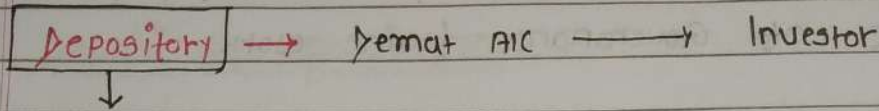


14/08/23

Lec: 01

Ch: 05 Depository Act, 1996

↓
Agent

Depository Participants

[link between Depository and Investor]

* Dematerialisation :-

Physical share

→ convert →

Demat Mode

* Rematerialisation :-

Demat share

→ converted →

Physically share

Lec: 02

15/08/23

* Overview of Depository System :-

a) Depository are the Institution which hold Securities in electronic mode or Demat mode.

b) Two Depository

- NSDL
- CDSL

c) they provide demat services to Investor through Depository Participants.

d) under Depository System who hold share in Demat mode is known as Beneficial owner.

ey Beneficial Owner Continues to enjoy all the benefit.

fy Depository Cannot act as depository under registered with SEBI

* Role of Depository & its function :-

ay Dematerialisation

by Rematerialisation

cy Facilitating Purchase or Redemption of unit of Mutual fund

dy pledging / Hypothication of dematerialisation Securities.

Lec: 03

16/08/23

ey Electronic Settlement of Trades. Trades.

fy Electronic Credit of Securities in public issue.

gy other facilities.

* Depository :-

ay Company as per registered act.

by obtain Certificate of Commencement of SEBI.

cy open Demat A/c. with the help of participants.

dy Dematerialisation / Rematerialisation.

ey other Depository Services.

fy Two depository NSDL / CDSL

* Depository Participants :-

- a) Depository Participants is the agent of Depository.
- b) link between Depository, Investor and Company.
- c) Bank, Financial Institution, Stock Broker can be registered as a DP with Depository.
- d) open Demat Account Investor with Depository.

* Benefit of Depository System

- a) Elimination of Bad Delivery
- b) Elimination of Risk associated with physical certificates
- c) Immediate transfer of share and registration
- d) faster disbursement of corporate benefit, like bonus, dividend.
- e) Reduction in Brokerage.

* Dematerialisation :-

Physical Share $\xrightarrow{\text{convert}}$ Demat Mode

Investor $\xrightarrow{\text{Dematerialisation Requisition Form + Share certificate}}$ Depository Participant

DP $\xrightarrow{\text{Electronic Send DRF to}}$ Depository

DP $\xrightarrow{\text{Physically DRF + SC}}$ company

Depository Intimate Company

Company Confirm Destroy Dematerialisation

Depository Credit Demat

a) open Demat Account.

b) it is process where physical share are converted in to Demat Mode.

c) Investor Submit DRF & Physical Share Certificate to Depository.

d) Participants Intimate Depository Electronically.

e) DP Sends Physical Shares & DRF to Company.

f) Company Confirm the dematerialisation And Intimate Depository.

g) Depository Credit the Investor's Account And Intimate DP.

h) DP Inform Investor about the dematerialisation.

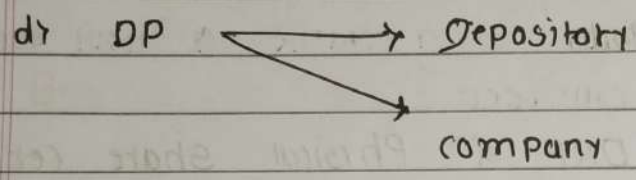
x Rematerialisation :

a) conversion of demat mode into Physical Mode.

b) Investor \xrightarrow{RRF} DP

c) DP $\xrightarrow{Request}$ Block

DP \longrightarrow System



a) conversion of demat mode in physical mode.

b) DP intimate

Investor submit RRF to DP.

c) DP intimate Depository electronically.

d) DP Sends RRF to company

e) Depository participant block holding

f) company / Register shall confirm the Rematerialisation & print share certificate.

g) company dispatch physical to investor.

h) Depository debit the investor account.

i) DP intimate to investor.

