CHAPTER 5
FUNCTIONS OF DEPOSITORY PARTICIPANT-ACCOUNT OPERATIONS

LEARNING OBJECTIVES:

After studying this chapter, you should know about:

- The Basic Services Demat Account
- Internet Based Depository Services offered by the Depositories

5.1 Introduction to Basic Services Demat Account (BSDA)

With a view to achieve wider financial inclusion, encourage holding of demat accounts and to reduce the cost of maintaining securities in demat accounts for retail individual investors, depository participants (DPs) are required to make available a "Basic Services Demat Account" (BSDA) with limited services as per terms specified herein. In order to facilitate the eligible individuals to avail the benefits of BSDA, DPs are advised to convert all such eligible demat accounts into BSDA unless such Beneficial Owners (BOs) specifically opt to continue to avail the facility of a regular demat account.[26]

5.1-1 Eligibility Conditions for Opening BSDA[27]

Individuals shall be eligible to opt for BSDA subject to the following conditions:

[26] SEBI Circular Ref No. CIR/MRD/DP/20/2015 dated December 11, 2015.

[27] SEBI Circular Ref. No. SEBI/HO/MIRSD-PoD1/P/CIR/2024/91 dated June 28, 2024 which shall come into effect from September 1, 2024.

a. Demat accounts shall be under individual category and shall have only one demat account where the person should be the sole or first holder;

b. The individuals shall have only one BSDA in their name across all depositories;

c. Value of securities held in demat account shall not exceed Rs. 10 lakhs for debt and other than debt securities combined at any point of time;

d. Demat accounts shall be registered for SMART facility;

e. One demat account of first holder across depository where verified PAN of the first holder is available. This criteria has not been applied in case of PAN exempt entities.

Option to open BSDA: The DP shall give option:

a. To open BSDA to all eligible individuals who open a demat account after the date of applicability of SEBI circular CIR/MRD/DP/22/2012 dated August 27, 2012;

b. To all the eligible individuals to avail the benefits of BSDA, and convert all such eligible demat accounts into BSDA unless such Beneficial Owners (BOs) specifically opt to continue to avail the facility of a regular demat account.

5.1-2 Annual Maintenance Charges

a. The charge structure may be on a slab basis as indicated below:

Slabs	Charges
Value of Holdings in the Demat Account (debt as well as other than debt securities combined)	
Upto Rs. 4,00,000	No AMC
4,00,001 to 10,00,000	Maximum Rs. 100
More than 10,00,000	Not a BSDA. Regular AMC may be levied.

b. The value of holding shall be determined by the DPs on the basis of the daily closing price or NAV of the securities or units of mutual funds, as the case may be. Where such price is not available the last traded price may be taken into account and for unlisted securities other than units of mutual funds, face value may be taken in to account. For the purpose of valuation of holdings in an account, it is clarified that the value of suspended securities may not

be considered for the purpose of determining eligibility of demat account as BSDA.

c. If the value of holding in such BSDA exceeds the prescribed criteria at any date, the DPs may levy charges as applicable to regular accounts (non-BSDA) from that date onwards.

d. The DPs shall reassess the eligibility of the BOs at the end of every billing cycle and give option to the BOs who are eligible to opt for BSDA.

5.1-3 Services offered to Basic Services Demat Account Holders

a. *Transaction statements:*

   a. Transaction statements shall be sent to the BO at the end of each quarter. If there are no transactions in any quarter, no transaction statement may be sent for that quarter.

   b. If there are no transactions and no security balance in an account, then no further transaction statement needs to be provided.

   c. Transaction statement shall be required to be provided for the quarter in which the account became a zero balance account.

b. *Holding Statement:*

   a. One annual physical statement of holding shall be sent to the stated address of the BO in respect of accounts with no transaction and nil balance even after the account has remained in such a state for one year. The DP shall inform the BO that the despatch of physical statement may be discontinued if the account balance remains zero balance even after one year.

   b. One annual statement of holding shall be sent in respect of remaining accounts in physical or electronic form as opted for by the BO.

c. *Charges for statements:*

   Electronic statements shall be provided free of cost. In case of physical statements, the DP shall provide at least two statements free of cost during the billing cycle. Additional physical statement may be charged at a fee not exceeding Rs. 25 per statement.

d. SMS Alert facility:

All BOs opting for the facility of BSDA, shall register their mobile number for availing the SMS alert facility for debit transactions.

e. Delivery Instruction slip:

At least Two Delivery Instruction Slips (DIS) shall be issued at the time of account opening.

f. All other conditions as applicable to regular demat accounts, other than the ones mentioned above shall continue to apply to basic services demat account.

