



Banking

Demat Account

Demat Account is an account that is used to hold shares and securities in electronic format. The full form of Demat account is a dematerialised account. The purpose of opening a Demat account is to hold shares that have been bought or dematerialised (converted from physical to electronic shares), thus making share trading easy for the users during online trading.

During online trading, shares are bought and held in a Demat Account, thus, facilitating easy trade for the users. A Demat Account holds all the investments an individual makes in shares, government securities, exchange-traded funds, bonds and mutual funds in one place.

- A demat account can hold the following range of securities:
- Shares
- Stocks
- E-gold
- Bonds
- Government securities
- IPOs
- Exchange-traded funds
- Non Convertible Debentures (NCD)
- Mutual funds traded on the stock exchange

There are three types of demat accounts which can be opened in India, depending on the residential status of the investor:

- **Regular Demat account:** This type of Demat account is available to all investors in India. You can approach any depository participant (DP) of your choice to open a regular Demat account. The difference between regular Demat account with the other types is that it doesn't offer additional facilities like international fund transfer.
- **Repatriable Demat account:** NRIs who hold a non-resident rupee account (NRE) can open this type of Demat account. This account allows the international transfer of funds.
- **Non-repatriable Demat account** – non-resident Indians with a non-resident ordinary rupee (NRO) account can open this type of Demat account. However, this does not allow for international transfer of funds.



5 KEY BENEFITS OF DEMAT ACCOUNTS

- **Faster dematerialisation of securities:**

Demat account holders can provide instructions to their depository participant (DP) to convert physical certificates into electronic form. Alternatively, electronic securities can also be reconverted to physical form, if required.

- **Pledging facility to avail loan:**

Several lenders provide loans against securities that are held in the Demat account of the borrowers. These holdings are used as collateral to avail loans by the account holders.

- **Freezing Demat accounts:**

Demat account holders can freeze their accounts for a certain period, if required. This option can be beneficial if one wants to prevent unexpected debit or credit into one's Demat account. The freezing option is also available for a specific quantity of securities held in the account.

- **Multiple accessing options:**

Demat accounts are operated electronically, which means these can be accessed using multiple modes. These accounts can be accessed through the Internet using a computer, smartphone, or other smart devices.

- **SPEED E-Facility:**

The National Securities Depository Limited (NSDL) allows users to send instruction slips electronically instead of physically submitting the slip to the DP. This makes the procedure more convenient and less time-consuming.

- **Corporate benefits & actions:**

If the companies offer dividends, refunds, or interest to their investors, these benefits are automatically available to the Demat account holders. In addition, corporate actions like bonus issues, right shares, or stock split are automatically updated in the Demat account of all the shareholders.

The different types of documents required for opening a Demat account are:

- Proof of Identity (POI) (Eg: Driving license, Aadhar Card, Voters ID)
- Proof of Address (POA) (Eg: Passport, , Aadhar Card, Voters ID)
- Proof of Bank Account (Eg: Cancelled cheque)
- PAN Card
- Passport size photographs

Dematerialisation is the process of converting the physical share certificates into electronic form, which is a lot easier to maintain and is accessible from anywhere throughout the world.

An investor who wants to trade online needs to open a Demat with a Depository Participant (DP). The purpose of dematerialisation is to eliminate the need for the investor to hold physical share certificates and facilitating a seamless tracking and monitoring of holdings.

A Trading account facilitates the buying and selling of stocks online. A trading account holds all the securities, cash, and other investments held in brokerage accounts and enable buying and selling of these investments at a click of a button. Such an account allows buyers to frequently trade in stocks at any given point of time in the day. You are provided with a unique trading ID that is used to transact.

Difference between Trading & Demat Account

A trading account is used for the buying and selling of securities. With every trade request, the securities are debited or credit from the Demat account accordingly. A Demat account stores your stock holdings electronically, which is linked to their trading account. While one is required to facilitate the exchange of transactions, the other enables the safe-holding of the assets in a dematerialised format. However, both of them are necessary to have while trading in the stock market.



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