

## **Dematerialization**

Dematerialization offers flexibility along with security and convenience. Holding share certificates in physical format carried risks like certificate forgeries, loss of important share certificates, and consequent delays in certificate transfers. Dematerialization eliminates these hassles by allowing customers to convert their physical certificates into electronic format. Shares in the electronic format are held in a Demat account.

The Stock Exchanges viz. Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) has recently, issued a Circular dated July 05, 2018 and July 09, 2018 respectively to all listed Companies, informing about amendment to Regulation 40 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 vide Gazette notification dated June 8, 2018 has mandated that transfer of securities would be carried out in dematerialized form only.

A copy of circulars is attached as Annexure 1 and Annexure 2.

**All Listed Companies and their Registrars and Transfer Agents (RTAs) are hereby advised that, with effect from December 5, 2018, it should be ensured that shares which are lodged for transfer shall be in dematerialized form only.**

### **Process of dematerialization**

- Dematerialization starts with opening a Demat account. For demat account opening, you need to shortlist a Depository Participant (DP) that offers Demat services.
- To convert the physical shares into electronic/ demat form, A Dematerialization Request Form (DRF), which is available with the Depository Participant (DP), has to be filled in and deposited along with share certificates. On each share certificate, 'Surrendered for Dematerialization' needs to be mentioned by DP.
- The DP needs to process this request and send along with the share certificates to Company's registrars and transfer agents at their address at M/s. Ankit Consultancy Pvt Ltd, 60 Electronic Complex Pardeshipura Indore (M.P.) 452001, Phone No. 0731- 2551745/46 through the depository.
- 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.
- 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 generally takes about 21 days after the submission of dematerialization request, provided all documents submitted are in order.
- Dematerialization is possible only with a Demat account.

### **Benefits of dematerialization**

- It allows you to conveniently manage your shares and transactions from anywhere
- Stamp duty is not levied on your electronic securities
- When you open a demat account, it provides paperless transactions of securities.
- Nominal holding charges are levied.

## **The depository system**

A depository is responsible for holding the securities of a shareholder in the electronic form. These securities could be in the form of bonds, government securities and mutual fund units, which are held by a registered Depository Participant (DP)

Currently, there are two depositories registered with SEBI. They are:

- National Securities Depository Limited (NSDL)
- Central Depository Services (India) Limited (CDSL)

A DP is the agent of the depository providing depository services to traders and investors.

LIST/COMP/15/2018-19

July 05, 2018

To  
All the Listed Companies,  
Dear Sir / Madam,

Subject: **Amendment to Regulation 40 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with respect to mandatory dematerialization for transfer of securities**

The amendment to Regulation 40 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 vide Gazette notification dated June 8, 2018 has mandated that transfer of securities would be carried out in dematerialized form only.

**Accordingly, Listed Companies and their Registrars and Transfer Agents (RTAs) are hereby advised that, with effect from December 5, 2018, it should be ensured that shares which are lodged for transfer shall be in dematerialized form only.**

In order to implement the aforementioned Amendment in the Regulation and as advised by SEBI, all the Listed Companies are hereby directed to carry out the following actions:

- 1) To take special efforts through their RTAs to send letter under Registered/Speed post to the holders of physical certificates appraising them about the amendment and sensitise them about the impact of the regulation on the transfer of shares held by them in physical form w.e.f December 5, 2018.
- 2) RTAs may also be advised to send two reminders, preferably at a gap of 30 days, to such shareholders who continue to hold their shares in physical form, advising them to get the same dematerialized
- 3) Listed Companies shall prominently place information on their website intimating the investors about the proposed change and provide appropriate guidance on how to dematerialize their shares.
- 4) Listed companies should ensure that the signature cards of all the holders of physical securities are handed over to its RTA at the earliest.

All listed companies are requested to take note of above and comply accordingly. Companies may also report compliance with these requirements by end September 2018 to the Exchange, in a specified format that will be sent out shortly.

Abhijit Pai  
Dy. Gen. Manager  
Listing Compliance

Shyam Bhagirath  
Associate Manager  
Listing Compliance

Ref No: NSE/CML/2018/26

July 09, 2018

The Company Secretary  
All Listed Companies

Dear Madam/Sir,

**Subject: Amendment to Regulation 40 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with respect to mandatory dematerialization for transfer of securities**

This has reference to Gazette notification issued by SEBI on June 8, 2018 notifying SEBI (LODR) 4th amendment Regulation, 2018, regarding mandatory dematerialization for transfer of securities. A Copy of Notification is attached for your perusal.

Pursuant to the aforesaid amendment to SEBI (LODR) Regulation, 2015 Listed Companies and their Registrars and Transfer Agents (RTAs) are advised to ensure that shares which are lodged for transfer are mandatorily in dematerialized form with effect from December 05, 2018.

As Advised by SEBI, you are required to put in place a mechanism including but not limited to the following in order to spread awareness about the proposed change:

1. To take special efforts through their RTAs to send letter under Registered/Speed post to the holders of physical certificates appraising them about the amendment and sensitise them about the impact of the regulation on the transfer of shares held by them in physical form w.e.f December 5, 2018.
2. RTAs may also be advised to send two reminders, preferably at a gap of 30 days, to such shareholders who continue to hold their shares in physical form, advising them to get the same dematerialized
3. Listed Companies shall prominently place information on their website intimating the investors about the proposed change and provide appropriate guidance on how to dematerialize their shares.
4. Listed companies should ensure that the signature cards of all the holders of physical securities are handed over to its RTA at the earliest.

You are requested to take necessary actions as mentioned above.

Yours faithfully,  
For National Stock Exchange of India Limited

Kautuk Upadhyay  
Chief Manager