign the nomination form. Nominee can be only individual. Non-individual entities such society, trust, body corporate, HUF cannot be appointed as nominee. **As per CDSL Operating instructions, nominee's photograph, signature, or in case of minor, the guardian's signature are not required.**

Details of Introducer: All accounts opened by illiterate person(s) with NSDL DPs must be either introduced by an existing account holder or must be attested by applicant's bank. CDSL however does not need an introducer for accounts to be opened by an illiterate person(s).

Currently maximum of 3 people can open a joint holding account.

All the joint holders need to sign on the form.

Documents of all the holders are needed to be submitted.

Any communication relating to the a/c is only sent to the first holder.

Any interest or dividends, notices or reports are sent to the first holder only.

Four or More Joint Holders

1. Separate A/c opened for more than 4 joint holders
2. No standing instructions to receive credits, receipt instructions, new issue applications and any other instruction which has the effect of crediting this A/c should be accepted
3. Undertakings from the client that he will not use this A/c for the purpose of allotments in the primary market or for purchases from the secondary market except for DEMAT, bonus, rights and preferential offer of existing shares.
4. After the balances in such a joint A/c become nil, the A/c should be closed.
5. For holdings of a Trust in the joint names of four or more trustees, there are no restrictions on receiving credits into that A/c.

Minor becoming Major – Procedure to be followed

1. Minor becomes major at 21 Yrs if Guardian is Court Appointed. Other Cases its 18.
2. An application for transferring securities from the old A/c to the new A/c in the name of Major. No joint Holders in the New A/c.
3. Attested Copy of Birth Certificate.
4. Old A/c is close after transferring the balances.

Important Documents for opening an account in the name(s) of Partners for holding securities that belong to the Partnership firm:

- a. Copy of the balance sheets for the last 2 FY (to be submitted every year).
- b. Certificate of registration (for registered partnership firms only).
- c. Copy of partnership deed.
- d. Authorised signatories list with specimen signatures and photograph.
- e. Photograph, POI, POA, PAN of Partners.
- f. The account should be opened only in the names of Partners, operated by the partners and the securities that belong to the Partnership Firm can be held in this account.

Unique Client ID or Client Account Number

16 Digits ID (8 Digit DP ID + 8 Digit Client ID)
IN NSDL DP ID starts with IN

Freezing of A/c – Types and Procedures

- Freezing for Debit Only
- Freezing for Debit and Credit.
- Freezing of all Sec or Certain ISIN or Partial Freezing of Sec.

However Freezing for Credit only is not possible.

Transposition: The process of changing the order of joint holder names in a security certificate is called Transposition. It does not require any stamp duty and can be done by giving a letter to DP.

TRANSPOSITION CUM DEMAT IS POSSIBLE IN NSDL AS WELL AS CDSL.

The DP may also close the client a/c if the client has defaulted in fulfilling its obligations. This is done by giving a notice to the client, 30 days in case of CDSL.

A CM may transfer its clearing a/c from one DP to another with the depository approval in case of NSDL. In case of CDSL, no approval is required.

A BO can transfer all his securities in his account to another branch of the same DP or to another DP of the same depository or another depository. In such cases, there are no charges levied by a Depository to a DP or by a DP to its BO.

Changes in Client Details that can be done

Change in Name, Change in Father's/Husband's Name (due to marriage).
 Standing instruction facility (an investor can activate/deactivate it)
 Address, telephone number, mobile number Occupation details, E-mail addresses
 Bank and Nominee details. PAN Number details
 In case of NRIs, RBI and approval date for NSDL.

S.No	Reason for name change	Documents required
1	On account of marriage/ on account of Divorce	(i) Marriage Certificate/Divorce Certificate or (ii) Copy of Passport showing husband's name / Fathers Name or (iii) Publication of name change in official gazette.
2	On account of reasons other than marriage	(i) Publication of name change in official gazette
3	Change in father's name	(i) Publication of name change in official gazette.

Innovators Growth Platform ("IGP") - listings of new-age companies and startups.

Accredited Investors (AIs) - investors whose holding in the Issuer Company, is eligible for the computation of at least 25 percent of the pre-issue capital of startups.

- i. Any individual with total gross income of ₹ 50 lakhs annually and who has minimum liquid net worth of ₹ 5 crores; or
- ii. Any body corporate with net worth of ₹ 25 crores

TRANSMISSION and NOMINATION

The word "transmission" means devolution of title to shares, for example, devolution by death, succession, inheritance, bankruptcy, lunacy, bankruptcy, winding-up (in case of corporate) etc. Transfer of shares relates to a voluntary act of the shareholder, transmission is brought about by operation of law.

Procedure for Transmission – Joint Holding

New A/c is opened in the name of Survivors
 All A/c Holders should sign Transmission Form.
 A Copy of Notarized Death Certificate should be given.
 Securities are transferred to the new A/c of Survivors. Old A/c is closed.

Procedure for Transmission – Single Holding with out Nomination.