5.2 Operations of a Joint Account

A depository account may be opened and maintained in the names of more than one person. All the joint-holders have to sign the application form and acknowledge receipt of copy of the Rights and Obligations document. The supporting documents and photograph should also be provided for all joint holders. The account opening module presently provides only for (up to) three joint names.[28] Though the beneficial ownership of jointly held securities vests in all joint holders, communications about the joint depository account are provided only to the first holder. The dividend

[28] Separate set of rule has been prescribed for handling of cases of four or more joint holders:

(*a*) A separate account could be opened in the name of the joint holders with four or more names.

(*b*) No standing instructions to receive credits, receipt instructions, new issue applications and any other instruction which has the effect of crediting this account should be accepted in respect of such account.

(*c*) Appropriate annexure should be attached to the account opening form to include various details, *viz.*, name, address, signatures, etc. of more than three holders.

(*d*) An undertaking should be obtained from the client that he will not use this account for the purpose of allotments in the primary market or for purchases from the secondary market. Hence the client will give no instructions (other than for dematerialisation, bonus, rights and preferential offer) to any person which has the effect of crediting this account.

(*e*) While opening the account, the DP should capture the names of the four or more joint holders by numbering them in his system and entering the first holder's name in the first holder's field. The rest of the names have to be accommodated in the fields for second and third holder.

(*f*) The DP should process the dematerialisation request as per the usual procedure while ensuring that the pattern of holding for each certificate tallies with the pattern of holding of the account.

(*g*) After all shares have been dematerialised, the BO shall open a anew demat account in the name of three holders (max) and transfer all securities from the previous account to the new account. After all the balances in such a joint account become nil, the account should be closed.

(*h*) For holdings of a Trust in the joint names of four or more trustees, this procedure for opening the account can be adopted without any restrictions on receiving credits into that account.

and interest warrants, annual reports and notices for meetings are also issued to the first-named joint holder only.

In the event of the death of a joint holder, the balance lying in the account can be transmitted, on request of the surviving holders, to a new account to be opened by the surviving holders. The earlier account having the deceased holder's name is closed after such transmission. The chapter on Transmission gives the detailed procedure to give effect to this type of request.

In addition to the existing option of opening new account, the surviving account holders continue the existing account by deleting the name of deceased account holder(s) from the account, the surviving account holders shall make an application to the DP in the form specified for deletion of deceased account holder(s) alongwith a copy of death certificate duly attested by a Notary Public or by a Gazetted Officer. The DP shall verify the documents submitted and the signature of surviving Client(s). The DP after being fully satisfied on all aspects, shall then effect the deletion of name.

5.2-1 Opening of depository account in joint names with an individual and a body corporate

Section 187 of the Companies Act, 2013 requires companies to hold all investments made or held by it in any property, security or other asset in its own name. However, the proviso to sub-section (1) grants exemption to holding companies in case of holding shares of its subsidiary companies. The exemption allows holding companies to appoint nominees for itself to hold shares in the subsidiary/wholly-owned subsidiary companies in order to meet the statutory minimum limit of members in a company. Share certificates in such cases are usually issued in the name of registered holder (nominee), but the name of the holding company is also mentioned along with the name of the nominee.

DPs can facilitate opening of depository account of the nominee shareholders as follows:

1. An individual and body corporate can open a depository account in joint names. In case the first holder is an individual, the account needs to be opened in individual category whereas, if the first holder is a body corporate then the account type will be "Body Corporate". The KYC documents alongwith PAN of both these entities will have to be obtained by the DP. Further, Board

Resolution to open a joint depository account along with the list of persons authorised to open and operate the accounts is required for the corporate entity. DPs are requested to ensure compliance with the procedure mentioned in various circulars issued by NSDL/CDSL with regards to account opening and KYC norms of both individual and corporates, for the respective holders.

2. It may be mentioned that since a body corporate would be a joint holder, nomination facility cannot be availed in these cases.

