CHAPTER 3
NSDL'S HISTORICAL BACKGROUND AND ITS ORGANISATIONAL STRUCTURE
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This chapter deals with the historical background and organisational structure of NSDL which has been set up to promote Dematerialisation of securities and which is the first Depository of its kind in India that deals in dematerialisation of securities. But before discussing this, it is necessary to examined the conceptual frame work of National Securities Depository Limited.

3.1 Meaning of NSDL

NSDL is the first Depository of its kind, set up in India. Depository is an Organisation where the securities of a shareholders are held in the electronic form in the same way as a bank holds money. Depository should be formed and registered under the Companies Act 1956 and should be granted the Certificate of registration under Section 12 (1A) of SEBI Act 1992. NSDL is an Organisation and unlisted Company which was registered in June 1996 under the Companies Act. 1956. Its shares are transferable among its members. It obtained a Certificate of Registration under SEBI Act 1992 on 7th June 1996 and started its operations with effect from 8th Nov.1996.

The aim of NSDL is to eliminate the unwieldy paper work hounding the physical delivery segment and to provide electronic facilities for securities traded in the equity and debt market. It is a significant reform to launch NSDL in the Capital Market. It is playing a crucial role in driving market efficiency.
3.2 NSDL - Historical Background

The idea of establishing an agency to handle Securities in electronic form was first mooted in U.S.A. in 1970. The NASDAQ Stock Exchange began life in 1971 as NASD automated quotation system - an electronic system which collected and disseminated quotations from competing deals trading unlisted equities over the counter. After that, TALISMAN Depository System in U.K., Paperless Trading in Canada, Depository System in Thailand started. In the live with developments in the Depository System worldwide and in the local Bourses, India emerged the need to replace the physical clearing and settlement system with "Depository system" or scripless trading system. Various international de Bourses de Valeurs (FIBV) and G-30 have made recommendations for the Depository System.

G-30 Recommendations

The group of thirty has representatives from 30 different countries and was formed to recommend changes in the market. The G-30 Group had recommended that each country should have an effective and fully developed Central Securities Depository organised and managed to encourage the broadest possible direct and indirect industry participants. The range of eligible depository instruments should be as wide as possible.

Immobilisation and Dematerialisation of financial instruments should be achieved to the utmost extent possible. If several Central Securities depositories exist in the same market, they should operate
under compatible rules and practices with the aim of reducing settlement risk and enabling efficient use of funds and available cross-collateral.

Keeping in view the recommendations of G-30, the Govt. of India promulgated the Depositories Ordinance in September 1995 which was later enacted as Depositories Act 1996. NSDL was incorporated in December 1995 and was registered with SEBI in June 1996 and started operation on November 8, 1996.

3.3 NSDL - Ownership

NSDL is a Public unlisted company, incorporated under the Companies Act. 1956. At the time of its inception NSDL had four members i.e. UTI, IDBI, NSE and SBI and total share capital was 100 crore. After some time, it further issued share capital of 5 crore to SBI. Further, NSDL enlarged its membership in 1998 and enrolled HDFC, Hong Kong Bank Ltd., City Bank, Global Trust Bank, Standard Bank, Deutsche Bank, Dena Bank and Canara Bank as its members. During the year 2000 - 01, it decided to buy back a portion of the equity from the share holders so as to bring the size of its equity capital in better alignment with its financial operations and also to provide some return to share holders by gainfully deploying the excess of cash available with it. Accordingly, NSDL bought back 2.5 crore shares at a price of Rs. 12 per share (i.e. at a premium of Rs. 2 per share). Resultantly, the paid up capital stood reduced from 105 crore to Rs. 80 crore.
The shareholding pattern before and after buy-back is as follows:

