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"Depository Participant of Depository Limited in India"

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A Depository Participant (DP) is described as an Agent or registered stockbroker of depository of depository in India. DP's are the intermediaries between the depositories and the investors. A depository is an institutions or organization which hold securities like shares, debentures, Government securities, bonds, matual fund unit, derivatives, F & O and commodities in an electronic form of an investor through the depository participant. A person cannot contract directly to the depository. So a depository participants (DP) acts as link among the share issuer companies and its share holders and depository. The person can open and maintain demat account through DP. Under Depositories Act 1996. DP's and depository made a agreement which governed their relationship. A Depository participant should be registered as such with Securities and Exchange Board of India (SEBI) under the subsection 1A of Section 12 of the SEBI act, 1992. According the provisions of this Act, a DP can offer depository related services only after obtaining a certificate of the registration from SEBI. The intermediaries (DP) perform their actions in variety of securities at depository on behalf of their clients. There are two sorts of depositories in India. One is the National Securities Depository Limited and other is the Central Depository Service (India) Limited. Thus, A D P may be operates under any one of two depository.

NSDL is promoted by National Stock Exchange (NSE) and CDSL is promoted by Bombay Stock Exchange (BSE). Where DP's registered under the NSDL those help the investors to avail the services provided by NSDL. The investors who want benefit of trading account maintenance dematerialization, dematerialization of securities at NSDL platform should be open depository account with Depository participant. While DP who registered under CDSL help the investers to avail the services provided by CDSL. The investors can obtain the balances in their accounts recorded and maintained by CDSL through th DP. The DP's provide the investor with a statement of their account at interval which gives details regularly of their transactions and securities which held by them. An investor who is new to the stock market that needs to oppoach a depository participant to open a demat account. A DP also help to investor shares sell and purchase and operate his debits or credits the demat

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account as per requirement. DP also provide pledge and unpledged of shares, corporate action handling service.

As per the Depositories Act, 1996 and SEBI (Depositories & Participants) Regulations, 1996 only the following are the categories that are eligible to become a Depository Participant of Depository Limited in India :-

1- A public financial institution which defined under Companies Act, 1951
2- Bank including foreign bank opprived by R.B.I.
3- A State financial Corporation set up under the state financial corporation Act, 1951 (630/1951)
4- An institution engaged in providing financial services promoted by above mentoned jointly and severally.
5- Custodian of Securities who is granted Certificate of Registration under the SEBI Act, 1992.
6- A clearing Corporation or a clearing house of the stock exchange.
7- Stock Broker who is granted certificate of Registration under the SEBI Act, 1992.
8- Non-Banking Financial Company having a net worth of not less than Rs fifty Lakhs can act as a participant only on behalf of itself and if it has a networth of Rs fifty Crores then act on behalf of others.
9- A registrar to an issue or share transfer agent who has a minimum net worth of rupees ten crores and who has been tranted a certificate of registration the SEBI.

The NSDL and CDSL have also added certain other eligibility criteria in above criteria to be registered as DP under them. The NSDL and CDSL have set their own eligibility criteria in their Bye. Laws as per SEBI (Depositories and Participants) Regulations. 1996.

(1) A Stock broker required to minimum net worth Rupees two crores to become DP under CDSL and Rs 3 crores net worth to be registered under NSDL.

(2) A Stock broker having net worth one crore may be admitted as CDSL, DP under category 'Limited Depository Participant' subject to the condition that they will increased theire net worth to Rs 2 crore. In case NSDL, stock broker who have networth minimum one crore can become a limited participant with restriction of business and/or for limited period as decided by depository.

(3) The applicant for DP under NSDL should not be barred, expelled or suspended by SEBI or any stock exchange.

The applicant shall be required to furnish information and details of his business history. The membership committee of related depository shall be considered about

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application for as Depository Participant. Who is fulfill above eligibility criteria can follows the following procedure for registration of a DP under CDSL:-

- An applicant should submit an application in Form E who want to be registered under CDSL along with following enloser.
- List of directors and shareholding of intending DP at least three years.
- Profile of the intending DP in brief and its history and activities alongwith biodata of directors.
- Entitles list in which the director/promoter of the DP is also director/promoter.
- Shareholding pattern and list of director of all group companies/holding or subsidiaries and activities carried out by them.
- Memorandum and Articles of Association duly nota rised copy which highlighting the object clouse of MOA must permit the company to carry out DP activities.
- A net worth certificate as per CDSL's prescribed format and should be submitted on the letter head on the applicant's statutory auditors. The minimum net worth should be as DP for stock broker is two crore admitted as limited Depository and should be submit a undertaking that they will increase the net worth at least Two crore.
- Annual Reports true certified copies of last 3 years and las year's balance sheet and P/L statement applicant's statutory Auditors.
- An organization structure giving details of personnel to be involved in DP related functions.
- Experience and background of key personnel who will handle DP functions.
- Certified copy of Board Resolution for joining as DP at CDSL, and in case of clearing members a conduct certificate from each stock exchange should be submitted in original.
- SEBI initial application fees Rs 15000 and CDSL application processing charges Rs 30,000 (with tax as applicable) should be pay as a Draft in favoring CDSL.

