

# ***I. General***

## **1. What is a depository?**

A "Depository" is a provider of facility for holding and/or transacting securities in, book entry form. Physical securities can be converted in to book entry form i.e. electronic form by way of immobilization or dematerialization. (so that they exist only as electronic records). India has chosen the dematerialization route. A depository functions somewhat similar to a commercial bank. To avail the services offered by a depository, the investor has to open a demat account with a registered Depository Participant (DP).

## **2. What is dematerialization (Demat)?**

"Dematerialization" is a process by which physical certificates are converted into electronic form.

## **3. What is Rematerialisation (Remat)?**

Rematerialization is the process of converting securities held in a demat account in electronic form back in physical certificate form.

## **4. Who is registered owner of Securities?**

When securities of a company are held in physical form by an investor, name of the investor is recorded in the books of the company as a 'Registered Owner' of the Securities. Each certificate is identified by Folio number, certificate number and distinctive range numbers. When physical securities are converted in to electronic form, the depository becomes 'Registered owner" in the books of the company and investors name is removed from books of the company. Since depository is holding such shares as a custodian or a guardian it cannot claim any benefit or it is not liable for any loss as a result of the holdings.

## **5. Who is a Beneficial Owner (BO) of the securities?**

The investor whose securities are held in electronic form in a demat account opened with a depository through a Depository Participant is called as 'Beneficial Owner' (BO). All the benefits as a result of the holding the securities are given to such beneficial owner.

## **6. Who is a DP?**

A DP i.e. Depository Participant is an agent of the depository who is authorized to offer depository services to investors and is registered as a DP with SEBI. Financial institutions, banks, custodians, stockbrokers and other types of intermediaries specified under SEBI (Depositories and Participants) Regulations, 1996, complying with the requirements prescribed by SEBI/ Depositories can be registered as DP. Further information on DPs can be accessed from CDSL's web site [www.cdslindia.com](http://www.cdslindia.com). An

investor will always interact with a DP for the services and cannot directly approach the depository for any services except for Redressal of Grievances.

### **7. Who is an Issuer?**

“Issuer” means any entity, such as corporates, state or central government organizations, issuing securities which can be held in depository in electronic form.

### **8. Who is an RTA?**

An RTA i.e. Registrar and Transfer Agent is an agent of the issuer. RTA acts as an intermediary between the issuer and depository for providing services such as Dematerialization, Rematerialization, Initial Public Offer and Corporate actions.

### **9. What is an ISIN (International Securities Identification Number)?**

“ISIN” is a unique 12 digit alphanumeric code given to a security, shares, Debentures, Bonds etc. when the security is admitted in the depository system. First two digits of the ISIN code indicate country of registration for the security. For all securities registered on depository in India, the first two digits of the ISIN code are ‘IN’.

### **10. Whether different securities issued by the same Issuer will have same ISIN?**

No. Different securities issued by the same issuer will have different ISIN code.

### **11. What are the services provided by a Depository?**

A Depository provides following services to investors through a DP:

- a. Opening a demat account.
- b. Dematerialization, i.e. converting physical securities into electronic form.
- c. Rematerialization, i.e. converting electronic securities balances held in a BO account into physical form.
- d. To maintain record of holdings in the electronic form.
- e. Facilitate settlement of trades by exchanges / Clearing corporations by delivering / receiving underlying securities from / in BO accounts.
- f. Facilitate transfer of securities between BOs.
- g. Receiving electronic credit in respect of securities allotted by issuers under IPO or otherwise.
- h. Receiving non cash corporate benefits, such as, allotment of bonus and rights shares or any other non cash corporate benefits given by the issuers in electronic.
- i. Facilitate pledging of dematerialized securities.
- j. Freezing of the demat account for debits, credits, or both.
- k. Internet facilities “easi” and “easiest”

I. Subscription/ Redemption of mutual fund units in demat form.

## **12. What is the legal framework governing depository functions in India?**

Following are the acts and regulations under which a depository functions:

1. The Depositories Act, 1996,
2. SEBI (Depositories and Participant) Regulations, 1996.
3. CDSL Bye-laws and Operating Instructions which are framed under the above two documents.
4. Prevention of Money Laundering Act (PMLA), 2002.

## **13. What is Destatementization?**

Destatementization is conversion of mutual units held in physical form i.e. statement form into electronic i.e. Demat form.

## **14. What is Restatementization?**

Restatementization is exactly opposite of Destatementization i.e. Conversion of mutual fund units held in demat i.e. electronic form back into physical form.

## **15. What are the benefits of depository to the investor and other entities associated with capital market?**

1. Reduction in paperwork.
2. Reduction in risks associated with holding securities in paper form such as theft, damage due to fire etc., bad delivery in settlement process, fake / Forged securities etc.
3. Faster mode of transferring securities from one account to other account.
4. Elimination of stamp duty on transfer of securities which was applicable in paper form.
5. Reduction in transaction cost.
6. Change in details of the demat account to be submitted only to DP and subsequently get registered electronically with all companies in which investor holds securities.
7. Faster mode of Transmission of securities to the nominee or surveying holder in case of death of an account holder.
8. Holding all type of capital market instruments such as equity, debt, mutual fund units, G-SEC in a single account.
9. Automatic credits of securities into demat account arising out of corporate actions such as Bonus, split/consolidation/merger/ demerger etc.