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FAQ ON DEMAT ACCOUNT

I. General

What is a depository?

A depository is an organization where the securities of an investor are held in electronic form. A depository can be compared to a bank. To avail of the services of a depository, an investor has to open an account with the Depository through a depository participant, just as he opens an account with the bank. Holding shares in the account is akin to holding money in the bank. Besides holding securities, a depository also provides services related to transactions in securities.

Why should I have a demat account?

As an investor you will enjoy many benefits if you buy and sell shares in the depository mode. The following are some of the benefits you will enjoy : -

- No bad deliveries.
- No risk of loss, mutilation or theft of share certificates
- No stamp duty for transfer of shares.
- Reduced paper work.
- Fast settlement cycles.
- Low interest rates on loans granted against pledge of dematerialized securities by banks.
- Low margin on securities pledged with banks.
- Increase in liquidity of your securities because of faster transfer and registration of securities in your account.
- Instant disbursement of non-cash benefits like bonus and rights into your account.
- Regular account status updates available from MODES at any point of time.

How many depositories are there in India?

At present, India has only two depositories—National Securities Depository Ltd (NSDL) and Central Depository Services Ltd (CDSL).

Who is a depository participant?

A Depository Participant (DP) is an agent appointed by the Depository and is authorized to offer depository services to all investors. An investor cannot directly open a demat account with the depository. An investor has to open his account through a DP only. The DP in turn opens the account with the Depository. The DP in turn takes up the responsibility of maintaining the account and updating them as per the instructions given by the investor from time to time. The DP generates and provides the holdings statement from time to time as required by the investor. Thus, the DP is basically the interface between the investor and the Depository.

Example- **PNB is a DP** of both Depositories (NSDL as well as CDSL.). For the purpose of Internet Trading, you will have to open a demat account with PNB, which is authorized to offer you this service. We (PNB) will be opening your demat account with NSDL. The balances in your account are maintained with the depository and are available to you through us. You can find the status of your holdings or transactions from time to time.

Who is a Beneficiary Owner (BO)?

The person who holds a demat account is a beneficiary owner. In case of a joint account, the account holders will be beneficiary holders of that joint account.

How can one avail the service of a depository?

If an investor wants to avail the services offered by the depository, he has to open a Demat account with any of our branch. This is similar to opening an account with any branch of a bank in order to utilize the bank's services.

II. Benefits of opening Demat Account with PNB

What are the benefits of participation in a depository?

The benefits of participation in a depository are:

- Immediate transfer of securities;
- No stamp duty on transfer of securities;
- Elimination of risks associated with physical certificates such as bad delivery , fake securities , etc.;
- Reduction in paperwork involved in transfer of securities;
- Reduction in transaction cost;
- Nomination facility;
- Change in address recorded with DP gets registered electronically with all companies in which investor holds securities eliminating the need to correspond with each of them separately;
- Transmission of securities is done by DP eliminating correspondence with companies;
- Convenient method of consolidation of folios/accounts ;
- Holding investments in equity, debt instruments and Government securities in a single account;
- Automatic credit into demat account, of shares, arising out of split/consolidation/merger etc.

III. Services offered by PNB

What are the facilities being offered?

- Dematerialization i.e., converting physical certificates to electronic form;
- Re-materialization i.e., conversion of securities in demat form into physical certificates;
- Facilitating repurchase / redemption of units of mutual funds;
- Electronic settlement of trades in stock exchanges connected to NSDL;
- Pledging/hypothecation of dematerialized securities against loan;
- Receipt of non-cash corporate benefits such as bonus, in electronic form;
- Freezing of demat accounts, so that the debits from the account are not permitted

IV. Account Opening

How to open an account with a DP?

A person can approach any branch of his/ her choice and fill up an account opening form. Demat account opening form is available at www.pnb.net.in.

Check Points to be observed while opening/completing demat account (AOF)

- One Photograph of each account holders & One Photograph of nominee
- Copy of Pan-card
- Details of bank account (SF/Current Account)
- Proof of Identity and Proof of Address as per following table :

