

STOCK TRADING REQUIREMENTS:

Nowadays, practically all trades have to be settled in dematerialised form. Although the market regulator, the Securities and Exchange Board of India (SEBI), has allowed trades of up to 500 shares to be settled in physical form, nobody wants physical shares any more. So a demat account is a must for trading and investing. Non Resident Indian (NRI), Person of Indian Origin' (PIO) and Indian citizens can open a demat account, the procedure for opening a demat account is given below.

Opening an account:

Steps involved in opening a demat account:

First an investor has to approach a DP and fill up an account opening form. The account opening form must be supported by copies of any one of the approved documents to serve as proof of identity (POI) and proof of address (POA) as specified by SEBI. Besides, production of PAN card in original at the time of opening of account has been made mandatory effective from April 01, 2006.

All applicants should carry original documents for verification by an authorized official of the depository participant, under his signature.

Further, the investor has to sign an agreement with DP in a depository prescribed standard format, which details rights and duties of investor and DP. DP should provide the investor with a copy of the agreement and schedule of charges for their future reference. The DP will open the account in the system and give an account number, which is also called BO ID (Beneficiary Owner Identification number).

Rights

1. You can open more than one depository account in the same name with single DP/ multiple DPs.
2. No minimum balance is required to be maintained in a depository account.
3. You can give a one time standing instruction to your DP to receive all the credits coming to your depository account automatically.

Procedure

1. Fill account opening form (available with your DP).
2. Give your DP the duly filled account opening form with introduction documents as may be required.
3. Sign agreement with DP (agreement will state rights & obligations of both parties). The agreement will contain the fee structure of your DP. Your DP would give you a copy of this signed agreement for your record.
4. DP would give you Client Id no. (Account no.) once your depository account is opened. This Client Id no. along with your DP Id no. forms a unique combination. Both these nos. should be quoted in all your future correspondence with DP/NSDL / Issuing Company/their registrar & transfer (R&T) agent.
5. Your DP would give you pre-printed instruction slips for depository services viz., dematerialisation, delivery instruction for trades, etc. Preserve these carefully.
6. Your DP would give you a list of deadlines for giving instructions for various depository activities viz., transfer for effecting sale, purchase, etc. If not, check with the DP.

Points to Remember:

1. You may choose your DP based on your evaluation of their reputation, service standards, charges, other conveniences, etc.
2. Open depository account with the same holding pattern as there on existing physical securities. You will need to open separate accounts for every different combination of holding pattern. E.g.: If 100 securities of company ABC & 200 securities of company PQR are registered in the name of X as first holder & Y as second holder, one account in name of X as first holder & Y as second holder is sufficient. Whereas, if 100 securities of company ABC are registered in the name of X as first holder & Y as second holder & 200 securities of company PQR are registered in the name of Y as first holder & X as second holder, you will need to open two accounts, one in the name of X as first holder & Y as second holder and the second in the name of Y as first holder and X as second holder.
3. Account opening procedure should typically take 2-5 days.
4. In case of holdings of a partnership firm, the account should be opened in the name of the partner(s).
5. In case of holdings of a HUF, the account should be opened in the name of the Karta.
6. In case of a minor, the depository account should be opened in the name of the minor and the guardian's name should be mentioned. The guardian will sign as signatory on behalf of the minor. For selling the securities of the minor, a court order should be obtained.
7. In case of any difficulties, contact your DP.

Required Documents:

The extent of documentation required to open a demat account may vary according to your relationship with the institution. If you plan to open a demat account with a bank, a savings account holder has an edge over the non-account holder. In fact, banks usually offer additional incentives to customers who open a demat account with them. Along with the application form, your photographs (with co-applicants) and proof of identity/residence/date of birth have to be submitted. The DPs also ask for a DP-client agreement to be executed on non-judicial stamp paper. Here is a broad list (you won't need all of them though):

- PAN card
- Voter's ID
- Passport
- Ration card
- Driver's license
- Photo credit card
- Employee ID card
- Bank attestation
- IT returns
- Electricity/ Landline phone bill

While they only ask for photocopies of the documents, they will need the originals for verification. You will have to submit a passport size photograph on which you sign across.