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Name of shareholders</th>
<th>Before Buyback</th>
<th>After Buyback</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>IDBI</td>
<td>34.29</td>
<td>30.00</td>
</tr>
<tr>
<td>2.</td>
<td>UTI</td>
<td>32.63</td>
<td>27.80</td>
</tr>
<tr>
<td>3.</td>
<td>NSE</td>
<td>11.90</td>
<td>15.62</td>
</tr>
<tr>
<td>4.</td>
<td>SBI</td>
<td>4.76</td>
<td>5.00</td>
</tr>
<tr>
<td>5.</td>
<td>HDFC</td>
<td>2.38</td>
<td>3.13</td>
</tr>
<tr>
<td>6.</td>
<td>Hong Kong Bank Ltd.</td>
<td>2.38</td>
<td>3.13</td>
</tr>
<tr>
<td>7.</td>
<td>City Bank</td>
<td>2.38</td>
<td>3.13</td>
</tr>
<tr>
<td>8.</td>
<td>Globel Trust Bank</td>
<td>2.38</td>
<td>3.13</td>
</tr>
<tr>
<td>10.</td>
<td>Deutsche Bank</td>
<td>1.19</td>
<td>1.55</td>
</tr>
<tr>
<td>11.</td>
<td>Canara Bank</td>
<td>.95</td>
<td>1.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00</strong></td>
<td><strong>100.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

(Source: NSDL Annual Report 2000 - 2001)

Table 3.1

### 3.4 NSDL - Objectives

The main objectives of NSDL is to eliminate the unwieldy paper work hounding the physical deliveries segment and to provide
Some of the objectives are given below:

- To reduce the time for transfer of securities.
- To avoid the risk of settlement of securities.
- To enhance liquidity and efficiency.
- To reduce cost of transaction for the investors.
- To create a system for central handling of all securities.
- To promote the country's competitiveness by complying with global standards.
- To provide service infrastructure in a capital market.

3.5 An Overview - Organisational Structure of NSDL

The term organisation refers to the structure of relationship among positions and jobs which is built up for realisation of common objectives. Thus, organisation is the vehicle through which goals are sought to be achieved. Organisation embraces the duties of designating the departments and personnel that are to carry out the work, defining their function and specifying the relations that are to
exist between department and individuals. In other words, the essence of organisational theory is grouping together of different activities/functions and defining clearly the area of authority and responsibility in such a manner that the process of decision making within the overall framework of the objectives, is facilitated in the objectives to the maximum possible extent. It is a well known fact that only an organisational structure, which is consistent with the objectives, can give optimum results.

NSDL, was incorporated under the Companies Act, 1956, as discussed earlier, is a public Ltd. Co. It is an unlisted Company, but shares are freely transferable between promoters inter-se to its participants. It has to comply with all obligations and requirements of the Companies Act like any other Company.

3.6 Corporate Governance

NSDL voluntarily implemented some of the corporate governance norms for ensuring fairness, transparency, accountability and responsibility in all its dealing so as to safeguard the interests of the shareholders and investors. The norms, at present, are applicable to listed companies and NSDL is not a listed company but shares are freely transferable between members. Its organisation and management is done by Board of Directors. Its Board of Director consists maximum of 15 members including a non-executive Chairman and Managing Director. At present, the Board consists of
13 members, out of which nine are representatives of the shareholders, including Chairman four independents Directors including the Managing Director.

- **Powers of the Board**

  Board of Directors of NSDL, constituted in accordance with the provisions of the Articles of Association of the Company, may organise, maintain control, regulate and facilitate the operations of the Depository subject to the provisions of the Depositories Act 1996, Securities and Exchange Board of India Act 1992, SEBI (Depositories and Participants) Regulation 1996 and any directives issued there under. The Powers of Board are

  - The Board of Directors may delegate, from time to time, to an Executive Committee or Committee or to the Managing Director or to any person or persons, such of powers vested and upon such terms as it may think fit and cancel, withdraw, alter or vary all or any of such powers so delegated.

  - The Board has the authority of issuing directives from time to time to the Executive Committee or Managing Director or any other person or persons to whom any powers have been delegated by the Board and such directions shall be binding on Executive Committee, Managing Director or such person/persons.
• The Board of Directors has the powers to amend, repeal or add any of the provisions of Bye-Laws framed by it subject to prior approval of SEBI.

• The Board of Directors have the powers to nominate persons of eminence in the field of Finance, Accounting, Laws or any other discipline amongs investors.

• The Board of Directors has the powers to fill the casual vacancy amongst the user Representatives.

