

II. DEMAT ACCOUNT OPENING

1. What are the benefits of opening a demat account for investors?

A demat account has become a necessity for all categories of investors for the following:

- a. SEBI has made it compulsory for trades in all listed scrips to be settled in demat mode.
- b. As per Ministry of corporate affairs notification dated September 10, 2018 it is mandatory to every unlisted public company to issue the securities in dematerialized form and facilitate dematerialization of all its existing securities. It is a safe and convenient way to hold securities compared to holding securities in physical form.
- c. Instantaneous transfer of securities enhances liquidity.
- d. It eliminates delays, thefts, interceptions and subsequent misuse of certificates.
- e. Change of address, registration of Power of Attorney – can be effected across companies by one single instruction to the DP.
- f. Market lot of one share for the purpose of transactions - so no odd lot problem.
- g. Any number of securities can be transferred / delivered with one delivery instruction. Therefore, paperwork and signing of multiple transfer forms is done away with.
- h. It facilitates taking loans / advances against securities.
- i. Immediate credits in case of any allotment in Non cash corporate actions such as bonus, rights issues and IPOs.
- j. Multiple nomination facility available in demat account. Maximum three nominees can be appointed.

2. What are the benefits of opening a demat account with CDSL?

Advantages of opening a demat account with CDSL are given below:

- a. Unique centralized database of CDSL enables DPs to debit/credit securities instantaneously to the BO's account.
- b. CDSL allots a unique number to each demat account, which ensures debit/credit of securities only to the intended account. Thus, if an account number is keyed in incorrectly, CDSL system will not effect the transaction.
- c. CDSL offers a settlement facility to its BO's under which securities sold or purchased by them, through any broker on BSE/NSE, can be directly debited/credited in their BO account without routing it, through the broker's pool account.
- d. The cost for settlement of securities through CDSL is lower in most cases. Thus, BOs can expect a lower charge in respect of securities held in CDSL accounts.
- e. Investors can monitor and access their holding and the status of their transactions in their accounts through CDSL's internet based facility 'easi'. Further, using CDSL's internet based facility 'easiest' BOs can also submit settlement instructions through the internet.

3. Can a demat account be opened directly with CDSL?

A demat account can not be opened directly with CDSL. The demat account has to be opened only through a Depository Participant (DP) of CDSL.

4. Can an investor, already having a demat account; open another account with any other CDSL DP?

Yes. The investor has a choice to open another demat account with any CDSL DP. Also refer to FAQs on BSDA category demat accounts.

5. Can a DP collect account opening charges?

SEBI has directed that no investor should pay account opening charges, besides the statutory charges.

6. Can all securities be dematerialized through a single demat account?

Yes. Any number of securities admitted with CDSL can be dematerialized and held in one demat account.

7. What should an investor do to open an account with a DP?

The process of opening a demat account through a DP of CDSL is very simple and easy. It is similar to the opening of a bank account.

- Investor has to first choose a DP based on his convenience and the DP's charges.
- The investor has to fill up the KYC form and attach the documents with it as per SEBI guidelines specified in SEBI circular MIRSD/SE/Cir/21/2011 dated October 5, 2011 and circulars issued by KRA agencies from time to time.
- The investor also has to submit a completely filled, signed 'Additional KYC form for opening a Demat Account' as prescribed by CDSL along with proof of correspondence address.
- Before opening the demat account, the investor will have to submit the duly signed "Rights and Obligations of Beneficial Owner and Depository Participant" to the Depository Participant on opening a demat account, a unique Beneficial Owner Identification (BO ID) Number is allotted to the demat account, which should be quoted in all future transactions.

8. Is it mandatory to submit PAN card details?

Yes. SEBI has made it mandatory for all existing and new account holders to submit a copy of their PAN card, along with the original for verification.

9. Why bank details are required while opening a demat account?

This requirement is a security measure. The Dividend / interest warrants issued by the companies will have BOs name printed on it, so that the warrants can not be misused by other person. Further, SEBI

has vide its circular no. CIR/MRD/DP/10/2013 dated March 21, 2013 made it mandatory for listed companies to use electronic payment system for distribution of dividend / interest and other cash benefits to investors.

10. Is it necessary for an investor to open an account with the same DP as that of his broker for settling the trades done through the broker?

