

DE-MATERIALISATION: A NOVEL EPOCH OF INDIAN CAPITAL MARKET

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INTRODUCTION

The Indian Capital Market plays a significant role in growth of Indian Economy. The growth of Indian Capital Market was really like a Midas touch and ensures the development of economy of Nation. The role played by capital market in mobilising the long term savings of individuals in securities enhanced the economic structure of the country as a whole. Apart from this growth and development, later at some point of time, the unmanageable burden of paper work retarded the working of capital market to an extent. The Depositories Act, 1996 was the ultimate solution to solve such complications. It introduces the concept of dematerialisation and earmarked the new era of Indian Stock Market.

The Depositories Act opens a new way of book-keeping in electronic format which enables to overcome the risks followed by paper work. The depository works as an aid to dematerialise securities through depository participant and eliminate paper from the market. This helps in faster online derivative trading. Dematerialisation plays a positive role in further modernisation in Indian Capital Market by providing higher liquidity, higher returns and lower volatility.¹

Carry forward and settlement transactions become easier, the net result being an increase in the volume of trade being carried out in the capital market. It helps the investors to take rescue from the time consuming procedures of the stock markets, the payment of stamp duty, the risk of losing or misplacement of the certificate etc. The revolutionary presence of the Act has definitely stimulated the day to day business of the capital market and stock exchanges.

The recording, keeping and maintaining of shares and other securities in a dematerialised form is the modern practice followed by the developed and developing countries in the world². The electronic securities match with the fast growing Technological World. As those

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¹ A.K. Vashisht and R.K. Gupta, "Investment Management and Stock Market" pg. no. 70; Deep and Deep Publications Pvt. Ltd.

² R SURYANARAYANAN & V VARADARAJAN, SEBI LAW, PRACTICE AND PROCEDURE 824 (2003).

in physical form took lot of time of the investors which results into bad delivery and unnecessary delay, in comparison to it the new format has made easy for the investors to invest easily and get results very fast and accurate.³ There have been some securities issue in the network that carries the transaction of the payment but with the advancement of the technology this has reduced and will be further reduced to the lowest point.⁴ The best part is that it requires the digital signature which is not easy to forge and use.

WHAT IS DE-MATERIALISATION?

Dematerialization is the process wherein share certificates and other securities held in physical form are converted into electronic form and credited to Demat account of an investor opened with a depository participant who is an agent of Depository.⁵ SEBI has made compulsory trading of shares of all the companies listed on stock exchanges in Demat form with effect from 2nd January 2002. The procedure of opening a Demat account with DP is similar to opening a bank account.⁶ There are following differences between Demat account and Bank account:

1. For opening an account in a bank a minimum balance has to be deposited, but in case of a Demat account it can be opened by investor without any security.
2. Bank account holder is known as account holder, but account holder of the depository is known as beneficial owner.
3. Bank can use the deposits of its customers for the normal course of its business and pays interests to them, but depository cannot use any deposits (shares) in the account of its customers and there is no point to pay interest in this respect.
4. In case of joint account, later on any one of the operators name may be removed, but it is not possible in case of Demat account.
5. For opening a bank account there is no requirement of any agreement between the banker and customer, but for Demat account it is necessary to enter into a written agreement between Depository Participant and beneficial owner.

³ Impact of dematerialization of securities in financial markets available at <https://essays.pw/essay/impact-of-dematerialization-of-securities-in-financial-markets-150614#sthash.6BEoLUY3.dpdf>

⁴ Id

⁵ Shaikh Saleem, "BUSINESS ENVIRONMENT" 3rd ed., 2015; Pearson India Education Services Pvt. Ltd. pg. no. 192

⁶ id

National Securities Depository Limited⁷ defines dematerialisation as “*the process by which a client can get physical certificates converted into electronic balances*”⁸. Dematerialisation means the conversion of a stock certificate from its physical form to electronic form. It offers scope for paperless trading whereby stock transactions and transfers are processed electronically without involving any stock certificate or transfer deed after the stock certificates have been converted from physical to electronic form⁹. Fungibility is the fundamental feature of depository system. The Act mandates that all dematerialised securities shall be in fungible form¹⁰. This means all the holdings of particular securities are identical and inter-changeable and they have no unique characteristic such as distinctive number, certificate number, folio number, etc. and can be represented only by the account with depository¹¹.

