

VI. SETTLEMENT OF SECURITIES IN DEMAT MODE

1. What is the procedure for buying / selling securities through stock exchange in demat form?

The procedure for buying / selling securities in demat form through a stock exchange is similar to the procedure for buying / selling physical shares.

2. What is the procedure for delivery of securities in demat mode in case of sale of securities?

The procedure for deliveries of securities in demat form is much simpler when compared to the delivery of securities in physical form. In case of sale of securities, immediately on receipt of intimation of execution of trade from broker, the seller should issue debit instructions to the DP with whom he maintains his demat account. Securities can be transferred either directly to the Clearing Corporation/Clearing House or to the broker's clearing account, as advised by his broker.

3. What is the procedure for receipt of securities in demat mode in case of purchase of securities?

A purchaser of securities can give one-time standing instruction to his DP for receiving securities in his account. This standing instruction can be given at the time of opening of account or later. Alternatively, a BO may choose to issue separate receipt instruction to his DP every time he makes any purchase of securities.

The securities which the BO has purchased will be first delivered in his brokers demat account by the Clearing Corporation / Clearing house. The broker will subsequently transfer the securities in the BOs demat account. The broker may give request to the Clearing Corporation / Clearing house to deliver the securities directly in the BO account.

4. What is an On Market Transaction?

Any transaction involving receipt of delivery of securities to a clearing corporation / Clearing House for sale and purchase of securities done on a stock exchange is generally termed as On Market transaction.

5. What is an Off Market transaction?

Off Market transaction is one which is settled directly between two BOs with or without using the broker and where Clearing Corporation / Clearing House is not involved. Both BO accounts will be within CDSL. Accounts may be with same DP or different DP but within CDSL.

6. What is an Inter Depository transfer?

Any transfer of securities between two BOs not having demat accounts within the same depository is termed as an "Inter Depository" transfer.

7. What is procedure of giving instructions to DP for carrying any of the above transfers?

BO can execute such transactions by filling up a slip referred 'Instruction Slip' and handing over the same to his DP. Since Depository has a facility whereby the BO can give a 'One time Credit Instruction', also referred as purchase waiver, a BO needs to give instructions only for debits to his account, the instruction slip is referred as 'Debit Instruction Slip' or 'DIS'.

8. Which type of transaction can be executed through the DIS?

DIS can be used to give instructions to execute on market transactions, off market transactions as well as inter depository transfers. Separate DIS has to be used for each type of transaction.

9. Can securities be bought and sold through Depository Participant?

No. Securities can be bought and sold only through a stockbroker. DP facilitates delivery of securities against a sell transaction or receipt of securities for a buy transaction.

10. What are the transaction charges in respect of transfer of demat securities?

Transaction charges for each debit in a BO account is levied a transaction charge by CDSL and collected by DPs. DPs after adding their mark up, if any, fix a composite charge which is intimated by them to their clients. As per SEBI guidelines all DPs are required to publish their tariff structure on CDSL web site www.cdslindia.com. Investors can check the tariffs displayed on the web site and take a decision before opening their demat account.

11. For on market transaction what are the details to be entered on the instruction slip?

The BO has to enter his Demat account number, ISIN, Quantity to be delivered, Settlement number and a unique number of their broker called as 'CM ID' on the DIS. The BO also has to enter exchange name and settlement type on the DIS.

12. How the Settlement Number is indicated on the DIS?

Settlement number has 7 digits, the first 4 digits represent the year and the remaining 3 digits represent the settlement number of the exchange on which the transaction has been executed.

13. What is client level pay-in?

Facility to deliver securities to Clearing Corporation/Clearing House directly from the demat account of investors is termed as client level pay-in.

14. What are the benefits of client level pay-in?

Benefits of the client level pay-in are: -

- In the present market environment of T+2 pay-in settlement cycle, faster settlement of securities can be facilitated through client level pay-in.
- Client level pay-in avoids issuance of multiple instructions i.e. first from client to CM and then from CM to Clearing Corporation/Clearing House.

- Last minute pay-in is possible i.e. credit received in account just before pay-in dead line time can be used for pay-in.
- Client level pay-in avoids counter party risk associated with the delivery of securities through an intermediary.
- Last minute credits received in a BO account before pay-in time can be used for pay-in.
- Part pay-in of securities is possible, thereby, reducing losses due to auction (if any).

15. Does CDSL provide for the client level pay-in?

Yes. CDSL provides the facility of client level 'normal' and 'early' pay-in of all the exchanges.

16. What precautions need to be observed with respect to Instruction Slips?

BOs should take the following precautions with respect to instruction slips: -

- Ensure that the DP issues Debit Instruction Slip (DIS) book.
- Ensure that instruction slip numbers are pre-printed on each DIS.
- Ensure that the demat account number is pre stamped on each DIS.
- After the DIS has been filled, strike out remaining blank space to prevent misuse.
- All details like target account ID, quantity, ISIN, etc. to be furnished in the DIS should be filled in by BO himself.
- Use separate DIS for giving On Market / Off Market / Inter depository transfers instructions. Also for Delivery and Receipt transactions separate DIS should be given..
- In case of a Joint Account, all the account holders must sign the DIS.
- Submit the DIS in duplicate and obtain the DP's acknowledgment / receipt stamp on the copy of the DIS and retain the same in safe custody.
- Keep the DIS book in proper custody under lock and key when not in use. In case of any loss / misplacement of DIS, the same should be intimated to the DP immediately.
- Should never keep a blank and signed DIS.
- All the holders must confirm any alteration, correction or cancellation made on the DIS with their signatures.