In the event of death of the sole holder, if valid nomination has not been made, the successors/legal heirs of the deceased can get the securities transmitted in their favour by submitting their claim duly supported by the relevant legal documents to the DP.

1. A copy of the death certificate
2. A copy of the succession certificate, duly notarized, or an order of a competent court, if the deceased has not left a Will
3. A copy of the Probate or Letter of Administration duly notarized

Market value of the securities held in each of the A/c of deceased is less than Rs. 1 lakh

1. Copy of death certificate duly notarized. NOC from all Legal Heirs.
2. Letter of Indemnity duly supported by a guarantee
3. An affidavit made on appropriate non-judicial stamp paper
4. A copy of Family Settlement Deed duly attested by a Notary Public or by a Gazetted Officer and executed by all the legal heirs of the deceased BO

Procedure for Transmission – Single Holding with Nomination

New A/c is opened in the name of Nominee

Transmission Form.

A Copy of Notarized Death Certificate should be given.

Securities are transferred to the new A/c of Nominee. Old A/c is closed.

Transmission in case of Hindu Undivided Family (HUF):

Upon the death of the Karta of a HUF, the surviving members of the HUF may appoint another person as the Karta.

True copy of the death certificate of the Karta, duly certified by a Notary Public

An appropriate order by a competent court. (This is not required by CDSL)

If the surviving members are unable to produce a Court order and if the market value of securities in the deceased karta's a/c is not more than Rs. 10 lakhs, then the DP can execute the transmission on the basis of such documents:

1. Transmission form signed by new Karta
2. Letter of indemnity by surviving members
3. A declaration of the list of surviving members of HUF in an affidavit

In CDSL, in case of a partial partition, the others can still continue the HUF in the existing name. In case of full partition, the entire HUF is dissolved. In both the above cases, the karta can transfer shares to the members who seek partition. If the transfer cannot be amicably settled, the family members can go to a court and transfer of shares can then be based on the court direction.

TRANSMISSION CUM DEMAT IS POSSIBLE IN NSDL AS WELL AS CDSL.

TRANSFER CUM DEMAT IS NOT POSSIBLE IN NSDL AS WELL AS CDSL.

International Securities Identification Number (ISIN)

International Securities Identification Number (ISIN) is a unique identification number for each security issued in accordance with the ISIN standard (ISO 6166).

SEBI has delegated **NSDL** to allot ISIN for various securities

For securities getting admitted on CDSL, the ISIN is allotted by NSDL to those securities on receiving request from the CDSL.

Allotment of ISIN for G-Sec is done by RBI

Securities issued by the same company, issued at different times or carrying different rights, terms and conditions are considered different securities for the purpose of allocating ISIN and are allotted distinct ISINs

12 digit alpha numeric string.

The First two letters stands for “Country Code” called as PREFIX

The third character represents the Issuer Type.

Issuer Type	Code
Central Government	A
State Government	B
Company, Statutory Corporation, Banking Company	E
Mutual Funds including UTI	F
Equity shares with rights which are different	9

Maximum issuer types can be 35 (A to Z and 0 to 8).

The next 4 characters (4th to 7th character) represent **company identity**

Starts with ‘001A’ and continues till ‘999A’ and proceeds to ‘001B’

Next two characters (8th and 9th) represent **security type for a given issuer**

Next two characters (10th and 11th) are **serially issued for each security** of the issuer.

Last digit is double-add-double check digit. The check digit at the end of the ISIN is computed according to the modulus 10 "Double-Add-Double". It establishes that the ISIN is valid.

Which Securities can be dematerialized?

1. Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of similar nature of any incorporated company or other body corporate, including underlying shares of ADRs and GDRs.
2. Units of mutual funds, rights under collective investment schemes and venture capital funds, commercial paper, certificate of deposit, securitized debt, money market instruments, government securities and unlisted securities.
3. Only those securities whose ISIN has been activated by the depository can be Dematerialized

Functions of Depository Participant-Dematerialization

Dematerialisation is the Process of converting Physical Shares into Electronic form. Primary Objective of Depositories Act is Dematerialisation. Securities in Demat form are Fungible. They do not have any Folio/Distinctive/Certificate No.

DEMATERIALISATION PROCESS

1. Investor gives DRF (DEMAT Request Form) and Physical Certificates to DP
2. DP Defaces certificate by stamping 'Surrendered for Dematerialisation'
3. Certificates are mutilated by punching two holes at the top of the certificates.
4. DP enters the demat request in his system and the System generates Demat Requisition Number (DRN) which should be mentioned in DRF
5. DP despatches the physical certificates along with the DRF to the R&T Agent within 7 days of receipt from the client.
6. NSDL/CDSL forwards the electronic request from DP to the R&T Agent
7. R&T Agent verifies both and confirms NSDL/CDSL electronically.
8. R&T Agent destroys physical certificates.
9. NSDL/CDSL credits the Dematerialized securities to the beneficiary A/c of the investor and intimates the DP electronically.
10. The DP issues a statement of transaction to the client

Objection / Rejection by R&T

1. R&T informs DP along with reason for rejection.
2. DP informs client and takes steps to resolve.
3. If DP fails to resolve within 15 days, then R&T will send Certificates to DP
4. DP will send certificate to clients.

