

Dematerialization of Shares

SEBI vide notification no. SEBI/LAD-NRO/GN/2018/24, dated 08 June, 2018, has amended Regulation 40 of the SEBI (Listing Obligations and Disclosure Requirements), 2015. As per the said notification, companies have been prohibited from processing the requests for effecting transfer of shares held in physical form, with effect from 05 December, 2018. The only exception to this will be transmission or transposition of shares

The FAQs on the benefits of the dematerialization and the procedure of dematerialization is as under:

What is Demat and what are its benefits?

Dematerialization (or Demat) signifies the conversion of a share certificate from its present physical form to electronic form for the same number of holdings.

It offers scope for paperless trading through state-of-the-art technology, whereby share transactions and transfers are processed electronically without involving any share certificate or transfer form after the share certificates have been converted from physical to electronic form.

No stamp duty is payable on transfer of shares in demat form. Demat attempts to avoid the time consuming and complex process of getting shares transferred in the name of buyers and also aims to bypass inherent problems of bad deliveries, delay in processing / fraudulent interception in postal transit, etc.

Dematerialization of shares is optional and an investor can still hold shares in the physical form. However, the shares must be in demat form if the investor wishes to sell the same through the Stock Exchanges.

How does the Depository System operate?

The operations in the Depository System involve the Depositories, Depository Participants, Company/Registrars and Investors.

A Depository Participant ("DP") is the agent of the Depository and is the medium through which shares are held in the electronic form. They are also the representatives of the Investor, providing the link between the Investor and the Company/ STA through the Depository.

How can services of a depository be availed?

To avail the services of a depository one is required to open an account with any of the depository participant of National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL).

What are the benefits of availing depository services?

- A safe, convenient way to hold securities;
- Immediate transfer of securities;
- No stamp duty on transfer of securities from one demat account to another;
- Elimination of risks associated with physical certificates;

- Reduction in paperwork involved in transfer of securities;
- More liquidity for purchase / sale of securities;
- Change in address, bank mandate, etc. recorded with DP gets registered with all companies in one go in which the investor holds securities electronically thereby eliminating the need to correspond with each of them separately; Easy nomination facility;
- Smooth transmission of securities in case of any eventualities.

How do I convert physical shares to demat form?

- To dematerialise your holding, you need to have a demat account with any of the depository participant (DP) of National Securities Depository Limited (“NSDL”) or Central Depository Services Limited (“CDSL”). In case, you don’t have a demat account, you may first open a demat account with any of the DP of NSDL or CDSL.
- Thereafter, fill a Dematerialization Request Form (DRF) provided by the DP and surrender the physical share certificate in original intended to be dematerialized to the DP.
- Upon receipt of the share certificates and the DRF, the DP will generate an electronic request through the Depository system and forward the physical documents to the Registrar and Share Transfer Agent of the Company viz M/s Karvy Fintech Private Limited dematerialization of shares.
- Once the request is approved, the share certificates in the physical form will be destroyed and a confirmation of dematerialization will be sent to the Depository and in turn the Depository will then confirm the dematerialization of shares to the DP. Once this is done, a credit in the holding of shares will reflect in the investor's account electronically.
- This cycle takes about 15 to 21 days after the submission of dematerialization request.