No of accounts:

- If your shares are held in joint names, be sure to open the account in the same order of names. If X, Y and Z jointly hold 100 shares in a company and have three share certificates all listing X, Y and Z as the first, second and third holders respectively, one account will suffice.
- For different combinations of names, open separate accounts for each combination. If the three certificates are held as XYZ, YXZ and ZYX, three accounts are necessary.
- There is no limit to the number of accounts you can open.
- There is no limit to the number of DPs you can have accounts with.
- You can even open a multiple-sign demat account, which can be operated by multiple holders, like a joint savings bank account.
- You can open a demat account even before you acquire your first security.

Fees Involved:

NOW to the crux — the cost of opening and holding a demat account. There are four major charges usually levied on a demat account: Account opening fee, annual maintenance fee, custodian fee and transaction fee. All the charges vary from DP to DP.

Account-opening fee:

Depending on the DP, there may or may not be an opening account fee. Private banks, such as ICICI Bank, HDFC Bank and UTI Bank, do not have one. However, players such as Karvy Consultants and the State Bank of India do so. But most players levy this when you re-open a demat account, though the Stock Holding Corporation offers a lifetime account opening fee, which allows you to hold on to your demat account over a long period. This fee is refundable.

Annual maintenance fee:

This is also known as folio maintenance charges, and is generally levied in advance.

Custodian fee:

This fee is charged monthly and depends on the number of securities (international securities identification numbers — ISIN) held in the account. It generally ranges between Rs 0.5 to Rs 1 per ISIN per month. DPs will not charge custody fee for ISIN on which the companies have paid one-time custody charges to the depository.

Transaction fee:

The transaction fee is charged for crediting/debiting securities to and from the account on a monthly basis. While some DPs, such as SBI, charge a flat fee per transaction, HDFC Bank and ICICI Bank peg the fee to the transaction value, subject to a minimum amount. The fee also differs based on the kind of transaction (buying or selling). Some DPs charge only for debiting the securities while others charge for both. The DPs also charge if your instruction to buy/sell fails or is rejected. In addition, service tax is also charged by the DPs.

In addition to the other fees, the DP also charges a fee for converting the shares from the physical to the electronic form or vice-versa. This fee varies for both demat and remat requests. For demat, some DPs charge a flat fee per request in addition to the variable fee per certificate, while others charge only the variable fee.

For instance, Stock Holding Corporation charges Rs 25 as the request fee and Rs 3 per certificate as the variable fee. However, SBI charges only the variable fee, which is Rs 3 per certificate. Remat requests also have charges akin to that of demat. However, variable charges for remat are generally higher than demat. Some of the additional features (usually offered by banks) are:

- Some DPs offer a frequent trader account, where they charge frequent traders at lower rates than the standard charges.
- Demat account holders are generally required to pay the DP an advance fee for each account which will be adjusted against the various service charges. The account holder needs to raise the balance when it falls below a certain amount prescribed by the DP. However, if you also hold a savings account with the DP you can provide a debit authorisation to the DP for paying this charge.
- Finally, once you choose your DP, it will be prudent to keep all your accounts with that DP, so that tracking your capital gains liability is easier. This is because, for calculating capital gains tax, the period of holding will be determined by the DP and different DPs follow different methods. For instance, ICICI Bank uses the first in first out (FIFO) method to compute the period of holding. The proof of the cost of acquisition will be the contract note. The computation of capital gains is done account-wise.

Demat Account Requirements for NRI:

Account Opening Procedure:

NRI/PIO can open a demat account with any Depository Participant [DP] of NSDL. The NRI/PIO needs to mention the type ['NRI' as compared to 'Resident'] and the sub-type ['Repatriable' or 'Non-Repatriable'] in the account opening form collected from the DP.