• The Board has the powers to cancel the nomination of any person nominated on the Executive Committee in the interest of the investors.

• The Board has the powers to formulate Business Rules for the functioning and operations of the organisation and also have the powers to amend Business Rules.

• The Board has the powers to appoint the Disciplinary Committee on matters relating to the participants clients, Issuers, Registrar and TA and other users.

• **Board Meetings**

  The meeting of the Board is held at a time interval of at least three months. The meetings are convened after giving 10 days
notice to the Directors. Agenda for the meeting is sent to the members before hand to facilitate deliberations in the meetings.

• **Board Committees**

  The Board has constituted five committees viz Executive Committee, Committee to admit participants, Audit Committee, Disciplinary Action Committee and Arbitration Committee.

• **Executive Committee**

  The Executive Committee, appointed by Board, advises the NSDL on various policy matters including services provided to the users. The Committee also makes recommendations for improvement of the overall efficiency of the Organisation. The Executive Committee consists of 15 members/representatives from among the users of the Depository System and persons of eminence in the financial sector. Its functions under the Chairmanship of the Managing Director. The total meetings of the committee should not be less than six. The Committee may elect one among themselves as its Vice Chairman.

• **Powers of the Chairman**

  The Chairman excercises all powers excerciseable by the Executive Committee. Whenever, he feels that immediate action
is necessary, he exercise his powers subject to getting it ratified by the Executive Committee within the stipulated time.

- **Powers of the Committee**

  - The committee has the powers to make Business Rules subject to the provisions of Depositories Act 1996 and SEBI Act 1992.

  - The Committee has the powers to modify, amend, add or replace any of the provisions of the Business Rules framed by it subject to the provisions of the Depositories Act 1996 and SEBI Act 1992.

  - The Executive Committee has the powers to constitute Sub - Committee consisting of two or more members which is required to give its report to Executive Committee on such matters as it may deem fit. The constitution, quorum and responsibilities of such committees is determined by the Executive committee.

  - The Executive Committee has the right to call upon the applicant or make additional contribution towards funds, and to pay such fees deposits such additional security deposit in cash or, in kind, to furnish any additional guarantee or to require the deposit of any monies in respect of contribution to funds including
building fund, indemnity fund, insurance fund as such other funds as the Depository may specify from time to time.

- The Committee has the powers to direct the Participant any time to provide on demand collateral security or additional collateral securities in such form, extent and manner as it may determined to be appropriate.

- The Committee has the powers to terminate the participation of any Participant by giving 30 working days notice.

- The Committee has the right to establish different funds including the participants funds, Investor Protection funds that may be set up under bye-laws from time to time.

- The Committee has the powers to specify the entities who are entitled to make claims on the funds and the procedure for making claims on the funds.

• **Committee to Admit Participants**

  The committee to admit participants is responsible to admit DPs in the NSDL. The Committee reviews the application received from prospective participants in terms of their capital
adequacy, Business history and otherwise suitability to act as participants.

- **Audit Committee**

  The audit committee is responsible to review the audit reports submitted by the internal auditor for the effective control and compliance with the stated policies of the Organisation. The Committee also gives suggestions for improvement in the overall functioning of the Depository. The Committee reviews the half-yearly and annual financial accounts of the Depository and interacts with the statutory auditors before these are submitted to the Board. The Audit Committee consists of four members, including the Chairman.

- **Disciplinary Committee**

  The Disciplinary Action Committee is appointed by the Board of Directors to deal with any disciplinary matters relating to the Participants, clients, issuers, R & TA and other users. The maximum strength of the Disciplinary Action Committee is five. All the members of the Committee, including the Chairman, are appointed by the Board of Directors.

- **Powers of the Disciplinary Action Committee**

  The Disciplinary Action Committee has such responsibilities and powers as may be delegated to it by the Board of Directors from time to time which may include the following
responsibilities and powers to be discharged in accordance with the provisions of By-laws.

- Suspension of a Depository Participant.

- Expulsion of a Depository Participant.

- Declaring a securities as “ineligible” on the Depository.

- Freezing the account of the Depository Participant.

- Powers to conduct inspection.

- Powers to conduct an investigation, inquiry, call for records, to issue show cause notice to the Depository Participants for suspension/expulsion.