Separate DRF to be used for

1. Each ISIN
2. Free Securities and Locked In Securities
3. Securities Locked for different reasons.
4. Securities of different paid-up value
5. For Each client A/c
6. For Government Securities (DRF GS) in case of NSDL. This is not applicable for CDSL

Rejection Reason

- Signature mismatch
- Signature of the 1st/2nd/3rd holder(s) not present
- Mismatch between share quantity received and quantity mentioned in DRF
- Certificates sent are fake / Certificates sent are reported stolen
- Duplicate certificates already issued /
- Incorrect Holder(s) name / Pattern

- Certificate details mismatch
- DRF sent to incorrect registrar
- Court injunction pending / Shares under Stop Transfer
- Security Certificates read not available for Demat
- Mismatch of DP ID/ Client ID on certificates
- DRF not signed/ stamped by DP
- Miscellaneous

REMATERIALISATION PROCESS

1. Process of converting Electronic form to Physical Certificates.
2. The beneficial owners of the securities should make the request.
3. There should be sufficient free /lock-in balance of securities available in the beneficiary account to honour the rematerialization request
4. DEMAT A/c of a BO is debited for the securities sought to be rematerialized and physical certificates for the equivalent number of securities is/are issued
5. REMAT REQUEST FORM is used
6. Once REMAT request is given, Demat account will be locked and *No trading is possible on the securities sent for rematerialisation*
7. Issuer issues Physical Certificates within 30 days.

Destatementization is the process, which enables BOs to convert their mutual fund units represented by Statement of Account (SoA) in physical form to electronic form and hold the same in their demat account.

Mutual Fund Destatementization Request Form (MF-DRF)

Restatementization is a process by which the MF units held in electronic form are converted into physical form i.e., Statement of Account

Functions of DP – Trading and Settlement

Types of Share Transfer

1. Transfer due to a transaction done on a person to person basis is called 'offmarket' transaction
2. Transfer arising out of a transaction done on a stock exchange – Market Transfer
3. Transfer arising out of transmission and A/c closure

Off Market Transfer

1. Any trade that is cleared and settled without the participation of a clearing corporation is called off market trade
2. Transfer due to a transaction done on a person to person basis is called 'offmarket' transaction

3. Large deals between institution, trades among private parties, transfer of securities between a client and a sub-broker, large trades in debt instruments are normally settled through off-market route
4. Seller gives Off-market Delivery Instructions to his DP to move securities from his A/c to the buyer's A/c.
5. Buyer automatically receives the credit of the securities into his A/c on the basis of standing instruction for credits.
6. Buyer receives credit of securities into his A/c only if he gives receipt instructions, if standing instructions have not been given.
7. Funds move from buyer to seller outside the Depository system
8. The instruction will be triggered on the execution date
9. If sufficient balance is not available, then instruction will wait till EOD.
10. If adequate balances are not received till the end of the day of the execution date, the instruction will fail.
11. The A/c will be debited immediately on receipt of adequate balances in A/c.
12. The movement of funds take place outside the depository system

For all 'off market sale/purchase', DPs must mandatorily obtain the following payment details in the DIS from the client:

- a) Consideration, Mode of payment which can be Cash, Cheque or Electronic payment
- b) Bank Account Number
- c) Date of payment
- d) Bank Name
- e) Branch Name
- f) Transferee Name
- g) Date of Issue / Transfer
- h) Cheque / Reference Number

In case of Cheque or Electronic payment, the following needs to be mentioned:

- a) Transferee's name, bank account number and bank name.
- b) Transaction reference number for electronic payments or cheque number for cheque payments.

Inter Depository Transfer

1. Transfer of securities from an A/c in one depository to an A/c in another depository is termed as an inter-depository transfer
2. Both NSDL and CDSL must be inter-connected.
3. Only for securities that are available for dematerialization on both the depositories
4. The Account can be either a clearing A/c or a beneficiary A/c
5. "Inter depository delivery instruction" form to be filled by Transferor and Transferee
6. Inter Depository Transfer instructions for the day are exchanged online between the two depositories

7. The deadline time for DPs to verify and release Inter Depository Transfer delivery/ receipt instructions is 8 p.m. on weekdays and 2.30 p.m. on Saturdays.
8. For crediting the Transferee A/c, the standing instruction given for automatically crediting the A/c is applicable. In case the standing instructions are not given, then the form for "Inter-Depository Receipt Instruction" is required to be submitted by the clearing member/beneficial owner to its DP
9. The instruction will be triggered on the execution date
10. If sufficient balance is not available, then instruction will wait till EOD.
11. If adequate balances are not received till the end of the day of the execution date, the instruction will fail.
12. The A/c will be debited immediately on receipt of adequate balances in A/c.
13. The movement of funds takes place outside the depository system.

