



Depository System & Listing of Securities

Agenda

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Depository Ecosystem

Introduction to Depository

02

Depository Processes

The working framework of Depository Participant

03

Depository: Impact & Market Development

Advantage and Market update

Depository Ecosystem

Key Learning Outcome

- Introduction of Depository & Depository Participant

Depository an Introduction



Maintain and Keep record of Ownership of
Financial Assets



Maintain record and
Accounting of Asset
Ownership

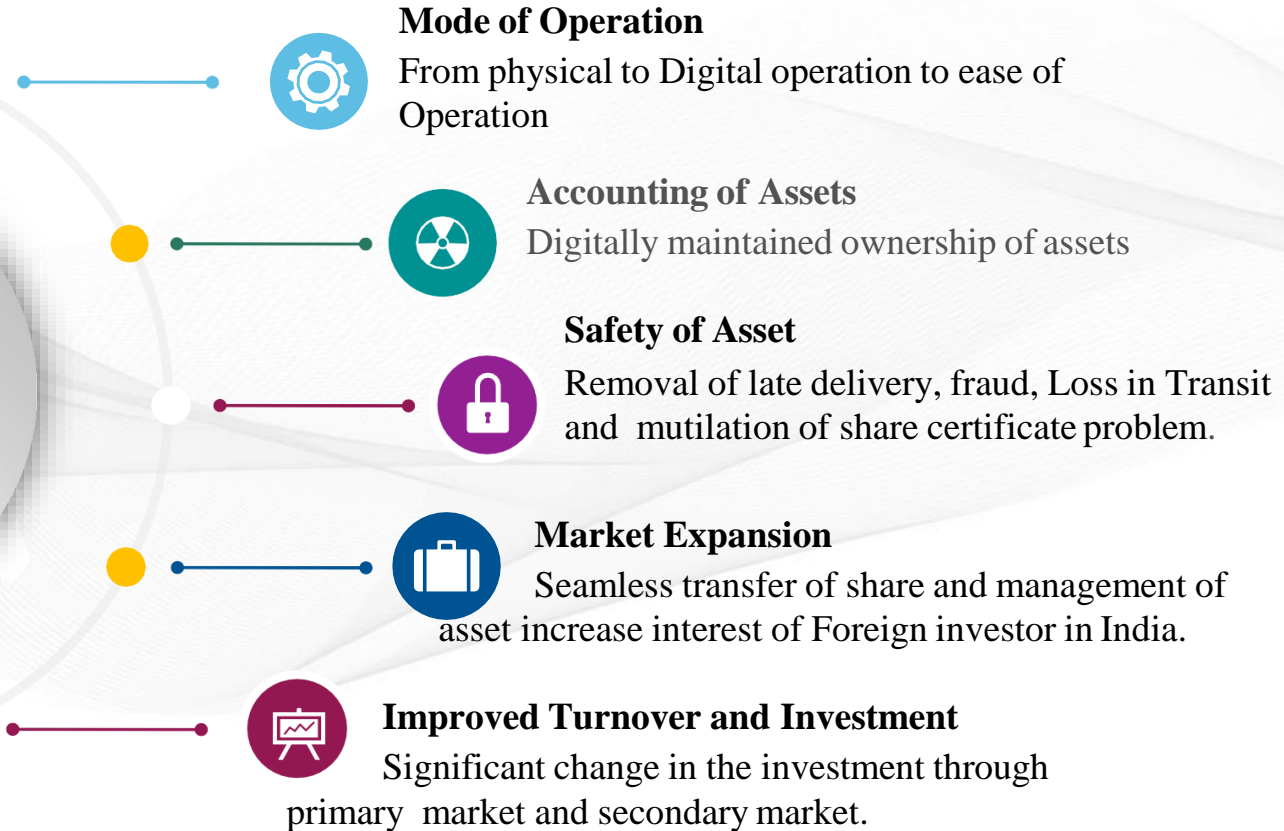


Seamless Transaction and
ownership authentication



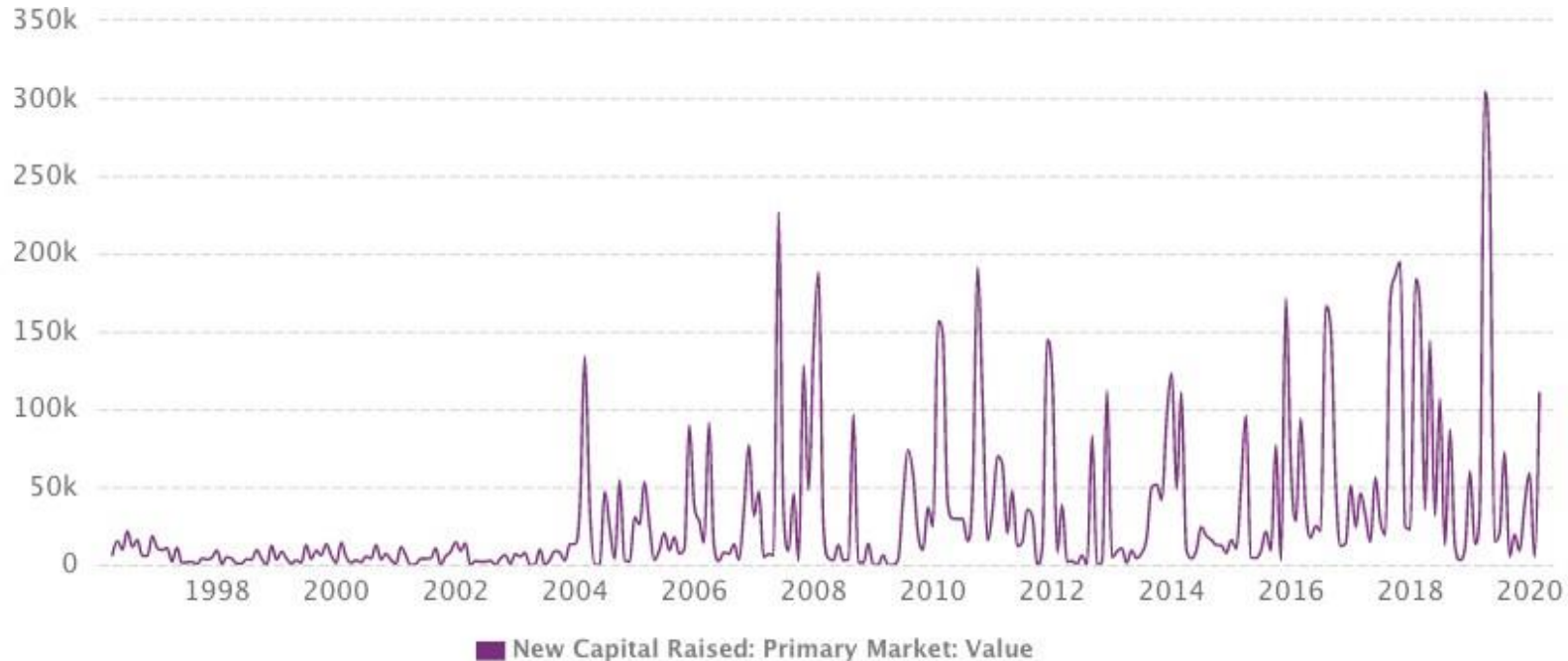