- **Arbitration Committee**

  An alternate dispute resolution mechanism to settle claims differences and disputes arising out of dealings in Depository between Participants, issuer or between Participants and client has been set up by constituting an Arbitration Committee. The Arbitration Committee manages and supervises all aspects in the matter of settlements of disputes. For this purpose, a panel for Arbitration is also formed.
3.7 ORGANISATIONAL CHART OF NSDL

Chart 3.1

BOD (Non-Executive Chairman) 

MD

Executive Committee  Committee to Admit Participants  Audit Committee  Disciplinary Committee  Arbitration Committee

3.8 Review of Functioning of the Board

The Board works at two levels. The Board consists of full time Managing Director and Non-execution chairman representing the shareholders of the Organisation. It meets periodically to review operations (Normally at least once in a three month), larger policy issues and matters pertaining to top management. At next level, there are committees i.e. Executive Committee, Audit Committee, Disciplinary Committee, etc. Which functions with delegated powers of the Board. They work jointly as a team on all matters - operational, organisational, financial, personnel, etc. so that full cooperation and
consistency in all policies on different matters is obtained. The Executive Committee has been given adequate powers to facilitate and expedite the process of decision making day to day matters. Its functions are equivalent to that of the Board. The Executive Committee meets once in two months. Whenever need arises, it meets early also in adhoc basis.

A proper composition of the Board is very important for the success of a Depository. An Organisation, which meant for Dematerialisation of securities, must have a competent Board for conducting it successfully. So far, it has been observed that the Chairman of the NSDL is also an official member who is holding more than one post. As such he is only a part-time Chairman of the Depository and he can not do justice to this important assignment. It has also been observed that First Chairman, Mr. S.H. Khan, completed his tenure on July 8, 2001. It is very beneficial for Depository. He was from IDBI and after his retirement, Mr. P.P. Vora was appointed as second Chairman. He is also from the same institution and shows favouritism among the members. The post of Chairman should be given to the members by rotation. It has been observed that First M.D. of the Depository, Mr. C.B. Bhave completed his 5 years term on July 9, 2001 and his re-appointment was made by holding special meeting on May 21, 2001. It is also a good sign because a person who is working from inception has a lot of experience about the operations of the Depository System. It is advantageous for the organisation on the whole because, it will
continue to get experienced and matured advice for efficient functioning of the Depository.

The Organisational structure of NSDL is somewhat centralised and most of the decision making powers are vested in Board of Directors. Committees and Managing Director are responsible to Board. There is need for increasing the delegation of authority on a large scale. There is also a lack of advisory services in the Depository. The Depository should develop advisory service to support the management which will be helpful in achieving the objectives of the Depository.

3.9 NSDL - Bank Analogy

The functions and operations of NSDL can be compared to that of a bank with a lot of similarity between the two. Both carry out the functions of holding, transfer and safe keeping with the difference of product i.e. money and securities. A bank reaches out to people by setting up its branches, similarly, a Depository reaches to the general investor through its agents - Depository Participant. Like a bank, the DP will give the investor a passbook or a statement of holdings periodically. The comparison of NSDL and the Bank is given on the next page:
Chart 3.2

<table>
<thead>
<tr>
<th>Bank</th>
<th>NSDL</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Holds funds in account</td>
<td>• Holds securities in account.</td>
</tr>
<tr>
<td>• Transfer funds between accounts on the instruction of the account holder.</td>
<td>• Transfer securities between accounts on the instruction of the account holder.</td>
</tr>
<tr>
<td>• Facilitates transfer without having to handle money.</td>
<td>• Facilitates transfer of ownership without having to handle securities.</td>
</tr>
<tr>
<td>• Facilitates safe keeping of money.</td>
<td>• Facilitates safe keeping of securities.</td>
</tr>
<tr>
<td>• Customer interface is branch network.</td>
<td>• Investor interface is through DP network.</td>
</tr>
</tbody>
</table>

3.10 NSDL And its Players

- Depository Participants

- Issuers or Company
• Registrar and Transfer Agents.

• Clearing Members

• Clearing Corporations

• Investors.

