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India has largest number of companies in the world today. It has boosted very large number of investor population and substantial volume of trade. Introduction of screen based trading had led to significant increase of business volumes in the secondary markets. The increasing levels of trading has urged better market infrastructure to support clearing and settlement functions, which had come under several strains. The procedure of transferring the physical shares and transfer deed had brought the securities market in paper work grid lock, which brings obstacle to the growth of the market. This had exposed the investor to the potential risk of bad deliveries, delay in transfer and registration, fake certificates and forgery, loss in transit etc.

Introduction of the Depository System paved the way for instituting infrastructure and eliminating the problems and risks involved in physical trading system and increasing the efficiency of clearing and settlement system. Demat System is concerned with conversion of securities from physical to electronic form, with scripless trading and quick settlement cycles. In the Demat System, the ownership and transfer of securities take place by means of electronic book entries.

The NSDL and DPs provide service to the investors. The service is that of electronic custody of securities and settlement of trades therein. The service that NSDL provides, revolves around the securities issued by Corporate. The securities have to be formally admitted to the
Depository System to enable the NSDL to provide its services to the investors in these scrips.

Need of study

Various studies have been carried out to highlight one or the other issue related with Depository System or environment. These studies partially covered the various aspects of the Depository System. Different aspects covered in the earlier studies are legal framework, rights and obligations of Depositories, role of Depository in Stock and capital market and Depository System. All these studies have been concentrated on one issue or other. But no concrete study has been carried out to covered the whole system, as projected by the end user i.e. investors. The present study has thrown light on the untouched issues of performance of the NSDL and evaluation of the progress of the Demat System.

In the light of the above, this study has been undertaken with the following objectives.

(i) To examine the NSDL in general and to trace the historical backgrounds of NSDL and to present objectives for which this Organisation in India has been set up.

(ii) To review the Organisational structure of NSDL and to present an overview of the operations adopted by NSDL to achieve its objectives.
(iii) To analyze the performance of NSDL.

(iv) To highlight the problems faced by shareholders and Depository Participants.

(v) Finally to offer suggestions on the basis of the study for effective and efficient functioning of the NSDL.

To have a detailed and critical evaluation of the role of NSDL in Dematerialisation, three questionnaires were designed for. One of these relates to the Depository Participants. Besides, the officials of Depository Participants, were also interviewed.

The Secondary data to the working and operations of NSDL was collected from website of NSDL.

The data was analysed with the help of statistical techniques, such as

(i) Growth rate

(ii) Chi-Square Test

(iii) Likert scale
The present study has critically evaluated the role played by the NSDL in Demat System or Depository System and the main conclusion of the study are summarised below:

I. DEPOSITORY SYSTEM IN INDIA

The background for Depository, problems in the physical settlements beginning of Depositories, meaning of Depository, process involved in the Depository System, functions of Depositories, services offered by Depositories and the regulatory framework for Depositories in India are explained in this Chapter.

The Govt. of India promulgated the Depositories Ordinance in September 1995, paving the way for setting up of Depositories in the country. The SEBI notified the Depositories Ordinance in May 1996 in order to provide the regulatory framework for the Depositories. The NSDL was the first Depository which came into existence in India. It was registered on the 7th June 1996 with the SEBI. This system of keeping ownership records in the form of electronic holding has a number of advantages over the existing system because physical movement of securities has been replaced by a book entry system, under which the ownership is transferred by electronic entries.

Depository System is concerned with conversion of securities from physical to electronic segment transfer of securities and electronic custody of securities. All securities in the Depositories are identical.
in all respects and, thus, are fungible. This rids the capital market of the dangers and risks related to handling of paper. Holding of electronic securities and transferring the securities in electronic mode has resulted into faster settlement cycles.

The Act defines "Depository" as an Organisation, where securities of holders are held in the form of electronic accounts in the same way as banks hold money. Therefore, the comparison between banking system and Depository System becomes very relevant, banks are operating through bank branches whereas Depositories are operating through Depository Participants and its branches. Banks are dealing with money and Depository Participants deal with securities.

Depository System in India allows establishment of multiple Depositories and as such, the NSDL and CSDL have been established. Both of these Depositories have their own set of bye laws and business rules; reflecting their vision; thrust areas; and ownership pattern. The multiple Depositories concept has brought competition in the market, which is a healthy sign. Investors are also benefited with the choice of Depository in terms of service and competitive charges.

