

ICICI BANK CUSTOMER FIRST SERIES

A consumer education initiative

Demat Series I: Article 2 of 5

TIMES BUSINESS ASSOCIATE COMMUNICATION

You and Your Demat Account

There are times when we feel very compelled to act. Inertia seems like a crime. There is the IPO (initial public offer) everyone seems to be rushing to invest in. There is the market crash when we want to sell off those certificates in the locker. Then there are times when social conversations are tough to navigate, if we don't hold the equity share being hotly debated. During such times, there is one thing that tends to keep some of us ruefully out of action – the lack of a demat account. Perhaps information may enable action. Opening and operating a demat account is a series of simple steps.

Who Art Thou?

Regulations do not permit us to carry out financial transactions without identifying ourselves. We need to provide our photographs, proof of identity, PAN copy, and proof of residence to the depository participant (DP), with whom we open a demat account.

I Declare

We enter into an agreement, permitting the DP to get our transactions processed in the depository. This authorization is in an agreement we sign and is on a stamp paper.

Fees and Fine Print

These are times of competition. Some items such as the account-opening fee have become nil. Some others are new – such as fees for telephonic instructions and 24x7 transactions.

standing what we will pay is a must.

Transaction Slip

The demat account is used to buy, hold and sell securities in an electronic format. To buy, we provide the details of our account number and the ID of our DP to our seller or broker (or the issuing company in an IPO). To sell, we provide a debit instruction. This instruction can be given in a transaction slip (which is like a cheque book of our bank account – see image). Many DPs also enable electronic and telephonic debit instructions.

MARKET TRADES		OFF-MARKET TRADES	
CM-BP-Id	IN	DP-Id	IN
CM Name		DP Name	
Market Type		Client Id	
Settlement No.			
Sr. No.	ISIN	Security Name	Quantity (In Figures)
1.	IN		
2.	IN		
3.	IN		
4.	IN		
Total ISIN's to be delivered		Execution Date: / / 20	

There are now options to pay a fixed or variable fee, on the basis of volume of transactions. Reading and under-

Market

When we sell a security in the stock market, we need to ensure that we settle the transaction on time. Settlement means the buyer receives securities into his demat account, and the seller receives cash into his bank account. When we sell what we hold in the demat account, the debit instruction should be submitted well in time to our DP, who will execute the instruction. This has to be in line with the settlement cycle of the stock exchange.

Off-Market

If we need to transfer our securities to someone we know, under a bilateral arrangement, we give our DP a signed transaction slip to transfer the securities from our account to that of the buyer. If we are the buyer, the seller will initiate a debit transaction from his demat account, to our account. These are called off-market transactions. (See circled position of image.)

Account Statement

We receive a statement from our DP periodically showing what we hold in the demat account, what transactions have taken place, and the balance holdings in our account. We need to check the entries and be sure that we identify each of them. We can also register to receive transaction updates on e-mail or as SMS.

A demat account is quite simple one to



Share certificates instead of jewellery?! Doesn't he know about demat account?

GET SET KNOW

CONTEST

Question
To open a DP account, which of the following is/are compulsory?

Answer
A. A bank account with the DP
B. Your share certificates
C. Your PAN

To answer SMS DISHA A, B, or C to 53030 and win a 2N 3D Holiday*.
* Terms and conditions apply.
Visit www.dishafc.org for details and winners.

open and operate, once we recognise that it is so much like a bank account, holding securities, instead of cash.

Center for Investment Education and Learning

We welcome your questions, suggestions and feedback on this column. Please use the 'Email Us' link at www.icicibank.com or send as an SMS to 53030. Please include your full name, address and phone number. Your comments may be edited for clarity and space.

DID YOU KNOW?

Every share is denoted by a unique number called ISIN. To ensure error-free transactions, quote the correct ISIN in your demat debit instructions. The ISIN can be looked up in the websites of brokers, the stock exchange and DPs.

FAQs

Why are demat charges specified for 'sell' transactions only?

When we buy, we pay for the transaction, using our bank account. It is only when we sell that we use the demat account to settle the transaction by delivering the securities. Therefore demat account transactions are always initiated by the seller, in favour of the buyer.

What happens if we sell equity shares and do not give a debit instruction on our demat account?

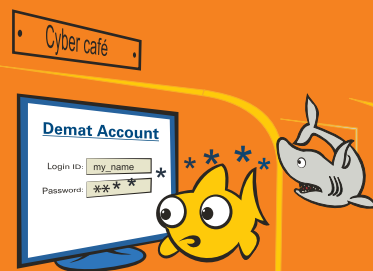
If we sell shares, the transaction can be settled only if we deliver the shares that we have sold. This means we have to give a debit instruction to our DP, asking for the shares to be transferred to the buyer. If we fail to do this, the securities will be auctioned. The clearing house will buy from the market and deliver to the buyer. We will pay the penalty for short delivery.

How are demat fees structured?

There is an annual fee that DPs tend to charge. Usually there is no account-opening fee, or fees for 'buy' transactions. 'Sell' transactions attract a fixed fee per transaction or variable fee as a percentage of the value of the transactions. We can choose a fee structure depending on how frequently we may transact on our account.

SMART BANKING

Protect your Demat Account



Never use unprotected PCs at cyber cafés to access your Demat Account.

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