<p align="center"><u>Proof of Identity: (any one)-Self attested and duly verified by Branch Official</u></p>	<p align="center"><u>Proof of Address: (any one)- Self attested and duly verified by Branch Officials</u></p>
<p>Identification of each client shall be based only on photo identity as prescribed under applicable KYC norms. Besides PAN card, which is compulsory and also serves as a photo identity, other documents, having authenticated photograph, accepted for identity verification are:</p> <ul style="list-style-type: none"> ➤ Unique Identification Number (UID) (Aadhaar) ➤ Passport ➤ Voter ID Card ➤ Driving license ➤ PAN card with photograph ➤ Identity card/ document with applicant's Photo, issued by any of the following: <ul style="list-style-type: none"> • Central/State Government and its Departments, • Statutory/Regulatory Authorities, • Public Sector Undertakings, • Scheduled Commercial Banks, • Public Financial Institutions, • Colleges affiliated to Universities, • Professional Bodies such as ICAI, • ICWAI, ICSI, Bar Council etc., to their Members • Credit cards/Debit Cards, with photo, 	<p>The address of the client shall be verified from one of the following documents: <i>(Documents having an expiry date should be valid on date of submission)</i></p> <ul style="list-style-type: none"> ➤ Ration card (where ever accepted by the state authority) ➤ Passport ➤ Voter ID card ➤ Aadhaar letter issued by UIA of India ➤ Driving License ➤ Registered lease or sale agreement of residence ➤ Flat Maintenance Bill ➤ Insurance copy ➤ Utility Bills like <i>-(not more than three months old-as on date of receipt of documents)</i> ➤ Telephone Bill (only landline) ➤ Electricity Bill or ➤ Gas Bill ➤ Bank Account Statement/ Pass Book like <i>-(not more than three months old-as on date of receipt of documents)</i> ➤ Self-declaration by High Court & Supreme Court judges, giving the new

<p>issued by Banks.</p>	<p>address in respect of their own accounts</p> <ul style="list-style-type: none"> ➤ Proof of address issued by any of the following: <ul style="list-style-type: none"> ➤ Bank Managers of Scheduled Commercial Banks/Scheduled Co-Operative Bank/Multinational Foreign Banks ➤ Gazetted Officer/Notary public/Elected representatives to the Legislative ➤ Assembly/Parliament/Documents issued by any Govt. or Statutory Authority. ➤ Identity card/documents with address, issued by <ul style="list-style-type: none"> ○ Central/State Government and its departments, ○ Statutory/Regulatory Authorities, ○ Public Sector Undertakings/ Scheduled Commercial Banks, ○ Public Financial Institutions, ○ Colleges affiliated to Universities (this can be treated as valid only till the time the applicant is a student), and ○ Professional Bodies such as Institute of Chartered Accountants of India (ICAI), Institute of Cost Accountants of India (ICAI) earlier known as ICWAI, Institute of Company secretaries of India (ICSI), Bar Council etc to their members.
<p>➤ <i>The Bank Statement/Telephone Bill/ Electricity Bill etc. should not be more than 3 months old as on date of receipt of documents)</i></p>	

Can a person open more than one account with the same DP?

Yes. One can open more than one account with the same DP. There is no restriction on the number of accounts one can open with a DP.

Whether a person is restricted to have an account with only one DP?

No. There are no restrictions on the number of DPs one can open accounts with. One can open accounts with more than one DP.

Can a person open a single account for securities owned in different ownership patterns such as securities owned individually and securities owned along with spouse?

No. The demat account must be opened in the same ownership pattern in which the securities are held in the physical form e.g. if one share certificate is in individual's name and another certificate is jointly held in his /her with spouse's name, two different accounts would have to be opened

What is required to be done if one has physical certificates with the same combination of names, but the sequence of names is different i.e. some certificates with husband as first holder and wife as second holder and other set of certificates with wife as first holder and husband as the second holder?

In this case one can open only one account with husband and wife as the account holders and lodge the security certificates with different order of names for dematerialization in the same account. He will fill-up an additional form called "Transposition cum Demat" form. This would help him to effect change in the order of names as well as dematerialize the securities

Can someone else operate account on behalf of another on the basis of a Power of Attorney?

Yes. If a person authorises another to operate his account by executing a Power of Attorney and submit it to DP, that person can operate the account on his behalf. The depository account can be operated both by the account holder(s) as well as by the Power of Attorney (POA) holder.

Why should one give his bank account details at the time of account opening?

It is for protection of one's interest. The Bank account number will be mentioned on the interest or dividend warrant, one is entitled to, so that such warrant cannot be encashed by any one else. Further, a DP cannot open the account if bank account number is not given. Further, if the Demat Account holder give option in Account Opening Form, Dividend are directly credited in the linked account by the registrar of company ,thus, avoiding the problems of loss of dividend warrant in transit.

Can one-change details of his bank account?

Yes. Since in the depository system monetary benefits on the security balances are paid as per the bank account details provided at the time of account opening, one must ensure that any subsequent change in bank account details is informed to the DP invariably.

