

Depository – A brief highlight



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Introduction

- Till 1996, securities were in physical form
- Holding of securities, Issue of shares, Transfer of shares, trading, settlement, etc. were in physical form
- Depositories resolved the biggest market risks, i.e. bad deliveries, delayed transfers, fake certificates, loss/theft of certificates.



Physical vs. Dematerialization

1. Paper based trading
2. Manual transfer of securities which was a time consuming factor
3. Possibilities of bad delivery, fake certificates, signature differences, etc.
4. Burden of filling of transfer form, affixing share transfer stamps
5. Threat of loss of securities and fraudulent interception of certificates in transit

1. Paperless trading
2. Immediate transfer of securities
3. No problem of bad delivery, fake certificates, signature differences, etc.
4. No requirement of filling of transfer form and affixing share transfer stamps
5. No threat of loss of securities and fraudulent interception of certificates in transit



Definitions

- **Dematerialization**- A process of converting physical shares into dematerialized shares.
- **Rematerialization**- A process of converting dematerialized shares into physical shares.
- **Depository**- An organization which holds securities of investors in electronic form.
- **Depository Participant**- An agent of depository to act as an interface between the investor and the depository.
- **Beneficial Owner** – The investor who enjoys the benefits of owning the securities.
- **Registered Owner**- A depository in whose name the securities are registered



Analogy of Bank and Depository

- Bank holds funds in the account
- Transfer funds between accounts on the instruction of account holder
- Facilitates transfer without having to handle money
- Facilitates safekeeping of money
- Depository holds securities in the account
- Transfer securities between accounts on the instruction of Beneficial owner
- Facilitates transfer of ownership without having to handle securities
- Facilitates safekeeping of securities



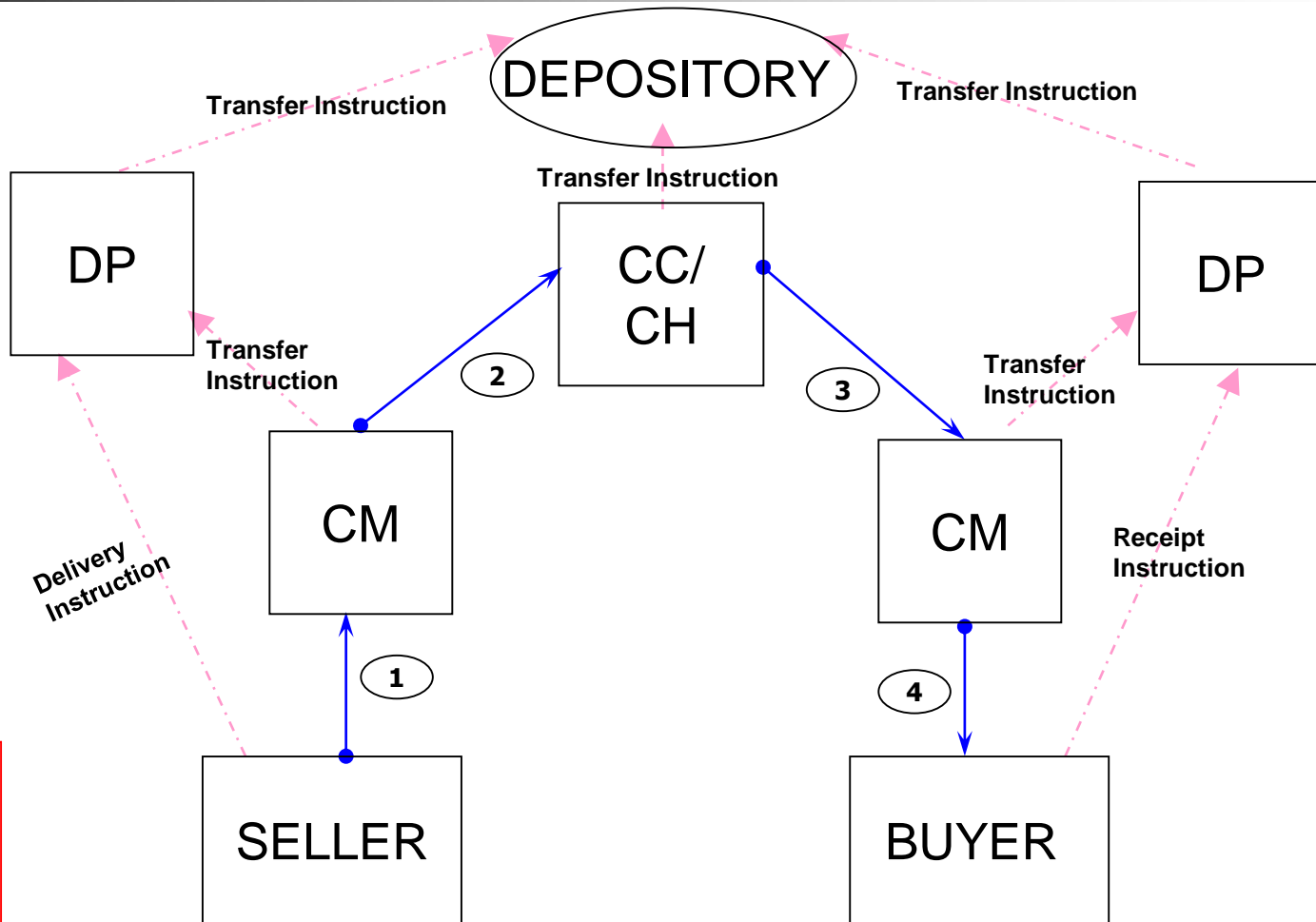
Charges

- An investor is required to pay charges towards:
 - Dematerialization
 - Rematerialization
 - Account Maintenance
 - sell transactions.

- An investor need not pay charges towards:
 - Account opening
 - Custody of securities
 - Buy transactions
 - Closure/Transfer of account



Transfer of Securities





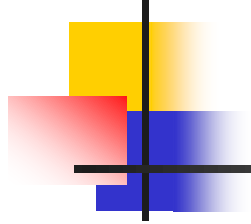
PAN requirement

- PAN is required primarily in the following cases:
 - Demat account opening
 - All securities market and off-market transactions involving demat and physical form of transfers.
 - In case of deletion of name of deceased shareholder(s) where shares are held in the name of two or more shareholders.
 - Transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares.
 - Transposition of shares – when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders



Obligations of DP

- Separate account for each BO
- Segregation of securities
- Transfer of securities on receipt of instructions from BO and confirm the transfer to BO
- Dispatch of Statement of Accounts
- Appointment of Compliance Officer



THANK YOU