

5-6 marks.

16 06 2022
D D M M Y Y Y Y

3. DEPOSITORY ACT 1996

Lec-2

8-39J

• Depository

- Company as per Company's Act.
- Registered under SEBI.
- Open D'mat A/c with the help of Depository participate.
- Dematerialisation
- Rematerialisation
- Obtain Certificate of Commencement of business from SEBI.
- SEBI may grant the Certificate if SEBI is satisfied that depository is having adequate infrastructure.

• Depository Participants (DP)

- Agent of depository.
- DP link between investor & issuer.
- One of the market intermediary reg. with SEBI.
- Responsible for electronic settlement.
- Open D'mat account with depository.

• Rematerlization :

- Investor Submit Rematerlization requisition form to DP (RRF)
- DP intimates Depository electronically.
- DP sent RRF to Company
- Depository inform to Company.
- Company shall confirm the Rematerlization & print share certificate.
- Company shall sent Share Certificate to investor.
- Depository debit the investors: A/c & intimate to DP.
- DP intimates investor.

• Benefit of depository system

- 1) - Question of Bad-delivery does not arrive in depository system.
- 2) - Elimination of risk associated with the physical Share Certificate.
- 3) immediate tranfer & reg. of security.
- 4) faster disbursment of Corporate benefit like bonus share, right issue etc **Dividend**.
- 5) Reduction in brokerage for trading in dematerlised security.

- Non-cash benefit, Bonus Right Issue etc these benefit are electronically credited to the beneficial owner's account through depository.

22/06/2022

Lec- 6

(criteria)

• Eligibility Condition for Depository

- Net worth ₹ 100 cr
- Company under Co's Act
- Registered with SEBI
- Bye laws shall be approved by SEBI.
- has one or more DP
- Adequate system.
- follow Depository Act & SEBI regulation.

Lec-8

11bVA •

• Power of SEBI

1 To call for Information & Enquiry

- SEBI in public interest or investor interest may call informations or conduct enquiry ~~ca~~ against issuer depository, DP, & Beneficial owners

- Every director manager, partners, Secretary, beneficial owners shall provide such information which called by SEBI

2 Power to Give Direction

- ~~IO~~ ~~off~~ prevent the detrimental affairs SEBI may give direction to protect the interest of investor to depository, depository participants, Beneficial owner issuer.

3. To Make Regulations

- SEBI by ~~make~~ notification in official gazette make regulations in respect of following matters.

- Form in which records is to be maintained.
- the form in which the certificate of commencement of business shall be issued.
- the manner in which the certificate of security shall be surrendered

... etc.

• Audit

1) Reconciliation Audit

Every issuer shall submit audit report of Conciliation of total issued capital, listed capital, Capital held by depository, change in share Capital and such audit done by practicing CS or qualified C.A

- Audit Report shall also specified that securities are dematerialised within 21 days from request.

- Issuer or its agent shall reconciled the records of ~~issuer or agent~~ ^{dematerialised securities on daily basis} ~~shall reconciled the records of dematerialised securities~~ ~~on the daily bases~~

- In case of Govt Co depository shall reconciled

2) Audit of DP

A) Internal Audit

* NSDL

CDSL

Once in Every 6 months

CDSL shall specify the time interval

By PCS, PCA, PCMA

By PCS, PCA, PCMA

Filed to Depository

Filed to depository

* Checklist of Internal Audit

- Account opening
- Reporting of BO's
- Market trades
- OFF Market trades
- Transmission

* CONCURRENT AUDIT

- Concurrent audit, quarterly audit report Submitted to Depository.
- Done by ~~B~~ Qualified CA, Pcs, internal auditor.
- Scope of Concurrent audit → i) Issuance of DIS
ii) Verification of DIS
(Delivery Instruction Slip)

IMP A) Issuance of DIS

- Procedure for issuance of DIS booklet including loose leaf.
- Existence of control on DIS issue to client including pre-stamping serial numbers of client ID & unique pre-printed serial number
- Record maintainance for issuance of DIS booklet in back office.

B) Verification DIS

- 2
- 1
- DDMMYY
- DDMMYY
- Date & time stamping on instruction slips.
 - Blocking of used / reported lost / stolen instruction slips in back office system / manual record.
 - Blocking of slips in the back office system / manual record which are executed in DPM directly.
 - Two step verification for a transaction for more than 5 lakhs especially in case of transaction.
 - Instructions received from Dormant accounts.

* SARAL account opening form.

- 1) - facility available for resident individual.
- 2) - Resident individual can open a demat A/c by filling a Simplified account opening form (SARAL).
- 3) - By submitting only one documentary proof of address can open demat A/c.
- 4) - In case proof of address is not a address where the investor is currently residing then furnish a declaration of resident address.
- 5) In case change in address, investor may intimate the new address to intermediary with 2 week of such change.
- 6) This change may be verified by such intermediary.