Can a customer operate a joint account on 'either or survivor' basis just like a bank account?

No. The demat account cannot be operated on "either or survivor" basis like the bank account. It must be operated jointly by all joint holders.

Can one add or delete account holders (second or third account holder name) after opening the account

No. Names of the account holders for a depository account cannot be changed. If one wants to change name or add / delete an accountholder, he needs to open a new account in the desired holding pattern (names) and transfer the securities to the newly opened account. The old account may be closed.

What should one do if his address is changed? Does he need to write to each company separately?

In case the address is changed, one only needs to inform the new address to the DP(s) alongwith a copy of permissible proof of address.. When DP enters the new address in the depository computer system, it will be automatically conveyed to all companies in which one holds shares.

How does one change his address with the DP?

One can change his address in the depository system by submitting a written request to the DP. Such a request should be signed by all the holders. Following documents should be submitted alongwith the application:

1. Latest transaction statement of the demat account received from the DP.
2. Proof of new address alongwith the original document of new address, for verification by the DP.

One should visit the office of the DP in person to submit his application for change of address alongwith necessary documents and sign the application once again in the presence of the DP.

Can one close his demat account with one DP and transfer all securities to his account with another DP?

Yes. One can submit account closure request to his DP in prescribed form. The DP will transfer all the securities, as per the instruction, and close the demat account.

What would be the charges for account closure and securities transfer due to account closing?

The charges would be as per the schedule of charges of your DP, applicable at the time of account opening or any subsequent changes therein.

V. Nomination

Who can nominate?

Nomination can be made only by individuals holding beneficiary accounts either singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, karta of Hindu Undivided Family, holder of power of attorney cannot nominate.

Can joint holders nominate?

Yes. Nomination is permitted for accounts with joint holders. But, in case of death of any of the joint holder(s), the securities will be transmitted to the surviving holder(s). Only in the event of death of all the joint holders, the securities will be transmitted to the nominee. Photograph and signature of the nominee is also required in Account opening form (AOF).

Can a NRI nominate?

Yes, NRI can nominate directly. But, the power of attorney holder cannot nominate on behalf of NRI.

Can a minor nominate?

No, a minor cannot nominate either directly or through its guardian.

Who can be a nominee?

Only an individual can be a nominee. A nominee shall not be a society, trust, body corporate, partnership firm, karta of Hindu Undivided Family or a power of attorney holder.

Can there be more than one nominee?

No, only one nomination can be made for one depository account.

Can a minor be a nominee?

Yes, a minor can be a nominee. In such a case, the guardian will sign on behalf of the nominee and in addition to the name and photograph of the nominee, the name, address and the photograph of the guardian must be submitted to the DP.

Can a NRI be a nominee?

Yes, NRI can be a nominee subject to the exchange control regulations in force from time to time.

Can separate nomination be made for each security held in a depository account?

No. Nomination can be made account wise and not security wise.

What is the procedure for nomination?

The nomination form duly filled-in should be submitted to the DP either at the time of account opening or later. The account holder, nominee and two witnesses must sign this form and the name, address and photograph of the nominee must be submitted. If nomination was not made at the time of account opening, it can be made subsequently by submitting the nomination form.

Can the nominee be changed?

Yes, the nomination can be changed anytime by the account holder/s by simply filling up the nomination form once again and submitting it to the DP.

VI. Transmission

What does transmission mean in relation to demat accounts?

Transmission is the process by which securities of a deceased account holder are transferred to the account of the surviving joint holder(s)/nominee/legal heirs of the deceased account holder.

What is the procedure for transmission of securities to the nominee in case of the death of the sole account holder?

In case of the death of the sole holder, for the purpose of transmission of securities, the nominee has to submit a duly filled-in transmission form, notarized copy of death certificate and an affidavit in the prescribed format to the DP. After verifying these documents and if found in order, the DP will transmit the securities to the account of the nominee.

What would happen if no nomination is made for the account?

In case nomination is not made by the sole account holder, the securities would be transmitted to the account of legal heir(s), as may be determined by an order of the competent court.

What is the procedure for transmission in case of Joint Accounts?

In the event of death of one of the joint holders, the securities will be transmitted to the surviving holder(s) on submission of Transmission Form and notarized copy of the death certificate of the deceased joint holder to the DP. For transmission of securities, the account of the surviving holder(s) must be in the same sequence in which the names appear in the joint account to be closed.

VII. Dematerialisation

What is dematerialization?

