

Depositories in India-Introduction

A depository should be a company formed under the Company Act, 1956 and should have been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992. Presently, there are two depositories registered with SEBI, namely: National Securities Depository Limited (NSDL), and Central Depository Service Limited (CDSL)

The depositories can provide their services to investors through their agents called depository participants. These agents are appointed subject to the conditions prescribed under Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and other applicable conditions

- Depository system in India was initiated by the Stock Holding Corporation of India Limited (SHCIL) in July 1992. The government constituted a technical group under the chairmanship of R.Chandrasekaran ,Managing Director , (SHCIL) which submitted the report in 1993.
- At present there are two depositories in India, National Securities Depository Limited (NSDL) and Central Depository Services (CDS). NSDL is the first Indian depository; it was inaugurated in November 1996. NSDL was set up with an initial capital of US\$28mn, promoted by Industrial Development Bank of India (IDBI), Unit Trust of India (UTI) and National Stock Exchange of India Ltd. (NSE). Later, State Bank of India (SBI) also became a shareholder. The other depository is Central Depository Services (CDS). It is still in the process of linking with the stock exchanges. It has registered around 20 DPs and has signed up with 40 companies. It had received a certificate of commencement of business from SEBI on February 8, 1999. These depositories have appointed different Depository Participants (DP) for them. An investor can open an account with any of the depositories5 DP.

I. National Securities Depository Limited (NSDL)

- The enactment of Depositories Act in August 1996 paved the way for establishment of NSDL, the first depository in India. This depository promoted by institutions of national stature responsible for economic development of the country has since established a national infrastructure of international standards that handles most of the securities held and settled in dematerialised form in the Indian capital market.

Promoters /Shareholders:

- NSDL is promoted by Industrial Development Bank of India Limited (IDBI) - the largest development bank of India, Unit Trust of India (UTI) - the largest mutual fund in India and National Stock Exchange of India Limited (NSE) - the largest stock exchange in India. Some of the prominent banks in the country have taken a stake in NSDL.
- Management of NSDL is a public limited company managed by a professional Board of Directors. The day-to-day operations are conducted by the Managing Director. To

assist the MD in his functions, the Board appoints an Executive Committee (EC) of not more than 15 members.

Services

- **Core Services**
 - i. Maintenance of individual investors 'beneficial holdings in an electronic form.
 - ii Trade settlement
- **Special services**
 - Dematerialisation and rematerialisation of securities.
 - Account transfer for settlement of trades in electronic shares.
 - Facility of freezing/locking of investor accounts.
 - Facility of pledge and hypothecation of securities.
 - Internet based services such as SPEED-e and IDeAS.
 - Demat of National Savings Certificates (NSC)/ Kisan Vikas Patra (KVP)

II. Central Depositories Services (India) Limited (CDSL)

- CDSL received the certificate of commencement of business from SEBI in February, 1999.
- CDSL is the second depository of India which commenced operations on March 22 , 1999.
- Number of Depository Participants as on 28-02-2021 are 592.

Promoters

- Bombay Stock Exchange

Co-sponsored by :

- i. The State Bank of India
- ii. Bank of India
- iii. Bank of Baroda
- iv. HDFC Bank
- v. Standard Chartered Bank
- vi. Union Bank of India
- vii. Centurion Bank

Services

- i. “easi” (electronic access to securities information), an internet based facility, allows BOs to monitor their CDSL Demat account at a place and time of their choosing.
- ii. “easiest” (electronic access to securities information & execution of secure transactions), an internet based facility, allows BOs to submit debit instructions through the internet, thus obviating the need of visiting their DP offices to submit instruction slips.
- iii. SMS alert facility SMART(SMS Alerts Related to Transactions) enables BOs registered for this facility to receive SMS alerts in case of any debits or credits related to corporate actions or any change in demographic details in their accounts.
- iv. “e-Voting” is an internet based system through which shareholders can login and register their votes on company resolutions. The system processes and records votes automatically, which facilitates faster processing of voting results.
- v. M-Voting is a mobile application for e-Voting. The mobile app can be downloaded by shareholders on their android and iOS based mobile devices.