Aggregation of all asset type

Indian Depository System - A Shift



Depository System: Catalyst of fund Raising

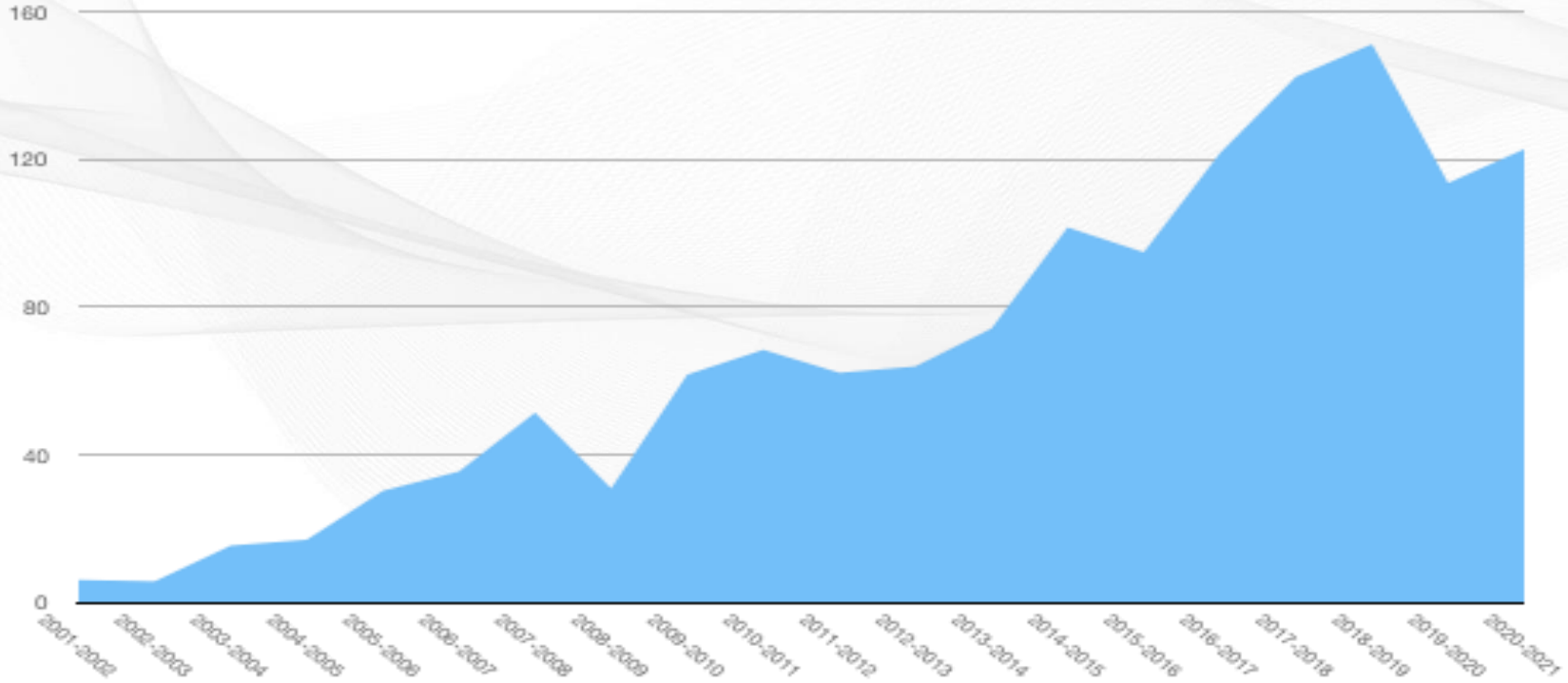
New Capital Raised: Primary Market in Million Rs.



SOURCE: WWW.CEICDATA.COM | Securities and Exchange Board of India

Depository : Support to Capital Market

Equity Market Capitalisation (In Lakh Cr.)