Further, DPs may facilitate capturing the bank account of the joint holder in the demat account for such nominee holdings after obtaining an undertaking from the client in the enclosed format.

5.3 Internet Based Depository Operations of NSDL

5.3-1 Internet–Based Demat Account Statement (IDeAS)

IDeAS is the facility for viewing balances and transactions in the demat account updated on an online basis with a delay of maximum 30 minutes. This facility is available to the users of SPEED-e, clearing members who have subscribed to IDeAS and to those clients whose DPs are registered for IDeAS. A demat account holder or a clearing member will have the option to access IDeAS either as a Password or a Smart Card/e-Token User.

NSDL has launched a facility called IDeAS from January 1, 2004 for investors to view balances and transactions in demat accounts updated on an online but not real time basis. This facility is available to all the clients including Clearing Members (CMs) who have opened an account with any of the Participants under NSDL system.

IDeAS enables Clients (Beneficial owners) to view the latest balances and transactions that have taken place in the last five days, in their depository accounts. Clients now are able to view the transactions for a period of past 30 days. Clients can select the period upto 30 days from the current date, to view the transactions.

IDeAs facility has been further enhanced to display the values:

- In respect of mutual fund units *(security type code '20') (held by the Clients in their demat accounts)* based on the NAVs *(i.e., Net Asset Value)* including the date of NAV and in E-series ICINs (*Commodity Identifier*) of National Spot

Exchange Limited for the previous business date, held by Clients in their demat accounts.

- Further, Price/face value and indicative value will be displayed in respect of non-convertible debentures, bonds, ETFs, unlisted equity shares etc., held by Clients in their demat accounts.
- IDeAS facility has been further enhanced to display the price as of the previous date and value in respect of ISINs pertaining Sovereign Gold Bonds held by Clients in their demat accounts.

In addition to the above, Clearing Members (CMs) can view and download latest balances and transactions executed in their CM Pool accounts in respect of settlements for the current pay-in date, previous four and next four pay-in dates, through IDeAS facility.

5.3-2 SPEED-e

NSDL launched SPEED-e (pronounced as speedy) in September, 2001. Any DP of NSDL can subscribe to SPEED-e, the common infrastructure of NSDL. SPEED-e enables demat account holders (including Clearing Members) to submit delivery instructions directly on the Internet through SPEED-e website https://eservices.nsdl.com. SPEED-e is available only to those DPs who have subscribed to it and the Users sign an agreement with the DP.

A demat account holder will have the option of accessing SPEED-e either as a Password User or as a Smart Card/e-Token User. A Clearing Member must be a Smart Card/e-Token User to be able to access SPEED-e. Password Users can debit their demat accounts only in favour of specified Pre-Notified Clearing Member accounts (upto six), while Smart Card/e-Token User can submit instructions in favour of any number of accounts.

Further, as a smart card user, clients can also freeze or unfreeze their accounts by giving instructions through SPEED-e.

Some features have been added to enhance the facility of SPEED-e:

Facility for Participants to mark holiday(s) on SPEED-e: A facility of Holiday Master feature on ***SPEED-e*** facilitate Participants (subscribed for ***SPEED-e*** facility) to mark holiday(s) on ***SPEED-e***. After the Participant has marked holiday(s) on ***SPEED-e***,

Clients/Clearing Members (CMs) of the Participant shall not be allowed to submit/ authorize instructions on ***SPEED-e*** with execution date as the holiday date.

Facility to submit Inter -Depository Delivery Instructions on SPEED-e: ***SPEED-e*** facility has a feature of enabling investors/clearing members (CMs) to submit Inter Depository Delivery (IDD) instructions.

Facility to reset password, view & change email ID: Password Users of SPEED-e facility shall be given the ability to reset passwords themselves by keying-in few parameters on SPEED-e website.

Launch of redemption of mutual fund units through SPEED-e facility

SPEED-e facility for Beneficial Owner (*i.e.* password users and e-token users) also include the feature of enabling clients to redeem 'Mutual Fund Redemption Units' through ***SPEED-e*** facility. This facility enable both type of users *viz.*, password and e-Token users to give request to redeem the mutual fund units.

Further, the facility for on-boarding clients on SPEED-e has been simplified; wherein the agreement between Participant and client is no longer required.

