6 Depository

6.1

Bank	Depository
Holds money	Holds securities
Transfers money	Transfers securities
Safe keeping of cash	Safe keeping of shares
No physical handling money	No physical handling shares certificates

6.2 What is depository?

⇒ Entity that holds securities in dematerized (electronic) form

⇒ Maintains ownership records.

⇒ Facilitates trading / transfer of demat securities

Depositories in India

1. NSDL (National Security Depository Ltd.)
2. CDSL (Central Depository Services Ltd.)

6.2.1 Benefits of depository System (min. M 2.5)

⇒ Instant transfer of securities

⇒ No stamp duty on transfers

⇒ No risk of physical certificates:
fake, stolen, mutilated, bad delivery

⇒ Reduced paperwork and transaction cost

⇒ Nomination facility available

⇒ One-time change of address for all
holdings

⇒ Easy transmission (legal transfer)

⇒ Consolidation of holdings.

⇒ Auto credit of corporate actions
split, bonus, merger, etc

⇒ Holds all equity, bonds, govt security,
MF units etc in one account

6.2.2 Depository Participant (DP)

⇒ The depository provides its security
to investors through its agents called
Depository Participant (DP)

⇒ Banks, financial institutions, SEBI
registered trading members can be DPs

⇒ Investor interacts with DP, not the
depository directly

6.2.3 Minimum Balance Requirement

No minimum balance required in demat account

6.24 What is ISIN

⇒ International Securities Identification Number

⇒ Unique code for each security

6.25 Custodian

⇒ Safeguards securities for clients

⇒ Tracks corporate actions

⇒ Functions

  → Maintain client's securities account

  → Collect benefits or rights accruing to the client

  → Inform client of corporate action

6.26 Dematerialisation Form

⇒ In order to dematerialize physical securities, one has to fill in a Demat Request Form (DRF) which is available with the DP and submit the same along with physical certificates.

⇒ One DRF per ISIN

6.2.7 Odd Lots

⇒ An Odd Lot refers to a quantity of shares that is less than the standard trading units (lot size).

⇒ Odd lot shares can also be dematerialized

6.28 Distinctive numbers

⇒ Demat shares have no distinctive numbers

⇒ They are fungible (identical & interchangeable)

6.2.9 Rematerisation

⇒ Converting digital to physical

⇒ Fill Remat Request Form (RRF) with DP

6.2.10 Instruments allowed in demat

⇒ You can hold
→ Debt instruments
→ MF units
→ Govt securities
→ Equity shares
all in one demat account

6.2.11 Registered owner

⇒ When securities of a company are in physical form by investor

Investor ⇒ registered owner in company book

⇒ After demat:

Depository ⇒ registered owner in company books and investor name is removed from company book

6.2.12 Beneficial Owner (BO)

⇒ The investor = actual owner (beneficial owner)

⇒ Securities held by depository in fiduciary capacity

↳ holding something for someone else