Settlement of Market Transactions

1. Delivery of securities to or from a clearing corporation are called "Market Trades"
2. Transfer of securities from an A/c in one depository to an A/c in another depository with the Participation of CC/CM is termed as Market Transfer
3. The seller client either gives a Delivery Instruction (DI) to his DP to transfer the securities to his broker's pool account or settlement account.
4. The broker then enters the pay-in instruction from his CM account and ensures that his CM account has sufficient balance for transfer before the specified deadline. The securities are transferred to the account of Clearing Corporation / Clearing House. The process of transferring Securities or Funds from CM to CC is known as PAY IN.
5. The CC/CH gives the pay-out and then the securities are transferred to the buying broker's account. Then the broker gives DI to his DP to transfer securities to the buyer's account. If the buying client is a sub-broker, then in turn such sub-broker will transfer securities to the final buying client using the off-market route.
6. Movement of Funds and Securities from CC to CM is known as PAY OUT.
7. In case the broker gives the pay-out break up of his clients to the CC/CH, the securities are then directly credited to the client's account.

The DI slip contains the name of the exchange, market type and settlement number for which securities are being transferred to CM accounts. The DI slip should contain the BOID of a CM account relevant to the stock exchange in which the trade was done. The contract note/trade confirmation slip given by the broker/ sub-broker will indicate the settlement details.

Every settlement number has a trade beginning day, trade-ending day, settlement pay-in day and settlement pay-out day etc. Stock exchanges divide a period of one year [financial year or calendar year] into several settlement periods and allocate settlement

number for each settlement-period. All these days collectively are called 'settlement calendar'.

SEBI has advised DPs to instruct their clients to submit the settlement instructions on T+1 (in physical form upto 4 p.m. and 6 p.m. in case of electronic instructions) for pay-in of securities. For example, pay-in for trades executed on 'Monday' will be on Wednesday. Hence, clients will have to submit instructions to their Participants (upto 4 p.m. in case of physical and upto 6 p.m. in case of electronic instructions) on Tuesday. A CM can give an instruction to move securities from one settlement to another settlement which is called ***Inter-settlement transfer***.

In NSDL, delivery-out instructions for moving securities from CM Settlement Account to CM Delivery Account can be generated automatically by the respective Clearing Corporations based on the net delivery obligations of its Clearing Members. The Clearing Corporation can generate auto delivery obligations (Dos) on behalf of those CMs who have authorized it in this regard. Such Instructions are called as **Auto Delivery Out**. Auto Delivery Out will not be generated in case of Irreversible Delivery out Instruction.

CDSL offers **Electronic Access to Securities Information (easi)** which provides real time information to the CMs of their holdings in their demat account. It also provides status of instructions, details of past transactions and enables users to take a print out of their statement of account. It also offers a useful facility of daily valuation of the stocks held in the demat account and aggregate value of the portfolio.

CDSL also offers **Electronic Access to Securities Information and Execution of Secured Transaction (easiest)** which is an internet facility which permits BOs/CMs to submit debit/credit transaction instructions to effect off-market, on-market, inter-depository and early pay-in of transactions.

Similarly NSDL provides **Internet Based Demat A/c Statement – IDEAS**

Subscription (Purchase) of Mutual Fund units through Stock Exchange

Purchase orders for MF units is entered on the stock exchange order entry platform by the eligible CMs on behalf of their investors. Order file shall be sent to AMC/RTA for validation. For valid orders, AMC/RTA shall submit Corporate Action file to CDSL for the allotment of MF units in AMC beneficiary accounts. AMC shall submit DIS in the form of "Normal Pay-in" from AMC beneficiary account by mentioning the CM ID and Settlement ID along with the other relevant details for pay-in processing. On Payout, MF units shall be credited to the respective Buyer's Clearing Member's (CM's) Pool account by way of a settlement cycle mechanism. Subsequently, CM shall transfer the said MF units to the respective BO's demat account.

Redemption (Repurchase) of Mutual Fund units through Stock Exchange

In case of Redemption [i.e. Repurchase] of MF units, the Investor shall place an order through eligible Clearing Member (CM) on Stock Exchange Order Entry platform.

Investor shall transfer the units for pay-in by submitting the DIS to his DP by mentioning the Settlement ID and Settlement type along with the other relevant details. Mutual Fund units shall be debited from BO account and credited to the CC/CH house account. Early Payin facility shall not be applicable for settlement of Mutual Fund units. Part balance / insufficient balance of Mutual Fund units shall not be considered for redemption / repurchase. Mutual Fund units shall be debited from CC/CH house account and credited to the AMC beneficiary accounts from where the units shall be redeemed subsequently.

Repurchase / Redemption of Mutual Fund units through Depository Participant

BO can also redeem or offer for repurchase the MF units that are available in electronic form in his demat account directly through the DP without going through the stock exchange mechanism. The DPs processing the Repurchase/ Redemption request shall send a copy of the AMFI/ NISM certificate to CDSL for updation. BO shall submit a Repurchase / Redemption Request Form directly to the DP. The DP shall ensure that the bank details are entered in the CDSL system. If bank details are not entered, then the repurchase / redemption request may get rejected.

