

## ***VI. SETTLEMENT OF SECURITIES IN DEMAT MODE***

### **1. What is settlement?**

Investors buy / sale securities on stock exchange platform by placing buy / sale orders through their stock brokers with whom they are registered as a client. On successful execution of order (buy/sell) securities will be bought/sold on behalf of the client. This activity known as buying/selling of securities on the stock exchange platform on a specific day is known as trading day. This activity is referred as trading and is carried out by stock exchanges for a specific period called as trading hours.

After the trading activity is completed, the process of delivering securities by the seller and payment of funds by the buyer is called as securities payin/funds payin respectively. This activity also has to be conducted within a stipulated time period. After the payin process is completed successfully, CC/CH will initiate payout process wherein the buyer will get shares and seller will get money.

The above mentioned activities of, payin and payout are collectively referred as settlement process. Each settlement is identified by a unique number called as settlement id/Settlement number.

### **2. 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 securities in physical form.

### **3. What is the procedure for delivery of securities in demat mode in case of sale of securities?**

The procedure for delivery of securities in demat form is much simpler as compared to the delivery of securities in physical form. If securities are sold then immediately on receipt of trade execution intimation from stock broker, the seller can issue delivery 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 the broker.

### **4. 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 receipt of securities in his demat account. This standing instruction can be given at the time of account opening or later. Alternatively, a BO may choose to issue separate receipt instruction to his DP every time he makes any purchase of securities.

#### On Payout of Securities

- (I) The securities which the BO has purchased will be first delivered in his broker's demat account by the Clearing Corporation / Clearing house. The broker will subsequently transfer the securities in the BO's demat account.

(II) The broker can also give request (purchase break up/preferred Depository) to the Clearing Corporation / Clearing house to deliver the securities directly to the BO account

**5. What is an On Market Transaction?**

The On market transaction is a type of instruction(delivery/receipt) by which obligation (buy/sell) can be settled arising out of trades done by the BO on the stock exchange platform. The pay-in of securities(sell obligation) can be settled through CM pool account (CM Principal Account (For BSE) or CM Clearing Account (For other exchanges). The available balances in the respective accounts are considered for pay-in.

**6. What is an Off Market transaction?**

The off market transaction means transfer of securities between two BO accounts within CDSL.

**7. What is an Inter Depository transfer?**

Inter depository transfer means transfer/receipt of securities from / to outside CDSL demat accounts.

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

In case of delivery of securities BO can initiate such transfer by submitting a slip referred as 'Delivery Instruction Slip' (DIS) to his DP. Since Depository has a facility whereby the BO can give a 'Onetime Credit Instruction', also referred as purchase waiver, a BO needs to give instructions only for debits to his account, hence the instruction slip is also referred as 'Delivery Instruction Slip' or 'DIS'.

CDSL's easiest (Electronic Access to Securities Information and Execution of Secured Transactions) facility permits BOs to upload/set up online transactions for transferring securities from their demat account using their easiest login. The BOs need not submit a DIS (Delivery Instructions Slip) to the Depository Participant (DP) for the transactions done through 'easiest' login.

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

DIS can be used to execute transfers due to off-market, inter-depository or on-market transactions. Even for credit instructions (wherever 'standing instructions' is 'no') the BO has to give the DIS. Separate DIS has to be used for each type of transaction.

**10. Can securities be bought and sold through Depository Participant?**

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

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

CDSL charges DPs debit transaction charges. DPs may charge their clients as 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](http://www.cdslindia.com). Investors can check the tariffs displayed on the web site and take a decision before opening their demat account.

**12. 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. Execution date is mandatory.

**13. How the Settlement Number is indicated on the DIS?**

Settlement number is a 7 digits numeric field where 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. In addition to the settlement id, exchange name and market type are also to be entered in the DIS.

**14. What are the different Market Types for settlements through CDSL?**

| Stock Exchange | SETTLEMENT. MARKET TYPE | SETTLEMENT TYPE DESCRIPTION |
|----------------|-------------------------|-----------------------------|
| BSE            | 00                      | Rolling Normal              |
|                | 01                      | Rolling Auction             |
|                | 06                      | Company Objection Auction.  |
|                | 07                      | Company Objection           |
|                | 13                      | Offer for Sale              |
|                | 14                      | MF – Subscription           |
|                | 15                      | MF – Repurchase             |
|                | 16                      | OFST                        |
|                | 27                      | MF Subscription - Liquid    |
|                | 29                      | DFO - Normal Delivery       |
|                |                         | Based Stock Derivatives     |
| 30             | AFO - Auction Delivery  |                             |

|           |                    |   |
|-----------|--------------------|---|
|           |                    | Based Stock Derivatives                 |
|           | 31                 | ITP                                     |
|           | 41                 | SLB Lend                                |
|           | 42                 | SLB Lend Return                         |
|           | 44                 | SLB Lend Return Auction                 |
|           | 48                 | New Debt Segment – Auction              |
|           | 56                 | Buy Back                                |
|           | 57                 | Take Over                               |
|           | 58                 | Delisting                               |
|           | 65                 | Repo Ready Leg (T+0)                    |
|           | 66                 | Repo Ready Leg (T+1)                    |
|           | 67                 | Repo Forward Leg                        |
| CORP BOND | 16                 | Corporate Bond. T+0                     |
|           | 17                 | Corporate Bond. T+1                     |
|           | 18                 | Corporate Bond. T+2                     |
| NSE       | 00                 | Rolling Normal                          |
|           | 01                 | Rolling Auction                         |
|           | 04                 | Trade to Trade                          |
|           | 05                 | Retail Debt Market                      |
|           | 07                 | Company Objection                       |
|           | 08                 | Offer for Sale (H)                      |
|           | 12                 | IRF Normal                              |
|           | 13                 | IRF Auction                             |
|           | 14                 | MF - Subscription                       |
|           | 15                 | MFSS Redemption - (U)                   |
|           | 19                 | Liquid Subscription (T0)                |
|           | 46                 | Debt Segment (T+1)                      |
| 47        | Debt Segment (T+0) |   |
|           | 55                 | Take Over                               |
| NSE-SLB   | 41                 | SLB Lend                                |
|           | 42                 | SLB Lend Return                         |
|           | 44                 | SLB Lend Return Auction                 |
| MCXSX     | 00                 | Normal Rolling                          |
|           | 01                 | Normal Auction                          |
|           | 04                 | Trade For Trade.                        |
|           | 05                 | Block Deal                              |
|           | 10                 | Retail Market – R                       |
|           | 11                 | Retail Market Institutional Lot – T     |
|           | 12                 | Retail Market Institutional Odd Lot – O |

|  |    |                                  |
|--|----|----------------------------------|
|  | 13 | Institutional Market – I         |
|  | 14 | Institutional Market Odd Lot – M |

### 15. What is client level pay-in?

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

### 16. 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 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.
- 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).

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

Yes. CDSL provides the facility of client level 'normal' and 'early' pay-in for, both, BSE and NSE settlements.

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

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

- DP should ensure that DIS is always issued as a slip book similar to a cheque book.
- DP should ensure that instruction slip serial numbers are pre-printed on each DIS.
- DP should ensure that the demat account number is pre printed or pre stamped on each DIS.
- After the DIS has been filled, BO should 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.
- BO should 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.
- After the DIS has been filled, BO should 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.
- BO should 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.
- BO should never sign and keep a blank DIS.

- All the holders must confirm any alteration, correction or cancellation made on the DIS with their signatures.