No. There is absolutely no compulsions on any investor to open his demat account with the same DP as that of his broker. Investor can open account with the DP of his/her choice and can carry on his trading activity through a broker of his choice.

11. Can a demat account be opened in the name of Joint Holders?

Yes. A demat account can be a single holder account or a joint holder account. A demat account can have maximum three account holders i.e. one main holder and two joint holders.

DEMAT ACCOUNTS FOR MINOR

12. Can a Demat account be opened for a minor?

Demat account can be opened in the name of a minor. The account will be operated by a guardian till the minor becomes major, Guardian has to be the father or in his absence mother. In absence of both, father or mother, the guardian can be appointed by court.

13. Can minor be a joint holder in another demat account?

No. Minor can not be a joint holder in a demat account.

14. What happens to a minor account when the minor becomes major?

When a minor attains majority, two options are possible.

- The existing account can be closed and new account opened in the name of the minor turned major and all securities in the minor account are transferred to the new account.
- Existing account can still be used. Minor turned major has to sign "the Rights and Obligations of the Beneficial Owner and Depository Participant" with the DP and complete all formalities required for opening a new demat account. Guardian details entered earlier have to be deleted.

DEMAT ACCOUNT FOR TRUST

15. Can a demat account be opened in the name of a trust?

Yes. If the trust is registered under the Public Trust act 1860 / Societies Registration act / Bombay Public Trust act / public trust act in force in the state, then a demat account can be opened in the name of a trust.

If the trust is a private or unregistered trust then a demat account shall be opened in the name of trustees as an individual account. If the trust has more than three trustees, then they will have to decide in whose name the demat account will be opened.

ACCOUNT MODIFICATION

16. Can any information submitted at the time of opening a demat account be modified at a later date?

Yes. Except type of the account, all other information such as names of the account holder, address, bank details, date of birth etc. can be modified. As per recent SEBI guidelines Name change, of account holders, due to any of the following reasons is permitted;

- Change in name on account of marriage
- Change in name on account of reasons other than marriage
- Change in father's name

In all above cases appropriate documentation has to be provided by the account holder.

17. What is the procedure to be followed for account modification?

An account modification form duly signed by the account holder(s), along with the required documents as proof for the modification, has to be submitted to the DP who will verify the request and carry out the modifications in the depository system.

18. In case of a joint demat account, can a joint holder independently ask for account modification?

No. For a joint demat account, account modification form has to be signed by all the joint holders.

19. If one of the joint holders expires, Can name of the deceased account holder be deleted from the account?

No. If one of the joint holder expires, new demat account should be opened in the name of surviving joint holders in the same order of names of the surviving holders as appearing in the original BO account and securities from the previous account should be transferred to the new account.

20. Can joint holder names be added / deleted from a demat account?

No. Once a demat account is opened addition / deletion of account holder names is not permitted.

21. Can securities of different companies held in one demat account?

Yes. Securities of different companies can be held in same demat account.

22. Does a BO have to keep any minimum balance of securities in his demat account?

A demat account can be opened and maintained even with nil balance.

23. Can holdings in a single holder account be transferred to a joint holder account?

Yes. Securities can be transferred from a single holder account to a joint account or vice-a-versa.

24. How does a BO get information that his account has been updated after each transaction?

- DP has to send to the BO a statement of transactions-cum-holdings at least once every month, even a single transaction has taken place during the month. The statement can be sent more frequently, if so desired by the BO.
- A BO can find out up-to-the-moment status of his account any-time, any-where by using CDSL's internet based facility 'easi'. The BO has to register for easi through his DP. The transaction details are updated immediately.
- A BO can also get details of all debits as well as IPO / Corporate action credits to the demat account and any changes effected in POA holder, signature, nomination, address, mobile number directly from CDSL by registering to 'SMART', the SMS alert facility of CDSL.

25. What happens if a BO loses his statement of transactions-cum-holdings?

The BO should inform the DP about the loss of the statement of holdings and request for the issue of a duplicate statement.

26. Do all DPs have access to account details of all CDSL BOs?

No. A DP cannot access the BO accounts of any other DP. It can have access only to those demat accounts, which are serviced by it.

HUF ACCOUNTS

27. What do you mean by HUF account?

HUF stands for Hindu Undivided Family. It is a demat account opened for managing securities of a family. The account is managed by a 'Karta' who is a male member of the family and other members of the family are termed as 'Co-parceners'. Karta manages the HUF account on behalf of the Co-parceners.