2. CDSL will securities the application and will call for further documentation/information if CDSL requested then applicant should be furnished within 7 days to CDSL.

3. The applicant should purchase the computer hardware an a establish connectivity with CDSL. The hardware should be installed at a secure place in the DP's office. DP should have atleast Two trained staff of which one should be essentially NISM certified or must have attend DP five days training conducted by CDSL.

4. CDSL will be forwarded the complete application to SEBI for approval after on receipt of confirmation of installation of hardware and connectivity.

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5. After receipt approval from SEBI, the applicant should forward the payment towards SEBI registration and annual fees and interest free deposit on advise of CDSL.
6. After receipt payment, SEBI will grant the certificate of Registration to the intending DP. CDSL will then enter into an agreement with the applicant on receipt of payment of various charges.
7. The DP should forward to CDSL the master creation completed form.
8. The DP should provide name of the persons at its office who shall interact with CDSL for system and operations related matters.
9. CDSL will generate a unique DP-ID number for creating the DP account.
10. The DP to keep SEBI registration in force, shall pay the SEBi registration fees of Rs 2,00,000/- without GST for every five years from the sixth year of the date of grant of ertificate of registration along with The required documents and CDSL processing fees of Rs 20,000/- (Plus 18% GST as applicable). The fees and documents should be submitted to CDSL three months prior to the expiry of the block for which the SEBI registration fees has bee paid.

An applicant who is eligible for Depository Participant as per provision of the Depositories Act, 1996 and SEBI (Depositories & Participants) Regulations, 1996 and want to become a DP under NSDL should follows the following procedure for Registration :-

1. The applicant should submit an application in form E along with below mentioned documents.
   - The applicant to become a Participant and networth certificate by Board Resolution.
   - Information about the applicant in Form A and other information which is require by SEBI.
   - The status report issued by stock exchange or CDSL when applicant and subsidiaries of the applicant are registered as member of a stock exchange or CDSL as a participant.
   - Background and details business history and experience of promoters and directors, core business areas and track record in the prescribed format of applicant.
   - Payment of application fee and entry fee.

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2. The complete along with document will be placed before the concerned committee of NSDL upon approval the applicant will be required to procure necessary infrastructure/hardware likes Entry level server, Router, Scanner, printer, USBE-token, switch and Fallback connectivity.
3. The DP staff should be attend three days training program which conduct of NSDL, Mumbai office to for militarize them will NSDL system and also the staff will have to obtain NISM series VI, Depository Operations Certificate Examination or CPE qualification.
4. After installation of infrastructure and hardware system NSDL will conduct a pre-activation inspection.
5. After inspection, The application will be sent to SEBI (but existing DP of CDSL application will not be sent to SEBI and will be processed internally at NSDL). The participant will be activated in pilot environment for testing purpose after acceptance of application by SEBI.
6. Now applicant will be forward the fees payable to SEBI and NSDL. Thereafter, applicant should be enter into an agreement with NSDL as a participant of NSDL.
7. The applicant will be made operational in NSDL system as a participant after completion of the above requirements.

A Depository Participant of CDSL and NSDL start operation of opening demit accounts of investors, dematerialisation, rematerialisation, transfer of securities, settlement of trades, pledging and pledging of securities on behalf of investors on the plateform of related depositories and also provide corporate action benefits like directly transferring securities to the Demat and bank account of customers. The DP's earn income by charging fees to their client for above providing services. Some may annualy maintenance charge

Thus, it may observed that a Depository Participant must be registered with SEBI. DP's provide services to his clients/investors where DP registered whether on CDSL or NSDL platform. DP acts as a agent/intermediaries between Depositories and investors, who want service of Depositories technology. The investor should be contact to his DP. It help to investor in opening Demat account and other functions. DP also works as broker in settlement of shares/debentures. It earn to investors as charging fees. The investor who trade share/debenture/bond at stock exchange and wish to keep its certificate in electronic format that contract related depositories DP. Hence, investors will take more interest towards in share transaction. Thus, the numbers of investors increased then securities marke will be popular that is indicator of healthy financial position of the nation.

Source : website of :

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