If BO submits the Repurchase / Redemption Request Form for the entire holding in his demat account, the DP shall set up the Repurchase / Redemption request with the quantity option as 'ALL' in the system without requirement of entering any quantity in the Quantity field. In such case, AMC / RTA shall confirm / reject the entire balance [which are available at the time of confirmation] / partial balance in the respective folio with them.

If BO submits Repurchase / Redemption Request Form by mentioning the Quantity [Full or Partial] then the DP shall set up the Repurchase / Redemption Request with the quantity as mentioned in form. In such case, Issuer / RTA may confirm the maximum balance up to the setup quantity / partial balance with respect to setup quantity in the respective folio with them reject the balance up to the setup quantity / partial balance with respect to setup quantity in the respective folio with them.

If BO submits Repurchase / redemption Request form by mentioning the 'Amount'. RTA may confirm the units upto or equivalent to the amount. In the case of Repurchase / Redemption confirmation, the payment is made to the BO by the AMC/RTA in lieu of MF units held in electronic form. Modification is not allowed for Repurchase / Redemption.

Pledge and Hypothecation

The creation of pledge and hypothecation against securities which are held in demat mode is permitted under section 12 of the Depositories Act, 1996.

If the lender of money (pledgee) has unilateral right (without reference to borrower) to appropriate the securities to his A/c if the borrower of money (pledgor) defaults or otherwise, then the transaction is called a **pledge**.

If the lender needs concurrence of the borrower (pledgor) for appropriating securities to his A/c, then the transaction is called **hypothecation**.

Points to remember in Pledge

1. Ownership of the pledged/hypothecated securities remains with the pledgor until the pledge/hypothecation is invoked.
2. The pledge/hypothecation created can either be closed on repayment of loan or invoked if there is a default. After the pledgor has repaid the loan to the pledgee, the pledgor initiates the closure of pledge/hypothecation through its DP and the pledgee instructs its DP to confirm the closure of the pledge/hypothecation.
3. If the pledgor defaults in discharging his obligation under the agreement, the pledgee may invoke the pledge/ hypothecation. This has to be done after taking the necessary steps under the terms of the agreement with the pledgor and as stated in the Bye-Laws of the depository and rules and regulations framed by SEBI.
4. Multiple Pledge Transactions is possible between same persons based on a single agreement. In such cases agreement number should be quoted in all transactions. Entering Agreement number is optional in CDSL.
5. Each of these transactions are identified by a unique system generated number (“pledge sequence number”) in the DP system
6. A pledgor (borrower) and pledgee (lender) may have their accounts with the same DP or different DPs. The procedure described does not change
7. Corporate Benefits like Dividend, Bonus etc. flows to Pledgor.
8. All the Corporate benefits are also locked
9. Pledgor and Pledgee should hold DEMAT A/c with same Depository.
10. Securities marked as “Pledged Balances” once Pledge Creation request is given.
11. Once Pledge is confirmed by the Pledgee, the status of Pledge instruction changes to “Pledged”
12. Once Pledge Closure is confirmed by the Pledgee, the status changes to “Closed Settled”.
13. In case of Pledge Invocation, the status changes to “Closed Invoked”
14. The DP shall maintain copies of all Pledge Request Forms (PRF), Unpledge Request Forms (URF) and Invocation Request Forms (IRF) for a minimum period of 5 years or any such period informed by SEBI from time to time.
15. Pledge is considered as “closed” when the confirmation advice is entered into the system by pledgee's DP.
16. Pledgee initiates the Unilateral Closure of Pledge.
17. Locked-in securities cannot be invoked before the lock-in release date.

PLEDGE CREATION

Steps:

1. Agreement is signed between the pledgor and the pledgee outside the depository system.
2. Pledgor gives a pledge request to his DP who enters it in the system. Securities are transferred from ‘Free balance’ to ‘Pledge setup balance’ in the pledgor’s account. The pledge request is available to the pledgee DP through depository system.

3. Pledgee DP gives a pledge confirmation request to his DP who enters it on the depository system. Status of the pledge request changes to 'Accepted – Verified'. Balance moves from 'Pledge setup balance' to 'Pledge balance'.
4. Pledgee gives a pledge confirmation to his DP who enters it in the system. Status of pledge Instruction is changed to 'pledged'.
5. Loan is given by pledgee to pledgor outside the Depository system.