Role of NSDL over these Players

NSDL interfaces directly with Clearing Corporation, Clearing Member, Depository Participant and Issuer or Registrar and transfer agent and indirectly with Stock Exchange, Stock broker, investors and banks.

This is evident from the following chart

Chart 3.3

Direct system linkage at NSDL

Registrar and Transfer Agent

National Securities Depository Ltd

Clearing Corporation

Depository Participant
NSDL is electronically linked to its business partners in order to facilitate settlement of trades and to perform a daily reconciliation of all the account balance, held with NSDL. The entire system is called NEST (National Electronic Settlement and Transfer) system. It involves a highly integrated set up for maintenance of investor accounts.
NSDL and Depository Participant

Depository Participant: Depository Participant is the agent of NSDL system i.e. Demat System, NSDL interfaces with the investors and clearing member through its agent called “Depository Participant” (DP).

The Regulations specify nine categories of organisations which are eligible to become a Depository Participant. These are:

- Public Financial Institutions
- Scheduled Banks
- RBI Approvd Foreign Banks operating in India
- State Financial Corporations
- Institutions engaged in providing financial services, promoted by any of the institutions mentioned above, either jointly or separately.
- Custodians of securities who are registered with SEBI
- Clearing Corporation or Clearing Houses of Stock Exchanges
• Stock-brokers registered with SEBI

• Non-Banking Finance Companies

NSDL has laid down its bye-laws and detailed admission criterion for its DP. The application for registration as a DP is forwarded to SEBI by NSDL, only if the applicant meets this admission criterion. SEBI registers the DP after its scrutiny. Only the DPs, registered by SEBI can carry out the Participant’s business.

Functions of Depository Participant

A Depository Participant carries out following functions. These are also the main functions of NSDL:

• Beneficiary Administration

• Dematerialization/Rematerialisation

• Clearing & Settlement

• Beneficiary details reporting

• Beneficiary details uploading

• Reconciliation

• Book Keeping
• System Security (user-Id’s Password)

• Help System

Procedure of becoming a Depository Participant

The Participants should study the following before sending the application as a Depository Participant:

(i) Securities Deposit and Initial Fees Payable.

(ii) Submit the Form E duly filled, in duplicate, to NSDL.

(iii) Details required for filling up / submission of Form E.

(iv) Admission Criteria as per the Bye - laws of NSDL.

(v) Net worth Computation

Security Deposit and Initial Fees Payable

The security deposits and fees should be paid given in the table 3.2, by a Demand Draft or a Bankers Cheque
### Table 3.2

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Payable in the Name of</th>
<th>Amount (Rs.)</th>
<th>Time of payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application Fees</td>
<td>SEBI</td>
<td>5,000</td>
<td>After intimation from NSDL</td>
</tr>
<tr>
<td>Registration Fees</td>
<td>SEBI</td>
<td>1,00,000</td>
<td>After SEBI approval</td>
</tr>
<tr>
<td>Entry Fee</td>
<td>SEBI</td>
<td>25,000</td>
<td>After SEBI approval</td>
</tr>
<tr>
<td>Security Deposit</td>
<td>NSDL</td>
<td>1,00,000</td>
<td>After SEBI approval</td>
</tr>
</tbody>
</table>

#### Submission of application form

The application form is to be submitted in duplicate to NSDL. The instructions should be duly complied with like every page of the form and additional sheet must be initialled by authorised signatory of the applicant, all copies of documents should be attested as true by an authorised Notary, etc.

#### Admission Criteria as per the Bye - laws of NSDL

Following details should be furnished by Participant to NSDL

- Details of Business history
- Annual Reports for last three years
- Details of Board of Directors in case of a Corporate entity or a similar authority in any other case
• Specimen signatures of the authorised officials, who shall be responsible for acting on behalf of the Participant

• To appoint a Compliance Officer, who shall interact with the Depository on behalf of the Participant for compliance with the Bye-laws and Business Rules, Resolving, Redressal of investor’s/client’s grievances

• Office space earmarked (in square feet) and location of the same for the Depository operations.

NSDL and Registrar and Transfer Agent

Registrar is a person appointed by a body corporate or any person or group of persons to carry out the following activities like:

• Keeping a proper record of applications and monies received from investors.