Depository Ecosystem

Bank-Depository – An Analogy

Banks



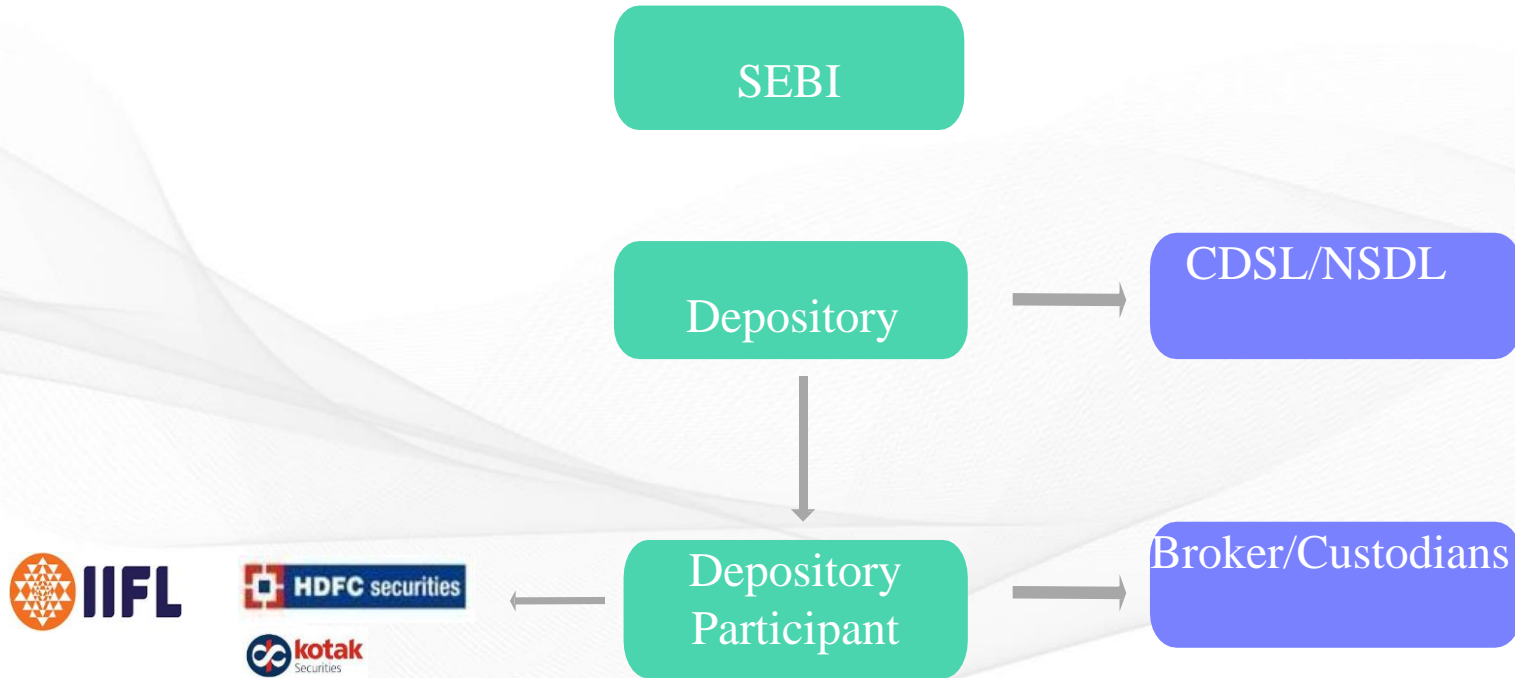
- Holds funds
- Transfers funds between accounts
- Facilitates transfer without having to handle money
- Facilitates safety

Depository



- Holds financial Assets
- Transaction of Securities between Demat accounts
- Transfer of ownership Digitally
- Safe Transaction

Hierarchy of Depository System



Depository Ecosystem

Depository Ecosystem: Facts



- Established in : August 1996
- Investor accounts: 1.97 Cr.
- Number of Depository Participant: 280
- Custody Value : INR 189.60 Lakh Cr
- Servicing Location : 31272
- Company operational : 30064



- Established in : February, 1999.
- Investor accounts: 2.18 Cr.
- Number of Depository Participant: 595
- Custody Value : INR 184.46 Lakh Cr
- Servicing Location : 20,500
- Company operational : 15175

Introduction to Depository Participant (DP)

An agent of the depository through which it interfaces with the investor and provides depository services. 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 DP.