5.3-3 Submission of Power of Attorney based Instructions for Clients Electronically (SPICE)

Clearing Members (Clients who have given Power of Attorney (POA) in favour of the Clearing Member) can submit auto pay-in instructions to DPs (where Clients maintain demat accounts) on SPEED-e facility to debit the demat accounts of the Clients and credit their Clearing Member (CM) Pool Accounts. Thus, eliminating the need to give paper based delivery instructions to the DPs.

5.3-4 NSDL/CDSL Mobile App

NSDL has developed a Mobile App for esteemed investors, where an investor can download and use the Mobile App to view balances in the demat account on the mobile anytime, anywhere. NSDL Mobile App is available on Google Playstore and Apple App Store and it is absolutely free for all demat account holders.

5.3-5 Submission of Instruction through Mobile Phone Login Easily (SIMPLE)

SIMPLE, a facility that enables the password based users of SPEED-e facility to submit Client to Clearing Member Pool Account transfer instructions, on SPEED-e website through their mobile phones (enabled with GPRS).

5.3-6 SMS Alert Facility for NSDL/CDSL demat account holders

NSDL/CDSL provides SMS alert facility for demat account holders whereby they can receive SMS alerts directly from NSDL/CDSL for following:

(1) All Debit Transfers
(2) Credits for IPO, sub-division and bonus
(3) Failed instructions
(4) Overdue instructions
(5) Change of mobile number
(6) Change of address
(7) Debit of Mutual Fund units
(8) Invocation of pledged securities
(9) Registration and De-registration of Power of Attorney
(10) Modification/Cancellation of nominee name
(11) Initiation/Confirmation of pledge instructions
(12) Mutual fund redemption request submission by client and acceptance/rejection of the same by RTA.
(13) Blocking/Debit of shares in demat account in respect of Tender Offer instruction (option available only with NDSL).

Charges

NSDL/CDSL does not levy any charges on the DPs for providing this facility to investors.

Registration

(*i*) This facility is available to the investors provided the investors have given their mobile numbers to their DPs and the DPs have captured the numbers

in the NSDL/CDSL System and have also enabled (ticked) the SMS flag in NSDL and/or CDSL system.

(*ii*) Those investors who have provided their mobile numbers to their DPs but do not wish to avail this facility shall inform their DPs to disable the SMS flag. However, such accounts should not be operated by Power of Attorney (PoA).

(*iii*) For change of address and registration & de-registration of Power of Attorney in NSDL System, SMS alerts shall be sent to Client's mobile phone (captured in NSDL System) irrespective of Client availing SMS Alert facility.

5.4 Internet Based Depository Operations of CDSL

CDSL offers its demat account holders with two internet based facility Electronic Access to Securities Information [easi] whereby beneficial owner can view their demat account holding, download the transaction statements and Electronic Access to Securities Information and Execution of Secured Transaction [easiest] which permits BOs/CMs to submit debit/credit transaction instructions to effect off-market, on-market, inter-depository and early pay-in of transactions, freeze/unfreeze and pledge, unpledged and confiscation.

Through the easiest facility, the BO can freeze their demat account at BO level, ISIN level as well as can initiate partial level freeze.

Further, the BO can pledge the securities as a pledgor, and Pledgee BO can accept the pledge as a pledgee if both the BOs are registered for CDSLs easiest facility. Further, the pledgee can execute the confiscation if the pledgor fails to fulfil the obligation. BO also has the facility to initiate the pledge for the purpose of Margin from their easiest login.

CM has the facility to accept the Margin pledge from its easiest login as a pledgee and the CM has the facility to re-pledge the securities to the CC as a pledgor.

A sole holder beneficial owner is not required to submit any registration forms to DP for authentication nor the trusted account declaration in case of easiest trusted account user.

In case of a beneficial owner holding a joint demat account, the beneficial owner is required to submit the duly signed registration form to the DP for authentication to his/her DP.

SMS Alert Facility is also provided for CDSL demat account holders who are registered for SMART, wherein various types of alerts are being sent to registered mobile number of demat account holder on the same day of transaction.

The sole holder BO can update the nomination details or opt out of nomination details in their demat account through CDSL's easi/easiest facility as well as from the website of CDSL.