

# Frequently Asked Questions (FAQ)

## FAQ ON DEMATERIALISATION OF SHARES

Trading in the shares of the Company is compulsory in dematerialized form for all investors. The Company has, therefore, enlisted its shares with both the depositories, viz, NSDL and CDSL. This means that you now have the option to hold and trade in the shares of the Company in electronic form. While most of you may be familiar with how a Depository functions, given below is a brief outline, in question and answer format, which we hope will be useful to you.

### What is Dematerialisation?

Dematerialisation ("Demat" in short form) signifies conversion of a share certificate from its physical form to electronic form for the same number of holding which is credited to your demat account which you open with a Depository Participant (DP).

Dematerialisation is a process by which the physical share certificates of an investor are taken back by the Company and an equivalent number of securities are credited in electronic form at the request of the investor. An investor will have to first open an account with a Depository Participant and then request for the dematerialisation of his share certificates through the Depository Participant so that the dematerialised holdings can be credited into that account. This is very similar to opening a Bank Account.

Dematerialisation of shares is optional and an investor can still hold shares in physical form. However, he / she has to demat the shares if he / she wishes to sell the same through the Stock Exchanges. Similarly, if an investor purchases shares, he / she will get delivery of the shares in demat form.

### What is a Depository?

A Depository (NSDL & CDSL) is an organisation like a Central Bank where the securities of a shareholder are held in the electronic form at the request of the shareholder through the medium of a Depository Participant.

If an investor wants to utilise the services offered by a Depository, the investor has to open an account with the Depository through a Depository Participant.

### **So is a depository just another form of a custodial service, the only difference being that the securities are held in an electronic form?**

No, the two are different. The Depository can legally transfer beneficial ownership which a custodian cannot. The main objective of a Depository is to minimize the paper work involved with the ownership, trading and transfer of securities.

### Who is a Depository Participant?

Similar to the brokers who trade on your behalf in and outside the Stock Exchange; a Depository Participant (DP) is your representative (agent) in the depository system providing the link between the Company and you through the Depository. Your Depository Participant will maintain your securities

account balances and intimate to you the status of your holding from time to time. According to SEBI guidelines, Financial Institutions like banks, custodians, stockbrokers etc. can become participants in the depository. A DP is one with whom you need to open an account to deal in electronic form. While the Depository can be compared to a Bank, DP is like a branch of your bank with whom you can have an account.

How does the Depository System operate?

The Depository System functions very much like the banking system. A bank holds funds in accounts whereas a Depository holds securities in accounts for its clients. A Bank transfers funds between accounts whereas a Depository transfers securities between accounts. In both systems, the transfer of funds or securities happens without the actual handling of funds or securities. Both the Banks and the Depository are accountable for the safe keeping of funds and securities respectively.

## **What are the benefits of having a demat account?**

- a) Trading in the shares of the Company is now under the compulsory demat segment. With SEBI making demat mandatory on most of the traded scrips, electronic transaction will be the only way everyone will trade.
- b) No stamp duty for transfer of securities in the electronic form. In case of transfer of physical shares, stamp duty of 0.5 percent is payable on the market value of shares being transferred.
- c) All risks associated with physical certificates such as delays, loss, in transit, theft, mutilation, bad deliveries, etc. eliminated. Your shares can be kept in the "Frozen Mode" by your Depository Participant under your specific instructions.
- d) The concept of an "odd lot" in respect of dematerialized shares stands abolished, i.e. in the demat mode, market lot becomes one share.
- e) Dematerialised securities are most preferred by banks and other financiers for providing credit facility against securities. Generally, demat securities attract lower margin and lower rates of interest compared to physical securities.
- f) Even in the electronic mode of trading, the payment mechanism (usually through a broker) between the buyer and seller continues to be as before. Also the usual brokerage charges would have to be incurred. However, after the settlement, pay in and pay out are on the same day for scripless trading which means you get your securities as well as cash immediately.
- g) Shares bought or sold are transferred in your name on the very next day of pay out. In case of physical shares, transfer of ownership takes 30 days or sometimes even more.
- h) No courier / postal charges for sending share certificates / transfer deeds.
- i) Facility for freezing / locking of investor accounts, which enables you to make your account non-operational, for instance if you are abroad.
- j) Facility to pledge and hypothecate your securities available.
- k) As the Depository System becomes popular, brokers will be increasingly reluctant to deal with physical shares.
- l) Investors prefer to buy shares which are already in dematerialised form.

## **Why should investors prefer to buy shares in the depository mode?**

When you buy shares already in the depository mode, you will become the owner of those shares in the depository within a day of the settlement being completed. You will not have to apply to the Company for registering the shares in your name. Thus, there will be no possibility of loss or theft when the share certificates are posted to the Company. You will have no fear that any fake or stolen shares may have been delivered to you.