01

Agent of Depository

DP plays a role agent of Depository, it undertake the of operation on behalf of Depository.

03

SEBi Registered

SEBI registered Entity to undertake the DP activity

02

Bridge Between Depository and Investors

Connects investors with Depository

04

Capital Market Participant

Play a role to develop and bring awareness in capital market

Relationship between DP and Depository



Depository

- Custodian of Securities
- Maintain Account of Investor
- Transfer the Securities between Demat Account
- Manage Infrastructure

Related Operation



Depository Participant

- Agent of Depository
- Request to open account of Investors
- Initiate Request for transaction for Investor
- Access Depository Infrastructure

Depository Processes

Key Learning Outcome

- Demat Account Management
- Process of Dematerialisation
- Listing and Delisting

Ownership Transition of a Share



Purchase of Securities

Security acquisition through stock exchange, Primary or OTC market.



Settlement of Values

Payment of consideration value to the initial owner of the securities



Ownership Transfer

Accounting and transfer of shares to the new owner of the securities.

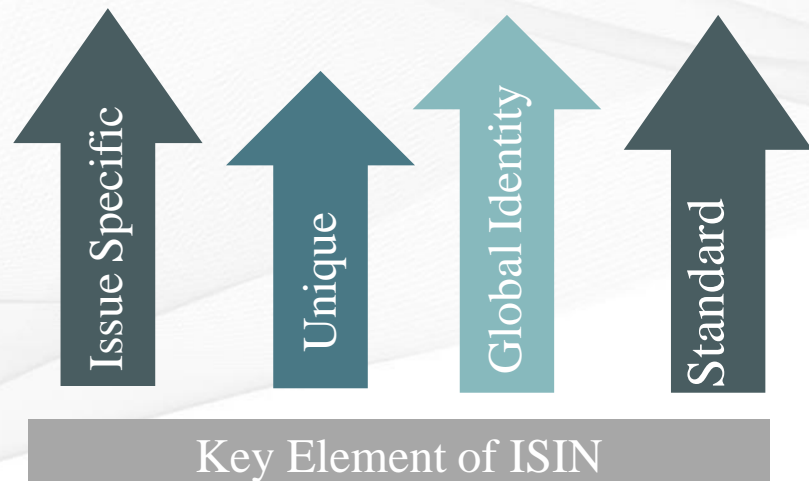
Identity of Securities

ISIN

ISIN (International Securities Identification Number) is a unique 12 digit alpha-numeric identification number allotted for a security

For example: INE383C01018

Equity-fully paid up, equity-partly paid up, equity with differential voting /dividend rights issued by the same issuer will have different ISINs.