Dematerialisation is the process by which physical certificates of an investor are converted to an equivalent number of securities in electronic form and credited in the investor's account with its DP. In order to dematerialise certificates; an investor will have to first open an account with a DP and then request for the dematerialization of certificates by filling up a dematerialization request form [DRF], which is available with the DP and submitting the same along with the physical certificates. The investor has to ensure that before the certificates are handed over to the DP for demat, they are defaced by marking "Surrendered for Dematerialisation" on the face of the certificates.

Can one dematerialize any share certificate?

One can dematerialize only those certificates that are already registered in one's name and are in the list of securities admitted for dematerialization at NSDL. All the scrips included in S&P, CNX, NIFTY and BSE SENSEX have already joined NSDL. This list has more than 4,300 companies and is steadily growing. You can get an updated list of these companies from your DP or from NSDL's office or from NSDL website at www.nsdl.co.in.

What precautions should be taken before defacing a share certificate?

Before defacing the share certificate, one must ensure that it is available for dematerialization. One must, therefore, check with his DP whether the ISIN (code number for the security in a depository system) has been activated and made available for dematerialization by the depository. If yes, then one may deface the share certificate. The certificates are defaced by marking "Surrendered for Dematerialisation" on the face of the certificate

VIII. Government Securities and Debt Instruments

Can anyone dematerialize his debt instruments, mutual fund units and government securities also in his demat account?

Yes. One can dematerialize and hold all such investments in a single demat account.

IX. Rematerialisation

Can electronic holdings be converted back into Certificates?

Yes. If one wishes to get back his securities in physical form, he has to request his DP for rematerialisation of the same. 'Rematerialisation' is the term used for converting electronic holdings back into Certificates. DP will forward the request to NSDL, after verifying that the necessary balance is available in Customer's Account. NSDL in turn will intimate the registrar who will print the Certificates and despatch the same to the Customer.

X. Trading / Settlement

What is the procedure for selling dematerialized securities?

The procedure for selling dematerialized securities is very simple. After sale of the securities, customer would instruct his DP to debit his account with the number of securities sold by him and credit his broker's clearing account. This delivery instruction has to be given to the DP using the delivery instruction slips given by the DP at the time of opening the account. Procedure for selling securities is given here below:

- Customer sells securities in any of the stock exchanges linked to NSDL through a broker;
- Instructions are given to DP to debit his account and credit the broker's (clearing member) account before the deadline time specified by the DP;
- Before the pay-in day, the broker gives instruction to DP for delivery to clearing corporation;
- The broker receives payment from the stock exchange (clearing corporation);
- Customer receives payment from the broker for the sale of securities.

How can one purchase dematerialized securities?

For receiving demat securities, one may give a one-time standing instruction to the DP. This standing instruction can be given at the time of account opening or later. Alternatively, one may choose to give separate receipt instruction every time some securities are to be received

The transactions relating to purchase of securities are summarized below:

- One purchases securities through a broker;
- Payment is made to the broker who arranges payment to clearing corporation on the pay-in day;
- Broker receives credit of securities in his clearing account (clearing member account) on the pay-out day.
- The broker gives instructions to his DP to debit his clearing member account and credit customer's account;
- The customer receives shares into his account. However, if standing instructions are not given at the time of opening the account, customer will have to give "Receipt Instructions" to DP for receiving credit. It is also advisable to give "Receipt Instructions" at the time of opening of account.

One should ensure that the broker transfers the securities from its clearing member account to customer's depository account, before the book closure. If the securities remain in the clearing account of the broker, the company will give corporate benefits (dividend or bonus) to the broker. In that case, customer will have to collect the benefits from the broker.

What is 'Market Trades' and off Market Trades'?

Any trade settled through a clearing corporation is termed as a 'Market Trade'. These trades are done through stock brokers on a stock exchange. 'Off Market Trade' is one which is settled directly between two parties without the involvement of clearing corporation. The same delivery instruction slip can be used either for market trade or off-market trade by ticking one of the two options.

If one sells securities through a sub-broker, which part of the delivery instruction slip should be filled?

If one is delivering securities to the sub-broker one would need to fill-in the off-market trade portion of the delivery instruction slip.

What settlement details are required on the delivery instruction slip?

On every stock exchange, various settlements are effected every day such as daily settlement, auction settlement etc. Each of these settlements is identified by combination of a market type and a settlement number. One is required to mention the appropriate settlement details on the delivery instruction slip while transferring the shares to your broker's account. These settlement details are available on the contract note issued by the broker.