### **Why should brokers become reluctant to deal with physical shares?**

Apart from the risk arising out of having to deal with the paper work and keeping account of the share certificates, the brokers are exposed to the risk of bad deliveries in the present system. It may take upto one year for the broker to discover that such a risk exists. As against this in the depository mode the broker will be free from the worries of bad deliveries. The broker's only risk will be that the investor does not own the shares which the investor has sold. But this will be known within the settlement period (10-15 days). The broker will thus prefer to sell securities that are in the depository mode.

## **FAQ ON DEMATERIALISATION OF SHARES**

### **How do you demat your shares?**

The process of opening an account with a Depository Participant is similar to the opening of a bank account. First, you will have to open an account with a Depository Participant (DP) of your choice by filling up an Account Opening Form and signing a "Participant-Client Agreement". You will be then given a unique client ID number, which must be quoted in all correspondence with the DP.

Thereafter, you will have to fill up and submit a Dematerialisation Request Form (DRF) provided by the DP duly signed by all the holders and surrender the physical shares intended to be dematted to the DP. The DP upon receipt of the shares and the DRF, will issue you an acknowledgement and will send an electronic request to the Company/ Registrars and Transfer Agents of the Company through the Depository for confirmation of demat. The DP will simultaneously surrender the DRF and the shares to the Company / Registrars and Transfer Agents of the Company with a covering letter requesting the Company to confirm demat. The Registrars and Transfer Agents of the Company, after necessary verification of the documents received from the DP, will cancel the physical shares and confirm demat to the Depository. This confirmation will be passed on by the Depository to the DP which holds your account. After receiving this confirmation from the Depository, the DP will credit your account with the number of shares dematerialized. The DP will hold the shares in the dematerialized form thereafter on your behalf. And you will become the beneficial owner of these dematerialized shares. **DO NOT SEND THE SHARE CERTIFICATES / DOCUMENTS FOR DEMATERIALISATION TO THE COMPANY OR ITS REGISTRARS AND TRANSFER AGENTS.**

When you submit the shares for dematerialisation, your DP will deface the share certificates with the stamp "SURRENDERED FOR DEMATERIALISATION". This ensures that your shares are not lost in transit or misused till credit is received by you in your demat account.

### **What are the charges to be paid for opening an account and to demat one's physical shares? Will there be any charges for each transaction?**

Each DP can levy charges by way of account opening fees, transaction fees, custody fees and so on. The charges differ from Depository Participant to Depository Participant and therefore you will have to contact your DP for the same.

### **I have purchased some shares in paper form. Can I directly give the share certificates to my Depository Participant for dematting them in my favour?**

Prior to dematting your shares, they have to be registered in your favour. Hence, you have to necessarily lodge the share certificates with a duly executed transfer deed with the Registrars and Transfer Agents of the Company. Once the share transfer is processed, an option letter for dematting your shares will be sent to you. You can then give us your Demat Account No. with the Demat Request form for the dematting process through your DP and the shares will be directly credited to your Demat Account.

### **Is it a fact that Bank of India shares are to be traded compulsorily in Demat Form? Do I have the option of holding them in physical form?**

Yes. The shares of the Bank are to be compulsorily traded in demat form. However you can still buy shares in physical form upto 500 (through odd lot window facilities provided by Stock Exchanges) and send the same for transfer to the Registrars and Transfer Agents of the Company. You may indicate your desire to return the shares in physical form, while lodging the same for transfer. After the transfer is registered in your favour, the share certificates will be returned to you in physical form.

### **How do I get my dividends on dematted shares? Will I get the Annual Report after I demat my shares and would I be able to attend the AGM?**

The Depositories will give the list of demat account holders and the number of shares held by them in electronic form on the Record date to the Registrars and Transfer Agents of the Company (known as Benpos). On the basis of Benpos, the Company will issue dividend warrants in favour of the demat account holders.

The rights of the shareholders holding shares in demat form are at par with the holders in physical form. Hence you will be eligible to get the Annual Report and will have the right to attend the AGM as a shareholder.

### **What are the chances of any fraud/disputes in using a demat account? Whom should I approach in such cases?**

Common risk factors applicable to trading in physical shares like mismatch in signatures, loss in postal transit, etc., are absent since the dematted shares are traded scripless.

However, in the unlikely event of any other dispute, the concerned Stock Exchange and/or Depository Custodian viz. NSDL/CDSL or SEBI would have to be approached for resolving such issues.

## **FAQ ON DEMATERIALISATION OF SHARES**

## **Can I pledge my shares in demat form for the purpose of availing any funding/loan arrangement with my bankers?**

Yes. You will have to contact your DP for this.