Each of the securities dematerialised in the depository bears a distinctive ISIN (International Securities Identification Number). It is a unique identification number for each security issued in any of the International Standards Organisation (ISO) member countries in accordance with the ISIN Standard (ISO 6166)¹².

The process of dematerialisation is an optional which rests with the investor. The investor can keep his securities - partly in physical and partly in electronic form, wholly in physical or wholly in electronic form. The dematerialised securities can again be re-converted into physical form through another process which is known as re-materialisation.¹³

⁷ NSDL, the first and largest depository in India, established in August 1996 and promoted by institutions of national stature responsible for economic development of the country has since established a national infrastructure of international standards that handles most of the securities held and settled in dematerialised form in the Indian capital market. For details refer <https://nsdl.co.in/about/index.php>

⁸ See official website of NSDL, (Oct. 16, 2013), <https://nsdl.co.in/services/demat.php>

⁹ SUDHINDRABHAT, SECURITY ANALYSIS & PORTFOLIO MANAGEMENT, 136 (2008)

¹⁰ Depositories Act, 1996 Section 9: All securities held by a depository shall be dematerialized and shall be in a fungible form.

¹¹ See Handbook for NSDL Depository Operations Module Available at (Oct. 26, 2013), <https://nsdl.co.in/downloadables/pdf/core-services.pdf>.

¹² See for more “Dematerialisation” (Oct. 26, 2013), <http://sifying.speedera.net>.

¹³ G Vasudha, “Dematerialisation: An Introduction”, (Oct. 23, 2013), http://www.indianmba.com/Faculty_Column/FC435.html.

REMINERALISATION OF SECURITIES:

Re-materialization is the process of converting securities held in an electronic form in a demat account in to physical form i.e. paper certificates.¹⁴ It is the process by which a client can get his electronic holdings converted into physical certificates¹⁵. For re-materialization of scrips, the investor has to fill up a re-mat request form (RRF) and submit it to the Depository Participant who forwards the request to depository after verification of the investor's balances. Depository in turn initiates the registrars and transfer agent or the issuer company. Company/RTA prints the certificates and dispatches the same to the investor.

ADVANTAGES OF DE-MATERIALISATION

- **Immediate transfer and registration of securities:** Dematerialisation of securities ensures immediate transaction and registration. In this form there can be no postal delay. Once the securities are credited to the investor's account on pay out, he becomes the legal owner of the securities.¹⁶
- **Decreases paperwork:** It saves not only paper and thereby environment but also keeps offices clutter free. Since all the formalities and compliances are in electronic form there is no question of mutilated certificates, fake certificates, theft etc.
- **Saving of Time:** It is very fast and reliable. This can avoid errors which may occur when the work is done manually and thus eliminates all risks related to physical certificates. All types of capital market instruments can be held in a single account which can avoid confusion and can also make all the deals transparent.
- **Riddance of bad delivery:** Earlier the transactions of securities were delayed as a result of bad deliveries due to signature difference or minor mistakes in the transfer certificate etc. The electronic format ridded all these kinds of bad deliveries and related problems. Statistically, in the physical environment, about 20% of delivered stock constituted bad deliveries.
- **Saves money:** There are no stamp duties, postal charges or other transaction costs. In case of physical shares stamp duty is to be payable on transfer of shares.

¹⁴ See official Website of Central Depository Services Limited (Oct. 26, 2013), <http://www.cdslindia.com/downloads/faq/Demat%20CDSL%20Way%20-%20X%20-%20Rematerializtion.pdf>.

¹⁵ See Official Website of National Securities Depository Limited, (Oct. 26, 2013), <https://nsdl.co.in/services/remat.php>.

¹⁶ MADHUVIJ & SWATI DHAWAN, MERCHANT BANKING AND FINANCIAL SERVICES, 51 (2012).

- **Change in details/address:** The address or other details recorded with DP gets registered with all companies in one go in which the investor holds securities electronically thereby eliminating the need to correspond with each of them separately.¹⁷
- **No odd lot problem even one share can be sold¹⁸:** An individual having demat account can trade even for one share also, which is not the case when securities are held in paper form¹⁹.
- **Easy Nomination facility and Smooth Transmission of securities in case of any eventualities²⁰:** In case of death of an account holder the securities can be easily transmitted to the nominees or to the surviving holder.
- **Assured Transfer:** From the investors' point of view registration and transfer of dematerialised securities under depository system is a good change as once a sale is struck between a seller and buyer through the Stock Exchange, the purchaser is not subject to any doubt as to whether the transfer will be approved by the Board of Directors or not²¹.