Modes of Security Holding

Physical

- Physical form
- Costly
- exposed to fraud
- Long time to transfer

Dematerialized

- Digital Form
- Cost effective
- Secured
- Easy and Quick to Transfer

✓ Securities available in Demat Form

Exchange Traded Funds

Government Securities

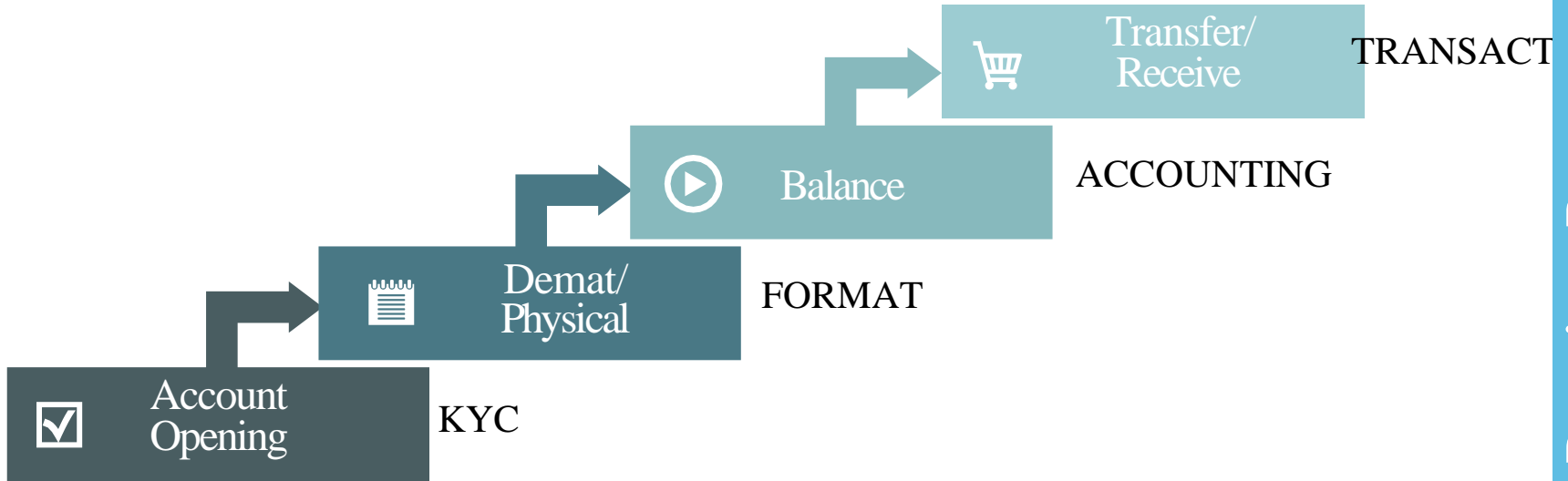
Mutual Funds

Insurance

Equity

Bonds

Demat Account Management



Depository Process

Opening of Demat Account

Account opening form

Filling the form and submission of it along with the copies of all the necessary documents

Document Verification

Original documents verification by DP, Acceptance of the terms and conditions agreement.

Account Number Allotment

Once application Processed, Applicant get a Demat account number along with a client ID which can be used for online access. There is no limit on the minimum number of securities to keep account active.

Demat Process

FORM

- Fill in and submit a DRF (Demat Request Form) with the DP along with physical certificates that are to be dematerialised.

DP PROCESS

- DP intimates to the Depository regarding the request.

REGISTRAR

- DP submits the certificates to the registrar of the Issuer Company, Registrar share confirmation.

DEPOSITORY

- Depository update the account and send update to DP.

DP update

- DP update and inform client for dematerialisation of stocks.

PHYSICAL STOCKS
CAN BE
DEMATERIALIZED BY
REQUESTING TO DP

Disadvantage of Demat Account



AMC Charges

Additional Cost of Investment



Tech Savvy

Difficult to operate for Non tech Savvy



Additional Contract

Additional contract with DP



High Frequency of Trade

Increase the frequency of trade due to ease of transaction. Monitoring of Broker to check if Complied to trade.

Precaution to Manage Demat Account



Don't Share
Account Credential
with Anyone else.



