

V. DEMATERIALIZATION OF SECURITIES

1. Is dematerialization of securities compulsory?

According to the Depositories Act, 1996, an investor has the option to hold securities either in physical or electronic form. Part of holding can be in physical form and part in demat form. However, SEBI has notified that settlement of market trades in listed securities should take place only in the demat mode.

2. What type of instruments are available for demat at CDSL?

All types of equity/debt instruments viz. Equity shares, Preference Shares, Partly paid shares, Bonds, Debentures, Commercial Papers, Certificates of Deposit, Government Securities (G-SEC) etc. irrespective of whether these instruments are listed / unlisted / privately placed can be dematerialized with CDSL, if they have been admitted with CDSL.

3. What is the procedure for dematerialization?

Following steps are involved in dematerialization of physical securities:

- A BO who wishes to dematerialize securities held by him in physical form has to submit duly filled and signed demat request form (DRF) to his DP.
- A separate DRF should be filled up for free securities and lock-in securities.
- DP will verify the details and setup demat request in the system. The DP will then deface and mutilate the certificate and send the same along with the DRF to Issuer/ RTA.
- On confirmation by the Issuer/ RTA, the BO's account will be credited with the number of securities dematerialized.

4. What happens to the physical certificates after they are dematerialized?

After dematerialization, physical certificates may be retained / destroyed by the Issuer / RTA.

5. After submitting DRF form and certificates to the DP, within how many days the dematerialization will take place?

As per regulations in force presently, the dematerialization process should be completed within 15 days of receipt of physical certificates by the Issuer/RTA.

6. If the demat request is not processed within the stipulated time, what do I do?

Contact your DP to look in the delay. A BO can also inform the Investor Grievances department of the Depository to look in the delay.

7. Is it compulsory to mention the ISIN of the security while filling up the DRF?

Yes. The ISIN of the security should be mentioned in the DRF, to ensure that the correct security is dematerialized. If, however, the investor does not know the ISIN, the same can be obtained from the DP or from CDSL's website, www.cdslindia.com.

8. Is transfer deed required for dematerializing physical certificates?

No. There is no need to fill in a transfer deed. The physical certificates have to be accompanied by a DRF, which can be obtained from the DP.

9. Can a BO hold his securities partially in physical form and partially in demat form?

Yes. Part of the BO's holdings can be held in physical form as per the choice of the investor. Though it is advisable to have the entire holdings held in demat mode so that the holdings have liquidity as and when available. It should be noted that part dematerialization of holdings represented by a single physical certificate is not allowed.

10. Can a sole holder of the share certificate, add any name as a joint holder, at the time of dematerializing the share certificate?

No. It is not possible to add any name while dematerialization of a share certificate. If the shares held in single name are intended to be held in any joint account, they have to be transferred to such names before they are dematerialized. Alternatively, such shares can be dematerialized first in the demat account in the single name and then transferred to the demat account in the joint names, or vice-versa, through an off-market transaction.

11. If securities of a company are not admitted with CDSL, what should an investor do to get his physical shares dematerialized?

In such a case, the investor should request the company to have that security admitted with CDSL and once that is done, he/she can get his/her physical shares dematerialized.

12. Can securities in odd lots be dematerialized?

Yes. Securities in odd lots can be dematerialized.

13. Do dematerialized securities have certificate number, distinctive range number or certificate numbers?

No. Dematerialized securities do not have any of the numbers mentioned above. Securities held in demat form are fungible, which means that any share of an ISIN is similar to any other share of that ISIN.

14.Can electronic holdings be converted back in physical certificate form?

Yes. It can be done through Rematerialisation, which is the process of converting electronic holdings back into physical certificates. Refer FAQs on Rematerialization for details of the process.

15.Is there any charge for dematerialization of physical certificates?

CDSL does not levy any charge for dematerialization of securities. However, DPs may collect dematerialization charges together with postage / courier charges.

16.Can debt instruments, government securities and mutual fund units be dematerialized in the same demat account?

Yes. Debt instruments, mutual fund units, government securities can also be held in dematerialized form in the same demat account where equities are held.

17. What is Transposition-cum-demat?

Transposition-cum-demat facility enables an investor to transpose names of the joint holders in desired order along with the process of dematerialization of certificates. Transposition-cum-dematerialization facilitates dematerialization of certificates held in different order of names through one demat account, provided the securities to be transposed are held in the same joint names, but, in a different order.

Illustratively if A owns a security, which he holds in the joint names of ABC, ACB, etc. he can first transpose them in the name of, say, ABC in which order demat account might have been opened. No new name can be added through transposition process. Similarly, existing names cannot be deleted.

18.What procedure should be followed by the BO for transposition-cum- dematerialization request?

The BO should submit a Transposition Request Form (TRPF) along with the DRF and the share/securities certificates to his DP. It should be noted that a separate TRPF would have to be filled for each ISIN.

19. Whether a separate TRPF should be filled for each combination of names?

No. Different combination of names can be listed in separate boxes in section (c) of the TRPF. If the space provided in the TRPF is not found sufficient, a separate form or an annexure may be used.

20. What are the requirements for availing of the transposition-cum-demat facility?

The application for transposition should contain only those names in which the BO account has been opened. Signatures of all the holders affixed on TRPF should tally with the DP's records.

21. Does CDSL collect any additional charge for entertaining transposition-cum-demat requests?

No. CDSL does not collect any fee from DPs for processing transposition-cum-demat requests.

22. What is transmission?

Transfer of Electronic balances in a BO's account to successors / nominee in case of sole holder account and to the account of surviving joint holders in case of a joint account.

23. What is the significance of transmission in dematerialization?

Certificates held in joint names have to be dematerialized in a demat account in the name of joint holders only. If one (or more) of the joint holder(s) expires before the certificates are dematerialized, the surviving holder(s) need not send the certificates to the issuer to change the names on the share certificates. Such certificates can still be dematerialized in the existing account. In such situation the BO can use the transmission – cum – demat facility offered by CDSL.

24. What procedure should be followed by the BO for transmission-cum- dematerialization request?

The BO should submit Original or a copy of the death certificate of the deceased holder(s) notarized / attested by a gazetted official and a Transmission Request Form (TRF) along with the DRF and the share/securities certificates to his DP for each demat request.

25. All types of securities can be dematerialize ?

Yes, you can dematerialize, all types of securities : Equity shares, Debt securities (e.g., bonds, debentures), Mutual fund units, Exchange-traded funds (ETFs). However, unlisted shares may require additional procedures.