PARTIES TO THE DEPOSITORY SYSTEM

1. **The Investors or the Beneficial Owner:** Anyone can be an investor, for instance individual, HUF, partnership firm, company etc. "*Beneficial Owner*"²² is a person in whose name a demat account is opened with Depository for the purpose of holding securities in the electronic form and the account opened by the beneficial owner is known as beneficiary account.²³ The Act lays down two owners for the dematerialised securities at the same time; one is beneficial owner and the other is registered owner.
2. **The Registered Owner (Depository):** Section 2(j) of Depositories Act defines "*registered owner*."²⁴ As per the Bank for International Settlements (BIS), depository

¹⁷ See for more (Oct. 23, 2013), <http://www.cdslindia.com/downloads/faq/>.

¹⁸ *Ibid.*

¹⁹ See for more, "Depository", (Jan 02 2013) <http://www.barjeelgeogit.com/Knowledge-Centre/Depository.aspx>.

²⁰ See for more (Oct. 23, 2013), <http://www.cdslindia.com/downloads/faq/>.

²¹ Supra Note 1 Page no. 827

²² According to Section 2(a) of the Act, "beneficial owner" means a person whose name is recorded as such with a depository.

²³ See Handbook for NDSL Depository Operations Module (Oct. 23, 2013), <https://nsdl.co.in/downloadables/pdf/core-services.pdf>.

²⁴ The depository whose name is entered as such in the register of the issuer. A Depository can be defined as a company formed and registered under the Companies Act, 1956 and it has been granted a certificate of registration under Section 12(1A) of SEBI Act, 1992

is “a facility for holding securities transaction to be processed by book entry. Physical Securities may be immobilized by the depository or the securities may be dematerialized (so that they exist only as electronic records)²⁵.”

In November 1996 India's first ever Depository, National Securities Depository Limited (NSDL) inaugurated and was initially promoted by Industrial Development Bank of India (IDBI), Unit Trust of India (UTI) and National Stock Exchange (NSE). CDSL is the second Indian Central Securities Depository founded in the year 1999, based in Mumbai and its main function is to hold securities either in physical or dematerialized form and to enable book entry transfer of securities. CDSL is promoted by Bombay Stock Exchange Limited (BSE) jointly with State Bank of India, Bank of India, Bank of Baroda, HDFC Bank, Standard Chartered Bank and Union Bank of India.²⁶

3. The Depository Participant (DP): A Depository Participant (DP) is an agent²⁷ of the depository who is authorised to offer depository services to investors. In strictly legal sense, a DP is an entity who is registered as such with SEBI under the provisions of the SEBI Act. Public financial institutions, scheduled commercial banks, foreign banks operating in India with the approval of the Reserve Bank of India, state financial corporations, custodians, stock-brokers, clearing corporations / clearing houses, NBFCs and registrar to an issue or share transfer agent complying with the requirements prescribed by SEBI can be registered as DP²⁸. Banking services can be availed through a bank branch whereas depository services can be availed through a DP²⁹. A depository is an institution or an organisation which holds beneficial owners securities through a registered Depository Participant³⁰.

4. The Issuing Company or Issuer: “Issuer” means any entity such as a corporate / state or central government organizations issuing securities which can be held by depository in electronic form. The company issues securities as per the ICDR Regulations 2009

²⁵ Inderbirkaur, *Investors preference between DEMAT& REMAT and Awareness regarding depository and its various laws*, 2 *International Journal of Business and Management Invention* 5, 45-47 (2013)

²⁶ See official Website of National Securities Depository Limited (Oct. 24 2013) http://en.wikipedia.org/wiki/Central_Depository_Services_Limited.

²⁷ In fact, depository participant works as a bridge between the investor and depository. It acts as an agent of the depository who offers various intermediary services to investors.

²⁸ See official website of Securities and Exchange Board of India, (Oct. 24 2013) http://www.sebi.gov.in/cms/sebi_data/attachdocs/1357620708118.pdf.

²⁹ *Ibid.*

³⁰ See official website of Securities and Exchange Board of India, (Oct. 28 2013) <http://www.sebi.gov.in/faq/faqdemat.html>

and it enters into an agreement with a depository for dematerialising its shares or other securities.