28. In whose name the HUF account is opened?

HUF account can be opened in the name of the HUF entity as it appears on the HUF PAN card e.g. A B C & SONS HUF

29. Whether the HUF account can be opened with joint holder(s)?

No. HUF account cannot be opened with joint holder(s).

30. Whether nomination can be recorded for a HUF account?

No. HUF accounts cannot appoint a nominee.

31. Who will sign the account opening form of HUF?

The Karta should sign the account opening form under the HUF stamp.

32. Whether HUF account can appoint a POA?

Yes. POA can be appointed for an HUF account.

36. Who will sign the POA in case of HUF?

The Power of Attorney (POA) document should be signed by the Karta of the HUF and all the members

37. Can a Power of Attorney holder open an HUF account?

A Power of Attorney holder cannot open a HUF account.

38. Whether we have to open the new demat account in the event of death of Karta?

HUF is an entity and it does not come to an end in the event of death of the Karta. In such a case, the members of the HUF will appoint the new Karta.

39. What is the procedure to be adopted to appoint a new Karta in the event of death of existing Karta?

Following is the procedure to be followed in the event of death of karta:

- HUF, being a Hindu Undivided Family, the property of the family is managed by the Karta,
- The new Karta shall submit the new list of co-parceners and a no objection from the surviving members of the HUF for him to act as Karta of the HUF.
- The new Karta will submit an account modification form to the DP and record change in signature of the new Karta to operate the account.
- The previous account need not be closed and the same account can continue.

NRI ACCOUNTS

40. Who is a Non-Resident Indian [NRI]?

Non- Resident Indian [NRI] means a 'person resident outside India' who is a citizen of India or is a 'person of Indian origin'.

41. Who is a 'person of Indian origin' (PIO)?

'Person of Indian Origin' (PIO) means a citizen of any country other than Bangladesh or Pakistan, if

- a. At any time such person has held Indian passport; or
- b. either of his parents or any of his grandparents or the person himself was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955; or
- c. The person is a spouse of an Indian citizen or a person referred to in sub-clause [a] or [b].

Investment by PIO in Indian Securities is treated the same as the investment by non-resident Indians and requires same approvals and enjoys the same exemptions.

42. Where can an NRI/PIO open a demat account?

NRI/PIO can open a demat account with any DP of CDSL. The NRI/PIO needs to mention the type ['NRI' as compared to 'Resident'] and the sub-type ['Repatriable' or 'Non-Repatriable'] in the account opening form collected from the DP.

43. Does an NRI need any RBI permission to open a demat account?

No permission is required from RBI to open a demat account. However, credits and debits from demat account may require general or specific permissions as the case may be, from designated authorized dealers.

44. If NRI/PIO desires to make investments under different schemes, can he hold all such securities in a single demat account?

No. Securities received against investments under 'Foreign Direct Investment scheme (FDI)', 'Portfolio Investment scheme (PIS)' and 'Scheme for Investment' on non – repatriation basis have to be credited into separate demat accounts. Investment under PIS could be on repatriation or non – repatriation basis. Investment under FDI scheme is on repatriation basis.

45. Does an NRI require RBI permission for dematerialization / rematerialization of securities?

No special permission is required. Holding securities in demat only constitutes change in form and does not need any special permission. However, only those physical securities which already have the status as NR – Repatriable / NR- Non-Repatriable can be dematerialized in the corresponding demat accounts.

46. Can securities purchased under repatriable and non-repatriable category be held in a single demat account?

No. An NRI must open separate demat accounts for holding 'repatriable' and 'non-repatriable' securities.

47. In case a non-resident Indian becomes a resident in India, will he be required to change the status of his holding from Non-Resident to Resident?

Yes. It is the responsibility of the NRI to inform the change of status to the designated authorized dealer branch, through which the investor had made the investments in Portfolio Investment Scheme and the DP with whom he/she has opened the demat account. In case of change of residential status of BO, the DP can modify the status and sub-status of the existing demat account. But, the change of status/sub-status from *Resident Individual, NRI-non Repatriable to NRI Repatriable is not allowed.*

In all above cases appropriate documentation has to be provided by the account holder.