Keep Track Stock
Broker's Activity in
Account



Check the Terms with
POA before signing/
Agreement



Keep personal
information
updated with
DP

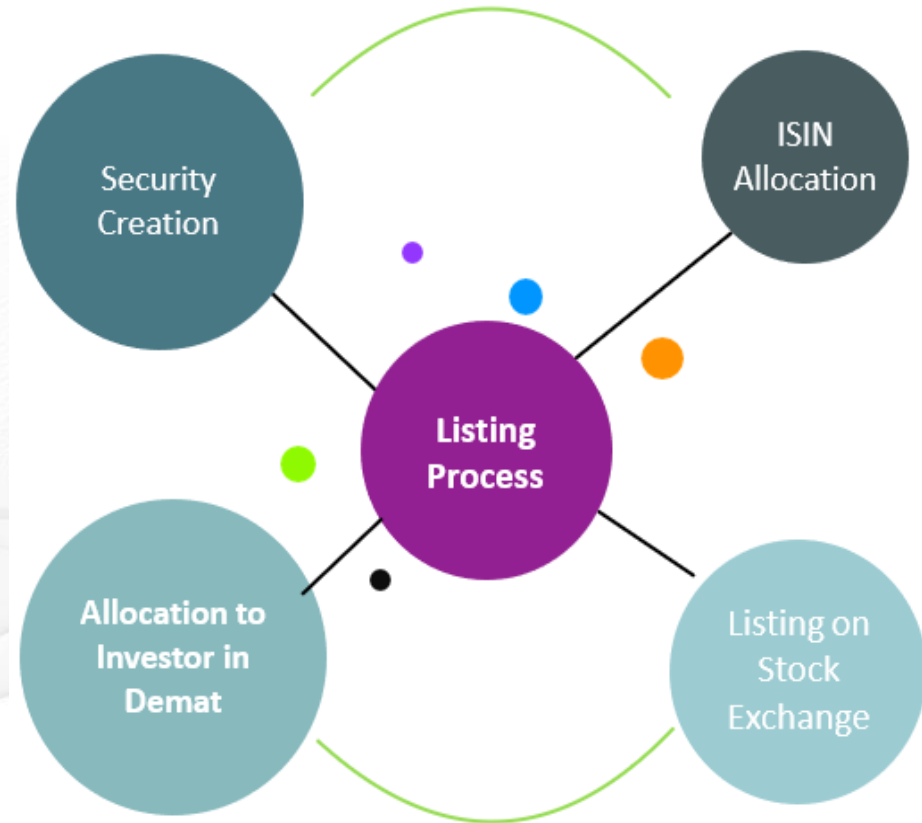


Never Sign Blank DIS
(Delivery instruction
Slip), Keep In safe
custody.

Listing of Securities

The inclusion of the name of a company in the official list of securities, which can be dealt with in a stock exchange, is called listing. Objective for Listing:

- ✦ Trading Platform
- ✦ Liquidity
- ✦ Investor Base



Delisting of Securities

TYPES

1. **Voluntary Delisting :** delisting of securities of a body corporate voluntarily by a promoter or an acquirer or any other person other than the stock exchange(s), i.e., a listed Company seeks delisting of securities on its own motion.
2. **Compulsory Delisting:** A listed company is compelled by the Stock exchange to delist its securities.

NEED OF DELISTING

- Relinquishing control through sale.
- Regulatory Demands.
- Changing Investor Profile and funding patterns.
- Emergence of National Exchanges.
- Lack of trading volume in regional exchanges.
- Compliance and disclosure requirements.
- Administrating and cost of servicing large shareholder base.

Depository Process

Depository: Impact & Market Development

Key Learning Outcome

- Advantages: Investors, Brokers, Issuer & Market
- Key Take-aways

Depository : Advantage -Investors

What investor can do with demat account?

Safety

I) Apply for IPOs and NFOs. Same demat account can be used to purchase and hold shares and other types of securities.

Liquidity

II) Automatically receive all corporate benefits (bonus, rights issue, etc.) in demat account. Cash benefits like dividend declared, to be credited to bank account linked with demat account.

Transparency

III) Access of loan against shares' facility which is offered by many banks etc.

Investor Protection

IV) Investments in shares, bonds, debentures, government securities, sovereign gold bonds, mutual fund units etc. can be kept in demat form.