5. **Registrar and Transfer Agent:** An RTA is an agent of the issuer. RTA acts as an intermediary between the issuer and depository.

PROCEDURE FOR DE-MATERIALISATION:

- Investor submits certificates for dematerialisation to DP
- DP initiates depository of the request through the system
- DP submits the certificate to the registrar
- Registrar confirms the dematerialisation request from depository.
- After dematerialisation Registrar updates accounts and informs depository of the completion of dematerialisation
- Depository updates its accounts and informs the DP
- DP updates its accounts and informs investor

THE LEGAL FRAMEWORK

The Depositories Act, 1996 was enacted with an aim to “*provide for regulation of depositories in securities and for matters connected therewith or incidental thereto*”. Even though the Act allows multiple numbers of depositories to function within the country at the same time it has to obtain the certificate of commencement of business from the Board without which a depository cannot act in its purview. Section 3 of the Depositories Act provides that no depository shall act as a depository unless he obtains a certificate of commencement of business from SEBI.³¹ As per the powers envisaged under Section 30 of the SEBI Act 1992 read with Section 25 of Depositories Act 1996, in May 1996 the SEBI has passed Depositories & Participants Regulation to empower depositories to start function. Thus Depositories Act 1996 and SEBI (Depositories & Participants) Regulation 1996 are the key legal basis for the depository system in India. However the depositories are empowered to frame its own bye laws to regulate its day to day affairs with prior approval of SEBI³².

³¹ While other capital market intermediaries specified in the SEBI Act are required to obtain only a certificate of registration from SEBI, the depository is required to obtain a certificate of registration under Section 2 (1) (e) of the Act as well as a certificate of commencement of business under Section 3 of the Act.

³² Depositories Act, Section 26 (1996): Power of depositories to make bye-laws.

(1) A depository shall, with the previous approval of the Board, make byelaws consistent with the provisions of this Act and the regulations.

The byelaws define the scope of the functioning of NSDL and its business partners; the Business Rules outline the operational procedures to be followed by NSDL and its “*Business Partners*”³³. Regulation 28 of SEBI (Depositories and Participant) Regulation, 1996 deals with the securities eligible for being held in dematerialised form in a depository.³⁴

FUNCTIONS OF A DEPOSITORY

The basic services or functions of a depository includes, de-materialisation of securities, maintenance of accounts of investors, re-materialisation of securities, settlement of market transactions through the release and receipt of securities in the investor's account, off market transfers, inter-depository transfers, distribution of non-financial benefits from corporates to its shareholders, nomination facilities, transmission of shares, hypothecation of dematerialised securities for a bank loan, freezing of account to protect one's holdings (when he is temporarily out of the scene) etc. Depositories shall be deemed to be the registered

(2) In particular, and without prejudice to the generality of the foregoing power, such bye-laws shall provide for-

- (a) the eligibility criteria for admission and removal of securities in the depository;
- (b) the conditions subject to which the securities shall be dealt with;
- (c) the eligibility criteria for admission of any person as a participant;
- (d) the manner and procedure for dematerialisation of securities;
- (e) the procedure for transactions within the depository;
- (f) the manner in which securities shall be dealt with or withdrawn from a depository;
- (g) the procedure for ensuring safeguards to protect the interests of participants and beneficial owners;
- (h) the conditions of admission into and withdrawal from a participant by a beneficial owner;
- (i) the procedure for conveying information to the participants and beneficial owners on dividend declaration, shareholder meetings and other matters of interest to the beneficial owners;
- (j) the manner of distribution of dividends, interest and monetary benefits received from the company among beneficial owners;
- (k) the manner of creating pledge or hypothecation in respect of securities held with a depository;
- (l) inter se rights and obligations among the depository, issuer, participants and beneficial owners;
- (m) the manner and the periodicity of furnishing information to the Board, issuer and other persons;
- (n) the procedure for resolving disputes involving depository, issuer, company or a beneficial owner;
- (o) the procedure for proceeding against the participant committing breach of the regulations and provisions for suspension and expulsion of participants from the depository and cancellation of agreements entered with the depository;
- (p) the internal control standards including procedure for auditing, reviewing and monitoring.

(3) Where the Board considers it expedient so to do, it may, by order in writing, direct a depository to make any bye-laws or to amend or revoke any bye-laws already made within such period as it may specify in this behalf.