PLEDGE CLOSURE

1. In CDSL system, Pledge closure is referred as unpledge
2. Pledgor repays the loan to pledgee.
3. Pledgor gives a pledge closure (unpledged) request to his DP.
4. Pledgor's DP forwards the request to the depository.
5. The depository forwards the pledge closure (unpledged) request to pledgees DP.
6. Pledgee's DP intimates the Pledgee.
7. Pledgee gives pledge closure (unpledged) confirmation form to his DP.
8. Pledgee's DP closes the pledge and pledge closure (unpledge) is forwarded to the depository. Securities are moved from 'pledged' balances to free balances in the pledgor's account.
9. The depository forwards the confirmation for pledge closure (unpledged) to pledgers DP.
10. Pledgor's DP intimates the pledgor

UNILATERAL PLEDGE CLOSURE

Steps:

1. Pledgor repays the loan to pledgee.
2. Pledgee gives a unilateral pledge closure (unpledged) request to his DP.
3. Pledgee's DP forwards the request to the depository. The pledge is then closed (unpledged)
4. The depository informs the pledgor's DP. The securities are moved from the 'pledged' balances to free balances in the pledgor's account.
5. Pledgor's DP intimates the pledgor.

PLEDGE INVOCATION

Steps:

1. On repayment default, pledgee send an invocation notice to pledgor.
2. Pledgee submits a pledge invocation request to DP. DP forwards the request to the pledgor's DP through the depository system.
3. Securities move automatically from pledgor's account through the depository system.
4. Pledgor is informed of the movement of the securities by his DP.

Reasons for Pledge Rejection

- Closure date not accepted
- Pledged quantity not accepted
- ISIN not accepted

- Security details not accepted
- Market value of pledged ISINs insufficient
- ISIN delisted from trading
- POA not received from all holders
- Holders not acceptable to the pledgee
- Agreement number differs from that on the agreement

SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, requires promoters of a company to disclose details of their encumbered shares including Non-Disposal Undertaking (NDUs) by promoters which are covered under the scope of disclosures of 'Encumbrances'.

SPECIAL SERVICES – CORPORATE ACTIONS

1. Corporate actions are events, which affect the rights, obligations and/or interests of the BO of securities held in a depository
2. Cash Corporate Benefit – Dividend
3. Non Cash Corporate Benefit – Merger/Demerger, Split, Bonus, Rights etc.
4. Depository facilitates the execution of corporate actions
5. In case of cash corporate actions, depository merely provides information to the Issuer about the persons entitled to receive corporate benefits
6. In case of non-cash corporate actions, NSDL/CDSL facilitates the distribution of non-cash corporate benefits.
7. DPs ensure that the changes in tax status, bank details, change of address etc. in the BO A/c are updated well in advance of the book closure/record date;
8. All positions in the transit A/c (not applicable in CDSL) e.g., settlement A/c and intermediary A/c, are cleared and the balances lying therein are transferred to the relevant BO A/c well in advance of the book closure/record date as per the instructions received from A/c holders.

Distribution of Monetary Benefits

1. R&T agent distributes Dividend to BO list provided by NSDL on the Cut off Date.
2. Companies should use ECS/NEFT facility to distribute Dividend. Bank Account details should be printed in Dividend / Interest Warrants.
3. In case of Gov Sec, NSDL / CDSL acts as R&T agent and distribute Dividend also.

Distribution of Non Cash Benefits

1. Option is given to BO to receive benefits in Physical or DEMAT form.
2. If no Option is selected by the BO, then benefits are issued in previous form

3. If BO who is holding Securities in Physical form gives wrong DEMAT A/c details, then those requests are rejected by Depository. If correct details are not given within the stipulated time, Securities are issued in Physical form.
4. Securities balances lying in the A/c of the CM / CC / Intermediaries will be eligible to receive corporate benefits. The corporate benefits availed by CM / CC and Intermediaries shall be held in trust on behalf of the BO for onward distribution to BO.

Record Date - The issuer thus announces a cut-off date to determine the BOs of the securities as of that date. This date is referred to as the "Record Date" and depository system provides holding report i.e. list of BOs having holdings in the ISIN of the issuer as of end of the day of record date.

Book Closure Start Date / End Date: In certain cases Issuer may setup a corporate action specifying Book closure start date and book closure end date. In such case The depository system generates holding report i.e. list of BOs having holdings in the ISIN of the issuer as of end of the day of one day prior to book closure start date.

Special Services – Public Issues

SEBI guidelines for public issues in electronic mode

1. Issuer shall be required to enter into agreement with all the depositories.
2. In case of Public issues for Equity, allotment is mandatory in demat form. In case of debt securities, Issuer shall give an option to subscriber/investor to receive the physical certificates or hold the securities in electronic mode with the depository.
3. Trading in securities of company making an IPO shall be in demat form only
4. Public Issues worth Rs 10 Crore or Above shall be in Demat Form only
5. Investors can apply in public offerings to get allotments directly in dematerialised form. For this purpose, the application form should have provision for investors to furnish their demat account number along with the following information:
 - a. Depository Name
 - b. DP's Name
 - c. DP-ID
 - d. Beneficiary Account Number (BO ID)
6. There are no charges for the allotment process
7. All the applications, whether with demat option or not, are treated alike for allotment purposes.
8. On allotment, the Issuer / its R&T agent provides the details of successful allottees who have opted for receiving securities in demat form, to the depository and the execution date when the securities should be credited to the beneficial owners accounts
9. Accounts of all the successful allottees will be credited on the BOD/ EOD of allotment date.

