

### **1. What is a depository?**

A “Depository” is a provider of facility for holding and/or transacting securities in, book entry form. Physical securities can be converted in to book entry form i.e. electronic form by way of immobilization or dematerialization. (so that they exist only as electronic records). India has chosen the dematerialization route. A depository functions somewhat similar to a commercial bank. To avail of the services offered by a depository, the investor has to open a demat account with a registered DP.

### **2. What is dematerialization (Demat)?**

“Dematerialization” is a process by which physical certificates are converted into electronic form.

### **3. What is Rematerialisation (Remat)?**

Rematerialisation is the process of converting securities held in a demat account in electronic form back in physical certificate form.

### **4. Who is registered owner of Securities?**

When securities of a company are held in physical form by an investor, Name of the investor is recorded in the books of the company as a ‘Registered Owner of the Securities. Each certificate is identified by Folio number, certificate number and distinctive range numbers.

### **5. Who is a Beneficial Owner (BO)?**

When physical shares are converted in to electronic form, the depository becomes ‘Registered owner” in the books of the company and investors name is removed from books of the company. Depository is holding shares in its records on behalf of the investors who have opened a demat account with the depository. Hence all benefits are given to the actual investor who is called as a “Beneficial Owner” (BO) of the securities.

### **6. Who is a Depository Participant?**

A “Depository Participant” (DP) is an agent of the depository who is authorized to offer depository services to investors. Financial institutions, banks, custodians and stockbrokers complying with the requirements prescribed by SEBI/ Depositories can be registered as DP. Further information on DP, can be accessed from CDSL’s web site [www.cdslindia.com](http://www.cdslindia.com). An investor will always interact with a DP for the services and can not directly approach the depository for any services.

## **7. Who is an Issuer?**

“Issuer” means any entity such as corporate / state or central government organizations Issuing securities which can be held in depository in electronic form.

## **8. Who is an RTA?.**

An RTA i.e. Registrar and Transfer Agent is an agent of the issuer. RTA act as an intermediary between the issuer and depository for providing services such as Dematerialization, Rematerialisation, Initial Public Offers and Corporate actions.

## **9. What is an ISIN (International Securities Identification Number)?**

“ISIN” is a unique 12 digit alphanumeric code given to a security, shares, Debentures, Bonds etc. when the security is admitted in the depository system. First two digits of the ISIN code indicate country of registration for the security. All securities registered on depository in India, first two digits of the ISIN code are ‘IN’.

## **10. Whether different securities issued by the same Issuer will have same ISIN?**

No, different securities issued by the same issuer will have different ISIN code.

## **11. What are the services provided by a Depository?**

Depository provides following services to the investors through a DP:

- a. Opening a demat account.
- b .Dematerialization, i.e. converting physical securities into electronic form.
- c .Rematerialisation, i.e. converting electronic securities balances held in a BO account into physical form.
- d. To maintain record of holdings in the electronic form.
- e. Settlement of trades by delivering / receiving underlying securities from / in BO accounts.
- f. Settlement of transactions between BOs entered outside the Stock Exchange.
- f. Receiving electronic credit in respect of securities allotted by issuers under IPO or otherwise on behalf of demat account holders.
- g. Receiving non cash corporate benefits, such as, allotment of bonus and rights shares or any other non cash corporate benefits given by the issuers in electronic form on behalf of its demat account holders.
- h. Pledging of dematerialized securities & facilitating loans against shares.
- i. Freezing of the demat account for debits, credits, or both.
- j .Internet facilities “easi” and “easiest”, if the DP is registered for the same with CDSL.

**12. What is the legal framework governing the depository functions in India?**

Following are the acts and regulations under which a depository functions:

1. The Depositories Act, 1996,
2. SEBI (Depositories and Participant) Regulations.
3. CDSL Bye-laws which are framed under the above two documents.
4. Prevention of Money Laundering Act (PMLA), 2002.