(4) If the depository fails or neglects to comply with such order within the specified period, the Board may make the bye-laws or amend or revoke the bye-laws made either in the form specified in the order or with such modifications thereof as the Board thinks fit.

³³ See Official Website of National Securities Depository Limited (Oct. 24 2013)

<https://nsdl.co.in/about/legal.php>.

³⁴ Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2004, w.e.f. 10-6-2004.

owners of the securities³⁵ and they shall maintain a register and an index of beneficial owners.³⁶

LEGAL POSITION OF DEPOSITORY PARTICIPANT

Depository Participant (DP), in the system work as an intermediary between the investors and the depositories. The relationship between the DPs and the depository is governed by an agreement made between the two under the Depositories Act, 1996³⁷. It works as an agent of the depository and also deals with the customers directly. It facilitates dematerialisation and all other services of a depository. The depository associates with depository participants, clearing Corporation of Stock Exchanges, Issuing Companies and their Share Transfer Agents etc. to perform its day to day business operations. Further, for all purposes the depository deals the securities of the beneficial owner as its own, except when the question of benefit comes with regard to the payment of dividend and issue of bonus shares etc. in these cases the benefit will go in favour of beneficial owner i.e. 'member'. In *Dinesh Kumar Jhunjhunwala v. The Karur Vysya Bank Ltd*³⁸ the Madras High Court held that the definition of 'member' includes "beneficial owner, whose name is entered in the records of the depository."

THE PROCEDURE INVOLVED

In order to dematerialise the securities, **the investor** will have to open an account with any of the DPs and also has to fill Demat Request Form (DRF) which is available with Depository Participants. Along with the request form, the investor has to submit the physical certificates and also he should deface the physical certificate by stamping 'Surrendered for Dematerialisation'.³⁹ After receiving the request form, the DP has to inform this to the depository and the certificates along with the request shall be forwarded to the Issuer Company or RTA. On receiving the physical documents and the electronic request, R&T

³⁵ Depositories Act, Section 10 (1996) (1) Notwithstanding anything contained in any other law for the time being in force, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of a beneficial owner.

³⁶ Depositories Act, Section 11(1) (1996) Every depository shall maintain a register and an index of beneficial owners in the manner provided in sections 150, 151 and 152 of the Companies Act, 1956.

³⁷ Depositories Act, Section 4(1) (1996) A depository shall enter into an agreement with one or more participants as its agent. (2) Every agreement under sub-section (1) shall be in such form as may be specified by the bye-laws.

³⁸ [2007]79 SCL 227 (Mad.)

³⁹ See Handbook for NDSL Depository Operations Module (Mar 26 2014)

<https://nsdl.co.in/downloadables/pdf/core-services.pdf>.

Agent verifies it and once the R&T Agent is satisfied, dematerialisation of the concerned securities is electronically confirmed to NSDL which credits the dematerialised securities to the beneficiary account of the investor and intimates the DP electronically. The DP issues a statement of transaction to the client. The whole procedure normally completes within fifteen days once the share certificates have reached the issuer/their R&T agent. Thus it will take only a month from the date one hands over shares, to receive Demat Credit⁴⁰.

IMPACT OF INTRODUCTION OF DEPOSITORIES AND DE-MATERIALISATION IN INDIA

Depositories, Stock Exchanges, Clearing Corporations or Clearing Houses (CCs or CHs), Depository Participants (DPs) and Registrars & Transfer Agents (RTAs) are the institutions which are directly or indirectly connected with dematerialisation of securities. The inter connectivity between these institutions smoothened the stock market trading, reduced the rate of bad deliveries, transaction costs etc. Competition between National Securities Depositories Limited (NSDL) and Central Depositories Services Limited (CSDL) has brought down custodial charges and continue to improve.⁴¹ In order to catalyse the process of dematerialisation of securities, and dematerialised trading, an element of compulsion was introduced by SEBI requiring the individual and institutional investors to settle trades compulsorily in dematerialised shares of selected companies and on May 31st 1999, 90% of trading volume on the Indian stock exchanges were dematerialised through a phased manner.^{42,43} In a short span of time India made quicker progress in the extent of dematerialisation and the percentage of volumes settled in demat for of securities across the World Equity Markets⁴⁴. The impact of dematerialisation on liquidity in the Indian stock

⁴⁰ See Official Website of National Securities Depository Limited, (Mar 27 2014)

<https://nsdl.co.in/downloadables/dsimp.pdf>.