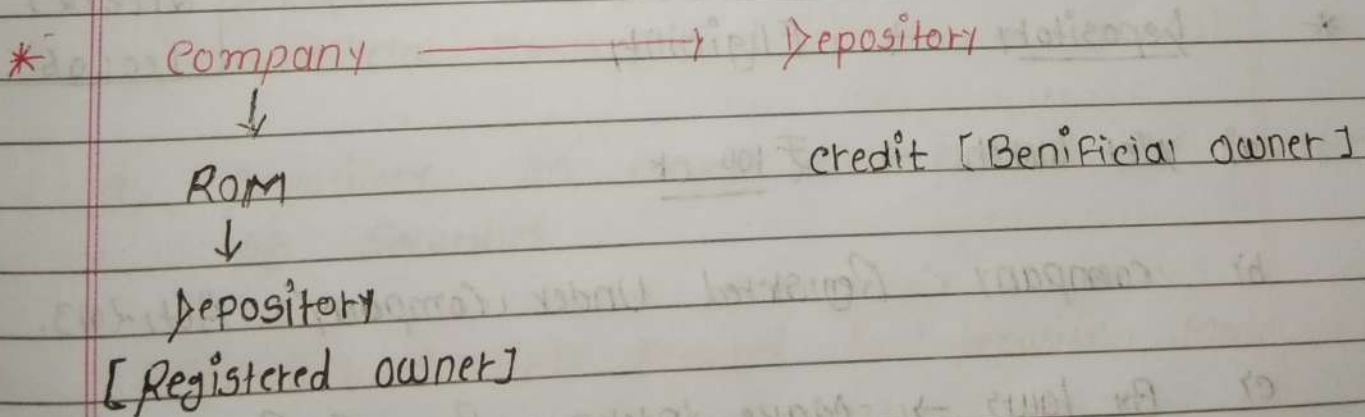
* Fungibility :-

- a) means Interchangability
- b) Securities Under demat mode shall be in fungible mode.
- c) it mean investor loses the Right to obtain exact certificate.
- d) it is one of the feature that share are capable of Mutual substitution.

e.g withdrawing money from Bank without bothering the distinctive Number.

* Electronic credit is New issue:

- a) Open Demat Account
- b) Submit Application
- c) Registrar upload the list of allottees to depository.
- d) Depository credit allottee's Account.



Registered owner :-

Depository shall deemed to be a registered owner in depository system.

company's Registered or Member Depository shall be registered owner.

Registered owner does not have any right like Bonus dividend.

Every Depository shall maintain Register of Beneficial owner.

Depository also submit the information about the the transfer of Securities

* Beneficial owner

a) Investor is the beneficial owner.

b) Entitled for Rights & benefit.

c) Beneficial owner may create pledge with the Approval of Depository.

21/8/23

Lec: 06

* Depository → Eligibility

a) Net worth → ₹ 100 cr.

b) company Registered Under Company's Act, 2013.

c) By laws → Make Internal Rules & Regulation.
Must approved by SEBI.

d) Registered with SEBI → obtain Commencement of Business Certificate.

ey Adequate System and Safeguard to prevent

fy Complies with Depositories Act, 1996 & participant Regulation, 2018.

hy Depository must have one or more Depository participant registered with Depository.

* Right and Obligation of Depositories, Participants, issuer and beneficial owners.

ay Depository entered into Agreement with Depository Participant.

by Investor shall enter in to Agreement through participants with Depository for availing Depository Services.

ey Investor shall Submit physical Share Certificate to avail the Depository Services.

dy Depository shall entered the name of Investor as Beneficial owner.

ey Depository on request shall registered the transfer of Securities.

* Eligibility Securities required by Depository Mode.

Note :: Investor choice to passes the physical Security And have full Freedom to switch from Depository Mode to Non Depository mode However transfer must be in Demat Mode.

Lec: 07

22/8/23Penalties :-

For Depository and Depository Participants

- a) if fails to furnish document and Return.
- b) fails to entered into Agreement with Depository.
- c) fails to redress the grievances of Investor.
- d) Delay in dematerialisation
- e) fails to follow SEBI direction

penalty

Min ₹ 100000 which extend to ₹ 100000 per day
 Subject to Maximum of ₹ 1cr.

* Fails to operate business in fair manner

Min ₹ 5cr

Extend to 25cr or 3 times of gain

└──────────┘
 which ever is Higher

* Records to be maintain by depository and participants.

by Depository

- Records of Securities dematerialisation.
- details of Transferor, transferee and date of transfer
- Index and Register of Beneficial Owner.
- details of holding of Beneficial owner, at the end of each day.
- details of approval, Notice & Entries.
- Dep details of participants.

by Depository Participants

Records of all transaction entered in to detail of dematerialisation.

Detailed of Instruction Received from Beneficial owner.

