DEPOSITORIES

|  |  |
| --- | --- |
| BANKS | DEPOSITORIES |
| Holds funds in account | Holds securities in account |
| Transfers funds between accounts on instruction of account holder | Transfer securities |
| Facilitates transfers without having to handle money | Facilitates transfers to ownership without having to handle securities |
| Facilitates safekeeping of money | Facilitates safekeeping of shares |

Depository Participant: agent of depository which interacts with investors

Approval of SEBI

Ex: ICICI Bank

Beneficial owner (real owner): he is the one who has lodged with the depository in the form of book entry

Issuer: company which issues security

DEPOSITORIES:

NSDL

CDSL

Benefits

* Immediate transfer of security
* No stamp duty
* Elimination of risks
* Reduce paper work
* Reduce transaction cost
* Ease of nomination facility
* Change in address is recorded electronically
* Transmission done directly eliminating in correspondence with company
* Convenient method of consolidation of folios/accounts
* Holding investments in equity in single account; credit into demat account

No minimum balance is required for a DP

ISIN: is unique identification number

CUSTODIAN:

* Organization which safeguards the securities of its clients
* Keeps track of corporate action

Maintains account

Collects benefits

Keep informing the actions

* In order to dematerialize

1. Fill DRF
2. Submit physical certificates
3. Old lot share certificates
4. Dematerialized shares do not have any distinctive number
5. Fungible: identical and interchangeable

* Rematerialization

1. Electronic -physical
2. Fill RRF

Conclusion

Depositories hold securities in the accounts of the investors or beneficiaries. These are only for dematerialised securities. The depositories hold these through their depository participants. All securities can be dematerialised. The demat securities do not have distinctive numbers. They are fungible, i.e., every security is like every other security. Custodians helps register and safeguard the securities of its clients.