Points to Remember:

- No permission is required from RBI to open a demat account. However, credits and debits from demat account may require general or specific permissions as the case may be, from designated authorised dealers.
- An NRI does not require special RBI permission for dematerialiation/rematerialisation of securities. Holding securities in demat only constitutes change in form and does not need any special permission. However, only those physical securities which already have the status as NR – Repatriable / NR- Non-Repatriable can be dematerialised in the corresponding Depository Accounts.
- As per section 6(5) of FEMA, NRI can continue to hold the securities which he/she had purchased as a resident Indian, even after he/she has become a non resident Indian, on a non-repatriable basis.
- In case a non-resident Indian becomes a resident in India, will he/she will be required to change the status of his/her holding from Non-Resident to Resident. It is the responsibility of the NRI to inform the change of status to the designated authorised dealer branch, through which the investor had made the investments in Portfolio Investment Scheme and the DP with whom he/she has opened the demat account. Subsequently, a new demat account in the resident status will have to be opened, securities should be transferred from the NRI demat account to resident account and then close the NRI demat account.
- NRI can purchase securities by subscribing to public issue. The issuing company is required to issue shares to NRI on the basis of specific or general permission from GoI/RBI. Therefore, individual NRI need not obtain any permission.

Document Required for Account Opening:

Mandatory for all the categories mentioned below: Bank Details with proof showing MICR Code is mandatory and for MICR Code the cheque leaflet should be collected which shows name of client printed on cheque. In case name is not appearing on cheque leaf then additional document like pass book/Bank Statement duly attested by bank with Banks Stamp and Authorized Signatories sign or a letter from Bank on Banks Letter Head showing Bank Account Number, Name of Account Holder(s), MICR Code should accompany the cheque Leaflet .

Address Proof – Any One of The Following – Required for all the holders

- Photocopy of Ration Card.
- Photocopy of Bank Pass Book/Statement not older then 6 Months, Banks stamp and bank officials sign on the statement and passbook first page is a must under any circumstances.
- Photocopy of Valid Driving License.
- Photocopy of Election ID Card
- Photocopy of Valid Passport.
- Photocopy of Telephone Bill not older than 2 months
- Photocopy of Electricity Bill not older than 2 months
- Photocopy of Leave & License Agreement(As Correspondence address) / Agreement of sale(Both Correspondence and Permanent Address)
- Letter from Employee on Company's Letter Head stating the Address and duly certified by Senior Official of the Company.
- Photocopy of Identity Card / Document with address, issued by:
 - Central / State Government and its Departments,
 - Statutory / Regulatory Authorities,
 - Public Sector Undertakings,
 - Scheduled Commercial Banks,
 - Public Financial Institutions,
 - College affiliated to universities; and
 - Professional Bodies such as ICAI, ICWAI, Bar Council etc., to their members.

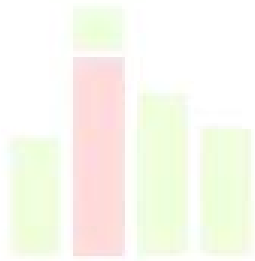
If the Correspondence Address and Permanent Address is different, provide proof for both addresses. In case Correspondence Address is not in name of 1st holder then Permanent Address is mandatory and should be in name of 1st Holder. In case of Lease Agreement or any Temporary Address in name of 1st holder then, Permanent Address in name of 1st holder is Mandatory.

Additional Documents for NRIs

- Photocopy of Passport
- Proof of Foreign address any one of above documents
- PINS(RBI Permission) is required for any NRI client
- Proof of Indian Address (If any) any one of above documents, in case of NRI without repatriation proof of Indian address has to be given.
- NRO / NRE bank account proof either statement (not older then 6 months) or Passbook. Same must be with Banks stamp and sign of bank official.

Investment Opportunities for NRI:

NRIs are permitted to make direct investments in shares/ debentures of Indian companies/ units of mutual fund. They are also permitted to make portfolio investments i.e. purchase of share / debentures of Indian Companies through stock exchange. These facilities are granted both on repatriation and non-repatriation basis.



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