10. The allotment advice/refund warrants are sent to the applicants directly by Issuers/ Registrars.
11. Application Supported by Blocked Amount (ASBA) mechanism is the sole payment mechanism in public issues.
12. time duration from issue closure to listing has been reduced from 12 working days to 6 working days

Special Services – Debt Instruments and Government Securities

Certificate of Deposit – CD

1. The minimum size to be subscribed/ transacted in the NSDL/CDSL system is Rs. 1 lakh
2. The procedure for DEMAT of CD is same as that carried out for equity shares
3. The client/holder has to write on the reverse of the 'CD': "SURRENDERED FOR DEMATERIALISATION and credit to my/our demat ACCOUNT. (A/c number) with (DP) name /----- number"
4. Only those CD, which have been made available for dematerialization by its issuer, can be dematerialised
5. Redemption of CD – CDs are transferred to Issuers Redemption A/c at 3 Pm two days before maturity date. The redemption account opened by the Issuer will be the same for all the CDs issued by the Issuer.
6. The Issuer will provide the details of the redemption account in the form of a certificate to the first investor of the CD.
7. Banks and FIs should issue CDs only in the dematerialised form from 30/6/2002.

Commercial Paper (CP)

1. An investor can subscribe to minimum of Rs. 5,00,000/- or multiples thereof,
2. The face value of a CP in the Depository system is taken as Rs.5,00,000/-.
3. CP will be credited in the investor's account in terms of units
4. Redemption of CP – BO should transfer CP to Redemption Account of IPA (Issuing and Paying Agent) by 3 PM one day before maturity
5. From 30/06/01, banks, FIs, PDs and satellite dealers (SDs) will be permitted to make fresh investments and hold CP only in Demat form and outstanding investments in scrip form should also be converted into demat by October, 2001

Government Securities

1. Government security means a security created and issued by the Central Government or a State Government for the purpose of raising a public loan
2. Dated Securities have a maturity period of more than one year.
3. Treasury Bills have a maturity period of up to one year
4. Issue management, settlement of trade, distribution of interest and redemption - are handled by the Reserve Bank of India through its Public Debt Office (PDO)

5. G-Sec can be held in Physical form or SGL (Subsidiary General Ledger) form. SGL form is similar to Demat A/c.
6. SGL-1 A/c : Opened directly with RBI by Primary Dealers, FI, FPI etc.
7. SGL-2 A/c : A/c for BO of G-Sec. Opened with SGL-1 A/c holders.
8. SGL-2 facility is to be used to keep accounts of the constituent investors. In other words, SGL-2 is used to route investments of clients who are not eligible to directly open SGL-1 accounts. The entity which offers SGL-2 facility has to keep sub-accounts for each investor separately in its books; SGL-2 account with RBI will show the consolidated balances of all account holders.
9. NSDL / CDSL acts as the R&T agents for G-Sec.
10. NSDL / CDSL distribute both Cash and Non-Cash Corporate benefits.
11. Ordinary DEMAT A/c may also be used for G-Sec.
12. If the ISIN for a specific G-Sec has not been activated, the DP informs the G-Sec cell of the depository by faxing a standard letter along with a photocopy of the certificate or the SGL credit advice. Based on this communication, ISIN is generated and activated in the depository system.
13. SGL-1 A/c is Similar to House A/c. SGL-2 A/c is Similar to Non House A/c
14. DRF-GS (in case of NSDL) to be used for Dematerialization process.
15. DP should forward G-Sec along with DRF-GS to NSDL with in 7 days of receipt.
16. If G-Sec is issued by PDO – Mumbai, Certificate Number is prefixed by “BY” symbol. In such cases no need to get attestation from respective PDO for dematerialization
17. If G-Sec is issued by other PDO, then the respective PDO should attest it.
18. The DP endorses on the reverse of the certificate by writing '**Tendered for Cancellation and credit to SGL A/c no. _____, Mumbai**
19. DPs are instructed not to Punch Holes on the face of G-Sec
20. No request for partial dematerialization of a certificate should be entertained
21. RBI Credits G-Sec to SGL-2 A/c of NSDL

Depository Trades

Trades where both the parties (Buyer and Seller) have their BO A/c with the same depository.

Transfer of G-Sec within NSDL / CDSL is same to that of transfer of equity shares.

RBI Trades

Trades where only one party to the trade has A/c with a depository, and the counterparty has an SGL A/c with another approved entity or RBI itself.

Purchase by Depository Client - the buying client should submit **Inter-SGL Trade Purchase Instructions** in the prescribed format to the DP

Sale by Depository Client - the selling client should submit **Inter-SGL Trade Sale Instruction** in the prescribed format to the DP

An investor in government securities holding electronic balances in the depositories SGL-1 account cannot convert them into physical certificates by the process of rematerialisation.

An investor in government securities holding electronic balances in the depositories SGL-2 account can convert them into physical certificates or to book entry form by the process of rematerialisation. For this, an application has to be made to the depository, through the DP, in the Rematerialisation Request Form (RRF-GS).