Digital Access

V) Participation in buyback offer by tendering shares through your demat account.

eVoting

VI) e-service to give instruction to DP electronically, anywhere and anytime with ease of time

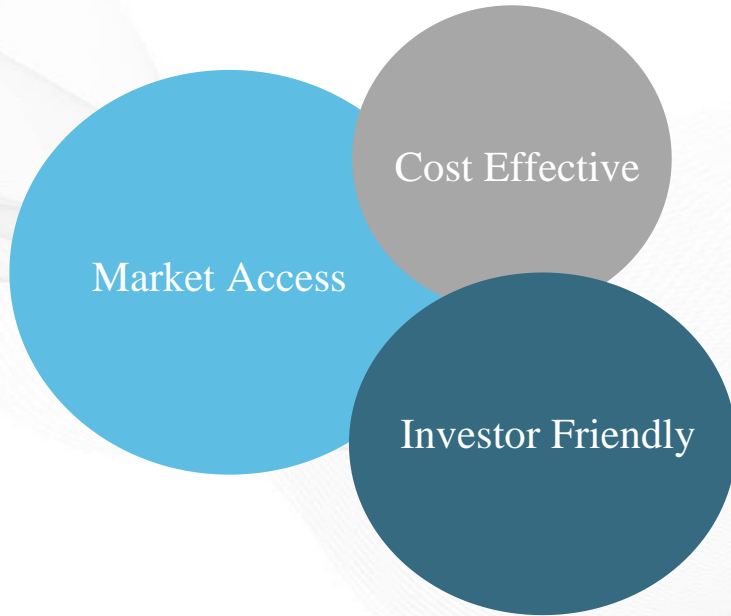
Depository : Advantage -Broker

- ✳ DP as revenue driver
- ✳ Economical to serve client
- ✳ Speed in Processing
- ✳ Secure Transaction
- ✳ Increased turnover

Depository improve operational efficiency to Brokers

- I) No odd/ even lot settlement
- II) Immediate Settlement of Stock obligation;
- III) No risks associated with physical certificates such as
 - I) Bad delivery,
 - II) Fake securities,
 - III) Delays,
 - IV) Thefts etc.
- IV) Reduction in paperwork involved in transfer of securities;
- V) Reduction in transaction cost;
- VI) No odd lot problem, even one share can be traded;

Depository : Advantage -Issuer



Ease to Raise Capital

- I) Enables the company management to maintain and update information about shareholding pattern of the company.
- II) Reduced issue cost as compare to physical share because of dematerialisation of securities.
- III) Paperless trading improved access to fund raising in capital market.
- IV) Distribution of dividends and non-cash corporate benefits rights and bonus to be accurate and quicker.
- V) Defect free transfer process with prompt process, good corporate image due to less complaints by an investor.

Depository : Advantage - Capital Market

Improved Settlement Infrastructure

Connected, Automated, Controlled and Secure infrastructure



Robust Record Keeping

Defect free record management bring Transparency in the share ownership management



Improved Investor Confidence

New ecosystem to protect the value and ownership of share brings confidence in investors



Interest of Foreign Investors

High degree of Transparency and improved asset record keeping with digital capability attract Foreign Investors



Improved Trading and Liquidity

With higher participation of investor Capital Market witnessed improved Turnover and Liquidity in Capital Market.



FII Asset Under custody in India

FPI/FII AUC Country-wise (top 10 countries) data

Year : 2020

March 2020

Sr. No.	Country	AUC (INR Cr.)			
		Equity	Debt	Hybrid	Total
1	UNITED STATES OF AMERICA	782,031	41,853	3,374	827,258
2	MAURITIUS	248,653	34,718	116	283,487
3	LUXEMBOURG	179,857	50,265	375	230,497
4	SINGAPORE	139,593	82,070	6,168	227,831
5	UNITED KINGDOM	117,951	2,408	555	120,915
6	IRELAND	87,999	5,413	132	93,544
7	CANADA	76,274	16,298	196	92,769
8	JAPAN	62,995	19,785	46	82,827
9	NORWAY	51,211	13,933	0	65,144
10	NETHERLANDS	42,149	22,964	3	65,116
11	Other	328,853	69,714	2,268	400,834
	Total	2,117,567	359,422	13,235	2,490,223

Source: <https://www.fpi.nsdl.co.in/web/Reports/ReportDetail.aspx?RepID=88>

Thank You