⁴¹ M T Raju & Prabhakar R Patil, "Dematerialisation: A Silent Revolution in Indian Capital Market", ON SEBI WORKING PAPER SERIES NO. 4, (March 2001), (Mar 27 2013)

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1321590203466.pdf

⁴² See official website of Securities and Exchange Board of India, (Mar 27 2013)

<http://www.sebi.gov.in/annualreport/9899/ar98991b2.html>.

⁴³ See Note no. 1 p.no. 823; Section 68B of the Companies Act, 1956, introduced from 13.12.2000 stipulates that every listed public company, making initial public offer of any security for a sum of Rs. 10 Cr. or more, shall issue the same only in dematerialised form

⁴⁴ M. T. Raju, Anirban Ghosh, "Stock Market Volatility – An International Comparison", SEBI WORKING PAPER SERIES NO. 8, APRIL 2004 (Mar 27 2013)

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1293003369119.pdf.

exchanges is quantified and analysed.⁴⁵ Now the opportunities are many in front of the investor. In fact the technological advancement made it very easy for the investor as well as for the players in the market which resulted in escalation of liquidity in stock market.⁴⁶ Liquidity and returns improved substantially in the post-demat period while volatility was very much below the daily changes permitted⁴⁷. As a concept, volatility is simple and intuitive. It measures variability or dispersion about a central tendency. To be more meaningful, it is a measure of how far the current price of an asset deviates from its average past prices. Greater this deviation, greater is the volatility. At a more fundamental level, volatility can indicate the strength or conviction behind a price move⁴⁸.

DISADVANTAGES OF DE-MATERIALISATION

- The technological advancement compels the investors to be the tech savvy. One who lacks knowledge in internet has to depend upon brokers or sub brokers which may result in mismanagement of funds. Further the same technology takes away the investor from investing to trading⁴⁹.
- Small investors say compulsory change to paperless trading is unfair because of the higher costs on smaller holdings and absence of an exit route.⁵⁰
- Market intermediaries are using the stock market to convert black money into white by using benami entities as fronts⁵¹ which led to several demat scams.
- A specific disadvantage to the company as to dematerialisation is that it cannot refuse registration of a transfer as the transfers are dealt directly by the depository⁵².

⁴⁵ Dr. M. T. Raju & Dr. Prabhakar R. Patil “Dematerialisation of Equity Shares in India: Liquidity, Returns and Volatility” (Mar 27 2013)

http://www.utiicm.com/cmc/pdfs/2001/prabhakar_patil2001.pdf.

⁴⁶ BHARAT V PATHAK, THE INDIAN FINANCIAL SYSTEMS: MARKETS, INSTITUTIONS AND SERVICES 241 (2d ed. 2008).

⁴⁷ Supra Note 38

⁴⁸ Ibid.

⁴⁹ Vinish Parikh, “Advantages and Disadvantages of Demat Account”, (Oct. 28 2013)

<http://www.letslearnfinance.com/advantages-and-disadvantages-of-demat-account.html>.

⁵⁰ See “Dematerialisation: A boon or a bane?” Available at

<http://www.capitalmarket.com/magazine/cm1402/stoexc.htm> Visited on 28/10/2013

⁵¹ “Demat scam being used to convert black money”, The Financial Express, December 19, 2005

⁵² Supra Note 34 P no.827

CONCLUSION & SUGGESTIONS

From the above study, it is clear that dematerialisation has played a very significant and highly constructive role in the modernisation of Indian capital market and there are obvious reasons to conclude that it was a major change and it has varied implications on various sectors of the same. The demat revolution was the appropriate solution for almost all pre-demat period drawbacks. At the same time it has raised some new challenges also and to make this technological revolution more acceptable these issues have to be fixed successfully. In this respect following suggestions are noteworthy:

1. SEBI should take appropriate and immediate steps to educate the investors regarding the effective use of technology and ways to foresee and avoid frauds. The Demat account holders should be given basic information about NSDL, CDSL and Depositories Act, 1996.
2. The DP's should take strong KYC norms to prevent fictitious accounts.
3. Depository participant services should be made available to the investors round the clock and efforts must be made to reduce the transaction time.
4. The majority of the depository participants are not offering any highlighted service to the beneficiary owners. Thus there is a need on the part of DP to increase both of their formal or informal services to the beneficiary owners.
5. The SEBI has to closely monitor to prevent fake demat accounts with a view to protect the minority shareholders. etc...