Foreign Portfolio Investors - FPIs, Sub Accounts & QFIs under portfolio investment scheme.

Qualified Foreign Investor -sub-category of FPI and refers to any foreign individuals, groups or associations

SEBI approved **Designated Depository Participants (DDPs)** would grant registration to FPIs on behalf of SEBI and also carry out other allied activities in compliance with regulations.

FPI Eligibility –

- 1) Not a Non Resident Indian
- 2) Resident in a country that is a member of Financial Action Task Force (FATF)
- 3) If FPI is a bank then the central bank of that country should be a member of Bank for International Settlements (BIS)
- 4) resident in a country that is a signatory to IOSCO's MMOU or a signatory of a bilateral MOU with Securities and Exchange Board of India (SEBI).

Category I FPI - which shall include Government and Government related investors such as Central Banks, international or multilateral organisations, Sovereign Wealth Funds

Category II FPI – Regulated entities like mutual funds, investment trusts, insurance/reinsurance companies; banks, AMC, investment managers/ advisors, portfolio managers; university funds and pension funds, broad based funds that are not appropriately regulated but whose investment manager is appropriately regulated.

Broad based fund shall mean a fund, established or incorporated outside India, which has at least twenty investors, with no investor holding more than 49 percent of the shares or units of the fund.

Category III FPI - include all others not eligible under Category I and II such as endowments, charitable societies, charitable trusts, foundations, corporate bodies, individuals & family offices.

Eligibility criteria of Designated Depository Participant

(a) the applicant is a participant registered with SEBI; a custodian of securities registered with SEBI;

(c) Authorised Dealer Category-1 bank authorised by the Reserve Bank of India;

(d) multinational presence & has systems and procedures to comply with FATF requirements

SEBI may also consider an application from a global bank which is registered with the SEBI as a participant, custodian of securities, and shall have tie up with Authorised Dealer Category-1 bank.

Basic Services Demat Account (BSDA)

Individuals shall be eligible to opt for BSDA subject to the following conditions:

- a. Demat accounts under individual category and
- b. Value of securities held in demat account not exceeding Rs. 2 lakhs and
- c. Demat accounts registered for SMART facility and
- d. One demat account of first holder **across depository** where verified PAN of the first holder is available. This criteria has not been applied in case of PAN exempt entities.

SMART stands for SMS Alerts Related to Transactions

The DP shall give option

1. To open BSDA to all eligible individuals who open a demat account
2. To all the eligible individuals to avail the benefits of BSDA, and convert all such eligible demat accounts into BSDA unless such Beneficial Owners (BOs) specifically opt to continue to avail the facility of a regular demat account.
3. Value of holding shall be determined by the DPs on the basis of the daily closing price or NAV of the securities or units of mutual funds, as the case may be.
4. If the value of holding in such BSDA exceeds the prescribed criteria at any date, the DPs may levy charges as applicable to regular accounts (non- BSDA) from that date onwards.
5. Electronic statements shall be provided free of cost. Two physical statements, provided free of cost during the billing cycle. Additional physical statement not more than Rs.25/-
6. At least Two Delivery Instruction Slips (DIS) shall be issued at the time of account opening.
7. Electronic statements shall be provided free of cost
8. Transaction statements shall be sent to the BO at the end of each quarter. If there are no transactions in any quarter, no transaction statement may be sent for that quarter.

Slab For Debt Securities	Annual Maintenance Charges
Upto Rs 1 Lakh Holding	NIL
1,00,001 Lakhs to 2 Lakhs Holding	Maximum Rs 100
Other than Debt Securities	
Upto Rs 50,000	NIL
50,001 to Rs 2 Lakh	Maximum Rs 100

SEBI Complaints Redress System (SCORES) platform is a web based centralized system to capture investor complaints against listed companies and registered intermediaries and is available 24x7.

Following types of complaints are not dealt through SCORES:

1. Complaints against the companies which are unlisted/delisted
2. Complaints those are sub-judice or falling under the purview of other regulatory bodies viz. RBI, IRDAI, PFRDA under the purview of other ministries viz., MCA, etc
3. Suspended companies, companies under liquidation / BIFR / etc
4. Companies where the name of company is struck off from RoC or a vanishing company as per list published by MCA.
5. A sick company or a company where a moratorium order is passed in winding up / insolvency proceedings.

The shares in respect of which dividend has not been paid or claimed for a period of seven consecutive years or more, are required to be transferred by the company to the Investor Education and Protection Fund Authority (IEPF).

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 question & answers. It's not the right to way to prepare for any NISM exam. Good understanding of Concepts is essential.

Scan the following QR code for NISM Depository Exam Training Videos



YouTube Training Video Link –

<https://www.youtube.com/watch?v=r-UbZ9iJUZI&list=PLCZvkZJiAVK4n2Hk6fqMX-wYdVQ-1lYNm>

All the Best 😊

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(CLICK THE LINK ABOVE TO WRITE ONLINE MOCK TEST FOR NISM EXAMS)