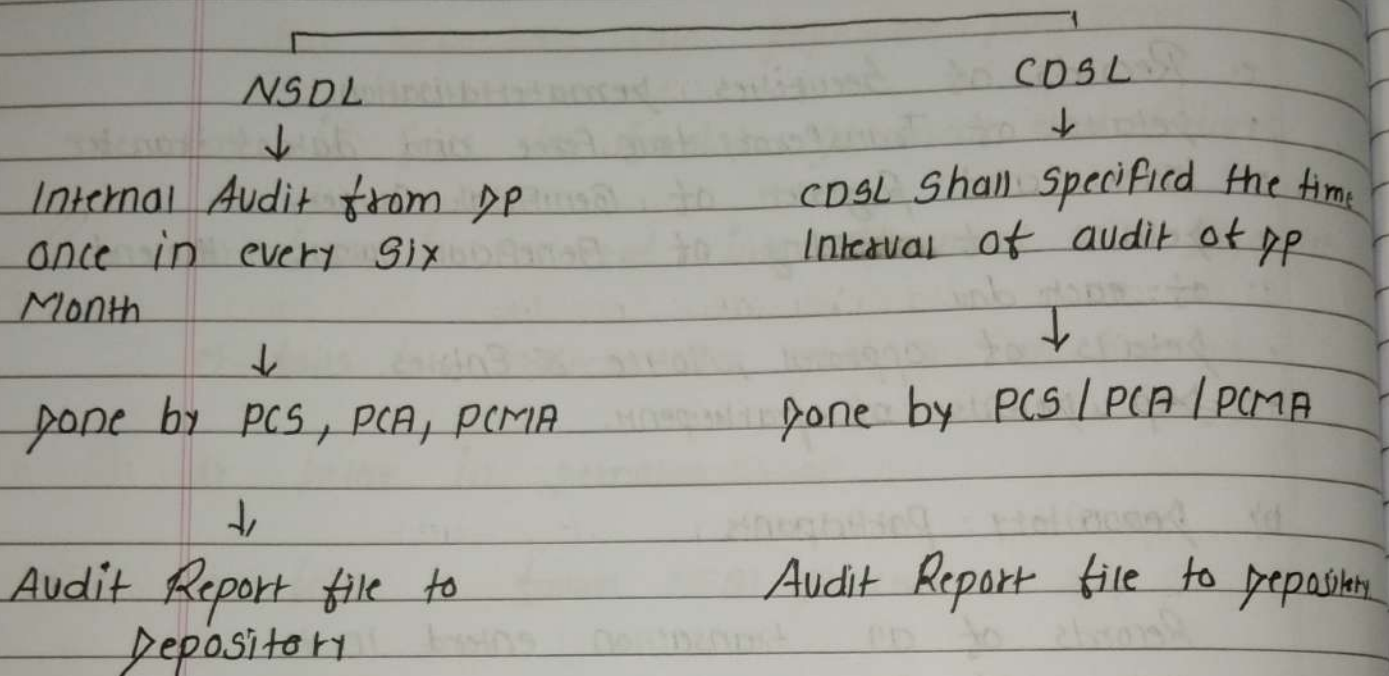
Record of Approval, Notice & Entries.

* Audit under Depositories & participants

- Every issuer is required to conduct Reconciliation Audit
- on quarterly basis.
- Done by PCS/PCA/PCMA
- IF Specified that dematerialisation shall be completed within 1 day from request
- Difference in record, reported to Stock Exchange & Depositories.

* Audit of Depository Participants

Internal Audit



* Checklist of Internal audit :-

- a) Accounts opening Process
- b) Reporting of Beneficial Owner
- c) Market Trades
- d) Internal Control of DP

* concurrent Audit :

a) Depository participant on Quarterly basis shall conduct.

b) done by , PCS / PCA, PCMA, Internal audit.

ct Report shall be Submit to depository.

CHECK list :-

a) Process of Demat Accounting opening.

b) Issuance of DIS "Delivery Instruction Slip"

c) Execution and Verification of DIS

d) Account closure Request.

e) Pledge and Hypothecation of Security.

A Investor grievances received by participants

Lec: 08

24/08/23

"Delivery Instruction Slip"

it helps to investor to transfer the Securities from one account to Another account.

"Issuance of DIS"

in concurred audit, procedure for issuance of DIS booklet including DIS in loose leaf form must be Assessed.

DIS must be pre stamping of client ID & Unique pre printed Serial Number.

c) Record shall maintained in back office relating to DIS booklet.

* Verification of DIS

- a) Date and time of stamping on instruction slip
- b) Blocking of used / Reported lost / Stolen instruction slip in back office system
- c) Two Step Verification for a transaction for more than ₹ 5 lakh.
- d) Instruction Received from dormant Account.

* SARAL Account Opening Form

- a) Facility available to Resident Individual.
- b) can open Demat Account by using 'Simplified account opening form'
- c) by Submitting only one document i.e. proof of address is ~~not a~~ address, can open Demat A/c
- d) In case of proof of Address is not a address where the Investor is currently residing then furnish declaration of Resident address
- e) change in Address → within 2 week.

"Cyber Audit"

is Mandatory For DP

to be done at least once in year.

Reason :-

To prevent the cyber attack

Improve cyber security.

A declaration must be filed by MD/CEO/Partner
proprietors certifying compliance with SEBI circular
to stock exchange.

Identify critical Asset and upto date hardware
& software system.

Carry out vulnerability assessment and penetration
Test (VAPT) to detect security vulnerabilities.