How can one does knows about the settlement deadlines?

The DP with whom customer has demat account will prescribe the deadlines to be followed by him for submission of delivery instruction slips. Customer should deliver instructions to DP as per these deadlines.

When one buys shares, in what time he will receive the securities from the broker?

The broker is expected to transfer the securities to customer's account within two working days or four calendar days, whichever is later, after securities are received in its clearing member account, provided customer has made the requisite payment to the broker.

What precautions one should observe with respect to Delivery Instruction Slips (DIS)?

The following precautions are to be taken:

- Ensure and insist that DP issues DIS book; Customer should not accept loose slips.
- Ensure that DIS numbers are pre-printed and DP takes acknowledgement from customer for the DIS booklet issued to him.
- Ensure that customer's account number (client id) is pre-stamped on each DIS.

- If customer's account is a joint account, all the joint holders shall have to sign the instruction slips. Instructions cannot be executed if all joint holders have not signed.
- One should not leave signed blank DIS with anyone viz. broker/ sub-broker.
- The DIS book should be kept under lock and key when not in use.
- If only one entry is made in the DIS, customer should strike out remaining space to prevent misuse by any one.
- Customer should fill in target account-Id and all details in the DIS, himself.

What is 'execution date' given in the delivery instruction form?

Execution date is the date on which securities will be actually debited from your account. The execution date written on the delivery instruction has to be entered by the DP, in the DPM system [computer]. DPM system will record the date and will debit your account only on that date. You may issue the instruction well in advance of the date on which you want the securities to be debited from your account but your account will be debited only on the execution date. This facility is called future execution date facility.

XI. Corporate Benefits

How would I get my dividend / interest or other cash entitlements?

The concerned company obtains the details of beneficiary holders and their holdings from NSDL. The payment to the investors will be made by the company through the ECS (Electronic Clearing Service) / NEFT facility or by issuing warrants on which your bank account details are printed. The bank account details will be those which you would have mentioned in your account opening form or changed thereafter.

How would one get his bonus shares or other non-cash entitlements?

The concerned company obtains the details of beneficiary holders and their holdings from NSDL. Your entitlement will be credited by the company directly in depository account.

How will the investor confirm that bonus/rights entitlement is credited into the account?

An allotment advice will be sent by the Issuer/ its R&T agent for bonus/ rights entitlement. The Transaction Statement given by the DP, will also show the bonus/ rights credit into the account. The quantity shown in the advice and statement of transaction should match.

XII. Pledging

What should I do if I want to pledge electronic securities?

The procedure is as follows:

- Both you (Pledgor) as well as the lender (pledgee) must have depository accounts;
- You have to initiate the pledge by submitting to your DP the details of the securities to be pledged in a standard format ;
- The pledgee has to confirm the request through its DP. It is suggested that after creation of the pledge request, you may inform the pledgee and request him to confirm the request;
- Once this is done, your securities are pledged all financial transactions between the Pledgor and the pledgee are handled as per usual practice outside the depository system.

How can I close the pledge after repayment of my loan?

After you have repaid your loan, you can request for a closure of pledge by instructing your DP in a prescribed format. The pledgee on receiving the repayment will instruct its DP accordingly for the closure of the pledge.

Whether pledgee account can be in a different DP?

Yes. The pledgee can have an account with a different depository participant of NSDL.

Can I change the securities offered in a pledge?

Yes; if the pledgee [lender] agrees, you may change the securities offered in a pledge.

Who will receive dividend on the pledged securities?

Pledgor will continue to receive dividend on the pledged securities. The pledgee will get the benefits only if pledge is invoked and on record date the shares are in the pledgee's account.

How will the distribution of bonus shares for pledged shares happen?

The software in NSDL has been modified to handle distribution of bonus entitlements through Automatic Corporate Action (ACA) Module. This works as follows:

- The holdings as of the record date / book closure, (including those holdings which are pledged) are considered for computing bonus entitlements.
- At the time of effecting the credit of bonus shares, the system checks whether pledge is still open or closed.
- Where pledge orders are not closed / invoked or partially closed / invoked, the bonus entitlements in such cases are credited to the pledgor's account with pledge marked in favour of the pledgee.

If the pledge is closed/invoked fully, the bonus entitlements will be credited to the pledgor's account as free balances.

XIII. Inter Depository Transfers

If one is having depository account with NSDL, can he receive securities from an account holder having account with CDSL?

Yes. Inter depository transfers are possible.

XIV. Where to call in case of any help/ details

For any detail or help , bank can be contacted at 0120-2490000

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