## **Can your dematted shares be converted back into physical shares?**

Yes, definitely. If you wish to get your securities in the physical form all you have to do is to submit a Rematerialisation Request Form (RRF) through your DP in the same manner as Dematerialisation. Your Depository Participant will forward your request to the Depository after verifying that you have the necessary securities in balance. The Depository in turn will intimate the Registrar and Transfer Agents of the Company who will print and despatch to you the share certificates for the number of shares so rematerialised and your account will be debited by the Depository and credited with the Company.

## **Will you get back the same certificates after rematerialisation?**

It does not really matter at all. The Registrars and Transfer Agents will print new certificates with a new range of certificate numbers. You will be allotted a new folio number; however if you already have an existing folio number you may be allotted the same.

How will I know that my Depository Participant has updated my account after each transaction?

Here again just like a Bank, the Depository Participant will give you a Pass Book or a Statement of Holdings. The Statement of Holdings will be despatched to you periodically by the Depository Participant; however the Statement of Holdings can be sent to you as and when requested for a fee.

## **What if there are any discrepancies in the share holding statement or the pass book entries?**

In case of any discrepancy in the Statement of Holdings, you can contact your Depository Participant. If the discrepancy cannot be solved at the Depository Participants level, you should approach the Depository concerned for clarification.

## **What happens if you lose your share holding statement or depository pass book?**

Inform your Depository Participant and obtain a duplicate share holding statement or depository pass-book. Your holding statement or pass-book cannot be used by anybody else for trading in your account.

## **What are the chances of any fraud/disputes in using a demat account? Whom should I approach in such cases?**

## **Are you restricted to having accounts with only one depository participant?**

There are absolutely no restrictions on the number of DPs you can open accounts with. Opening an account with a DP is very similar to opening a bank account. Just as you can have savings or current accounts with more than one bank, you can open accounts with more than one Depository Participant. However, you would need to open accounts in the same sequence of names in which the shares are held

by you. For example, if you hold some shares jointly in the names A, B, C and some shares also in the names A, C, B, you would need to open 2 DP accounts.

## **FAQ ON DEMATERIALISATION OF SHARES**

### **Do you have to keep any minimum balance of securities in your account?**

No, the Depository has not prescribed any minimum balance. In fact, you can have zero balance in your account. However, the DPs may fix some minimum limits.

### **What security do you have if the only proof of your holdings in your depository is merely a piece of paper indicating your account balance?**

When you open an account with a DP, you sign an agreement with the Depository Participant, in which the DP indemnifies you for any misuse of your holdings. The Depository will also ensure that the interests of the investors are protected, so that your grievances, if any, against your DP will be resolved by the Depository.

### **Are there any additional security features which depository participants will offer you to protect your account?**

Yes, every transaction in your account will be authorised by you. You can authorise any transaction either by affixing your signature or by using any smart card similar to the use of an ATM or a credit card. Your Depository Participant will advertise its facilities and you should go through them carefully. There is a facility by which you can lock your account so that the Depository Participant will not be able to carry out any transactions in your absence without your authorisation.

### **Is it possible for you to get the securities allotted to you in public offerings credited to your account directly in electronic form?**

Definitely. In fact, in the public issue application form itself there will be a provision for you to indicate the manner in which you want the securities allotted to you. All you have to do is to mention your client account number and the name of the DP and any allotment due to you will be credited into that account.

### **Who will give you the benefits arising out of your holdings, say bonus rights or dividend?**

When any corporate event such as rights or bonus or dividend is announced for a particular security, the Depositories will give all the details of the clients having electronic holdings of that security as of record date / book closure to the Registrars and Transfer Agents of the Company who will then calculate the corporate benefits due to all the share holders. The disbursement of cash benefits such as dividend / interest will be done by the Company whereas the distribution of securities / entitlements will be done by the Depositories based on the information provided by the Registrars and Transfer Agents of the Company. Thus, bonus / rights shares, if any, will be credited to your account electronically.

## **Do you have an option as to the manner in which you wish to receive your corporate benefits?**

Well, in case of those corporate events where you can exercise your option such as rights issue or optional conversion of debentures to shares, you do have a choice of either physical or electronic mode of holdings. However, corporate entitlements such as bonus will be made in the same form as of your original holdings.

## **In case of discrepancies in corporate benefits, whom do you contact?**

You can approach your DP who in turn will contact the Registrars and Transfer Agents of the Company for clarifications regarding allotment of securities. In case of discrepancies in cash benefits you will have to contact the Registrars and Transfer Agents of the Company.

## **Who can I approach for further information or clarifications in the matter?**

Your share broker can be of assistance to you. Our Registrars and Transfer Agents, M/s. Sharepro Services, will also be happy to provide any clarifications.