• Assisting the body corporate or person or group of persons in.

• Determining the basis of allotment of securities, finalising the list of persons entitled to allotment of securities.

• Processing and despatching allotment letters, refund orders or certificates and other related documents in respect of the issue.
Share Transfer Agent means

- Any person, who on behalf of body corporate, maintains the records of holders of securities, issued by such body corporate and deals with all matters connected with Transfer and Redemption of its securities.

- A Department or Division (by whatever name called) of a body corporate performing the above mentioned activities, if at any time, the total number of holders of its securities issued exceed one Lakh.

According to the Regulations 29(2) where the issue has appointed a Registrar to issue or share Transfer Agent, who has been granted Certificate of registration by SEBI, the Depository (NSDL) shall enter into triplicate Agreement (Specimen is given in Annexure) with the issuer and the transfer agent and Registrar, in respect of securities to be declared by the Depository NSDL as eligible to be held in dematerialized form. Under Regulation 39, it shall maintain continuous electronic means of communication (connectivity) with Issue.
Registrar and Transfer Agent

NSDL electronically intimates daily all dematerialisation requests to the respective Issue or its Registrar or Transfer Agent. Registrar and transfer agent verify the validity of security Certificates and person recorded as member in the register of members. After verification, the Issue Registrar and Transfer Agent intimate NSDL, authorising an electronic credit for that security in favour of the client. On receipt of such intimation, NSDL makes entries in account of concerned client.

Registrar and Transfer Agent Shown in NSDL set up is as under:

Chart 3.5

Dematerialisation of Securities

Reconciliation of NSDL holdings

Corporative Benefits & Actions

Registrar & Transfer Agent

Initial allotment in Demat Form

Confirmation of Beneficiary holding

Rematerialisation of holdings
NSDL & Issuer Company

As per the Regulations, equity shares, debentures, warrants, bonds, units of mutual funds, etc., are eligible to be admitted to the Depository for dematerialisation. The Depository is empowered by the Act, to set its own criteria for selection of securities and make securities eligible to be maintained in dematerialised form in the Depository.

If the Issuer company purposes to admit its securities on the Depository, an agreement is signed between NSDL, the Issuer Company and/or its Registrar and Share Transfer Agent. After, the Issuer Company and/or its Registrar and Share Transfer Agent instals the requisite hardware, software and telecommunication network, the securities are available for Dematerialisation.

Subsequently, after a period of about 4 weeks, the securities are made available for trading in the Depository segment of the Stock Exchange.

NSDL and Clearing Corporation/Clearing House

As in the case of physical securities, the Clearing Corporation/
Clearing House facilitates clearing and settlement of trades that have taken place in the Stock Exchange. After complication of trading period, the Clearing Corporation/Clearing House calculate net funds and net securities obligation of each clearing member and the same is intimated to the clearing member. The clearing member then delivers to the Clearing Corporation/Clearing House the net funds payable, through the clearing bank and the net securities position through NSDL.

Thus, in order to facilitate settlement of trades executed in the Depository segment on the Stock Exchange, the Clearing Corporation/Clearing House of the respective Stock Exchange join NSDL as a Depository Participant and the clearing member trading in dematerialised securities must have a clearing member account with any of the Depository Participants.

**NSDL & Broker**

Stock Broker means a member of a Stock Exchange. Stock Exchange means a Stock Exchange, which is for the time being recognised by Central Govt. Under section 4 of the securities Contracts (Regulation) Act 1956.
In the NSDL system every Stock Broker has to open a clearing account for settlement of trade. Procedure to open a clearing account is given below:

- Approach a Depository Participant and fill up an account opening form.

- Sign an agreement with Depository Participant.

- Application is forwarded to NSDL by Depository Participant.

- NSDL allots a number identified as CM-Business Partner -Id (CM - BP - Id)

- Depository Participant opens an account and an account number is provided to the CM (Client - Id)

Arrangement of clearing A/C:

The clearing account consists of three parts:

(i) Pool Account
(i) Pool Account

It has two roles to play in clearing the securities.

• The selling client of CM transfers securities from his Client Account to Pool Account of CM before pay-in.

• After pay-out, the CM transfers securities from his Pool Account to the account of the Buying client.

(ii) Delivery Account

The CM transfers securities to the extent of his obligation to the CC from the Pool A/C to Delivery A/C before pay-in. On the pay day, NSDL flushes out the securities in the Delivery A/C and transfers the same to the CC automatically.
(iii) Receipt Account

On the pay-out day CC transfers securities to the Pool A/C (to the extent of Net Receipt through Receipt A/C). This account can be used to trace details of settlement-wise receipt into the clearing account. The Clearing A/C shown is as follows:

Chart 3.6

- Clearing Corporation
- Clearing Account
- Delivery A/C
- Pool A/C
- Receipt A/C
- Selling client
- Buying client
NSDL and Investors

NSDL play indirect role on investors in the Depository set-up. Investors are directly linked with Depository Participant. Investor has to open an Demat A/C with DP. The DP is an agent between NSDL and Investors.

NSDL and Banks

NSDL plays indirect role on banks in Depository System. The account number of the bank is recorded for crediting the monetary benefits directly in the account.
### 3.11 Analysis of Fee structure of NSDL

Fee structure of National Securities Depository Limited is as given below:

<table>
<thead>
<tr>
<th>Fees</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Custody fees</td>
<td>1 Basis point p.a. (.04% p.a. average value of securities).</td>
</tr>
<tr>
<td>Transaction Fees</td>
<td></td>
</tr>
<tr>
<td>Market Trade</td>
<td></td>
</tr>
<tr>
<td>1. Buy</td>
<td>4 Basis points (i.e. .04% of the value of net receipts to clearing member A/C)</td>
</tr>
<tr>
<td>2. Sell</td>
<td>Nil</td>
</tr>
<tr>
<td>Off Market</td>
<td></td>
</tr>
<tr>
<td>1. Buy</td>
<td>10 basis point (0.1% of the value of securities.)</td>
</tr>
<tr>
<td>2. Sell</td>
<td>Nil</td>
</tr>
<tr>
<td>Dematerialisation</td>
<td>Nil</td>
</tr>
<tr>
<td>Rematerialisation</td>
<td>Rs.10 per certificate or 10% of the value of securities, which is higher</td>
</tr>
</tbody>
</table>

(Source: A review on Indian Securities Market by NSE)

Table 3.3

NSDL charges above fees from the Depository Participants for the different services and it is revealed by the survey that 40% of Depository Participants feel that fees are high. Depository Participants charge fees from the customers after adjusting above fees.
3.12 Network of NSDL Offices in India:

NSDL runs operation through its H.O. situated in Mumbai and Branch offices in Chennai, Kolkata and New Delhi. A list of offices is given as follows:

<table>
<thead>
<tr>
<th>Head Office:</th>
<th>Branch Offices:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade world</td>
<td>(i) Luxmineela RiteChoice</td>
</tr>
<tr>
<td>5th floor, Kamla Mills Compounds</td>
<td>Chamber</td>
</tr>
<tr>
<td>Senapati Bapat Marg,</td>
<td>5, Bazullah Road,</td>
</tr>
<tr>
<td>Lower Parel,</td>
<td>T. Nagar,</td>
</tr>
<tr>
<td>Mumbai- 400013</td>
<td>Chennai-600017</td>
</tr>
<tr>
<td></td>
<td>(ii) Ideal Plaza</td>
</tr>
<tr>
<td></td>
<td>11/1, Sarat Bose Road</td>
</tr>
<tr>
<td></td>
<td>Kolkata- 700020</td>
</tr>
<tr>
<td></td>
<td>(iii) 409/410, Ashoka Estate</td>
</tr>
<tr>
<td></td>
<td>26, Bara Khamba Road,</td>
</tr>
<tr>
<td></td>
<td>Cannaught Place,</td>
</tr>
<tr>
<td></td>
<td>New Delhi -110001</td>
</tr>
</tbody>
</table>

At present, there are neither Branch offices of the NSDL outside India nor its Depository Participant works abroad. It would be in the interest of business if sufficient number of branches of NSDL/ Depository Participants are established in foreign countries.

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