The Depositories, established under the Depositories Act, have the rights and obligations, conferred upon them, under the Depositories Act, the regulations made under the Depositories Act, byelaws approved by SEBI, and the agreement made with the participants, issuers and their registrars and transfer agents. Only a
Company, registered under the Companies Act, 1956 and sponsored by specific categories of institutions, can set up a Depository in India. Before commencing operations, all Depositories are required to obtain a Certificate of registration and Certificate of commencement of business from SEBI.

The entire Depository System is functioning through many players, who are in turn, directly and indirectly linked with the main body, i.e. the Depository. The main player of typical Depository System includes Depository, Issuers or Company, Issuer's Registrar's, Depository participants, Clearing Members, Clearing Corporation, Banks and Investors. All these players are playing vital role for the success of the present Demat System. The services, provided by Depositories, includes Account opening, dematerialisation, rematerialisation, settlement and clearing IPO's, corporate benefits, pledge and hypothecation. The principal function of a Depository is to dematerialised securities and enables securities transactions to be processed in book entry form. The process in the Depository starts with opening of an account with any of the Depository Participants. Thereafter, the dematerialisation of shares, available with the investors, is achieved.

Dematerialisation is a process by which the physical certificates of an investor are taken back by the Company/Registrars and actually destroyed and equal number of securities are credited in the Demat Account of that investors. After that, the investor can trade in the
securities in electronic form. The investor can give delivery of securities
in the book entry form.

Analysis of Depository Act

Different provisions of the Act were analysed under this Section
heading “Analysis of Depository Act”. These provisions relate to
the objectives of the Act, Eligibility Conditions for Depository
Services. Eligible securities required to be in Depository Mode,
Fungibility, Powers of Central Govt areas on which rules may be
framed by the Central govt., Powers of the SEBI, Contents of the
SEBI regulations, By - Laws of a Depository etc. under the Act.

Analysis of Cost and Time Benefits

In this Section of the Chapter, cost and time benefits accrue to
the investors holdings in Demat Mode, were analysed. Different
costs are saved like buying and selling costs, courier cost, brokerage,
Stamp duties, etc. Time benefits in case of transfer, processing
and settlement accrue to the investors.

A comparative study of Acts

In this Section of the Chapter, comparative study of different
Acts, which are amended for the introduction of Depository System
in India has been made. The Companies Act 1956, Indian Income
tax Act 1961, SEBI Act 1992, Stamp Duty Act 1899, Banking Regulation Act 1949 etc were compared. In this study, a comparative analysis is made as to what are the amended provisions due to the enactment of the Depository Act.

A comparative study of NSDL and CDSL

There are two Depositories in India i.e. NSDL and CDSL. The total companies joined with Depository System in India are more than 9500 as on March 31, 2003. Total number of Depository Participants joined with both the Depositories are 383 as on March 31, 2003. and total number of accounts are 39,53,856 as on March 31, 2003.

II HISTORICAL BACKGROUND AND ORGANISATIONAL STRUCTURE OF NSDL

In physical settlement systems, the investors had to face a number of difficulties. To overcome the problems dogging the stock markets world over Group of 30 (G-30), a high level task force suggested an alternative for the existing clearing and settlement system. This task force consisted of intellectuals having through knowledge of international economic and financial issues. This task force recommended that each country should have an effective and fully developed Depository System.
Based on the recommendations and to overcome the problems of investors in physical settlement system, the Govt. of India promulgated the Depository Ordinance in September 1995, thus paving the way for setting up of Depositories in the Country. The SEBI notified regulations under the Ordinance in May 1996 in order to provide the regulatory framework for the Depository. The NSDL was the first Depository brought into existence in India. It was registered on 7th June 1996 with the SEBI.

Organisational Structure

The NSDL is a Public Company Limited by shares. It is an unlisted Company, but shares are transferable among the members. In the organisational structure of NSDL, Board of Director is the supreme authority, it has powers to constitute different committees i.e. Executive Committee, Discipline committee, Audit Committee, Arbitration Committee etc. The it can delegate powers to Managing Director and Committee, within Business rules of the NSDL, to frame its By-Laws. Maximum strength of Board of Director is Fifteen. From analysis of the organisational structure of the NSDL, it is concluded that all the powers are vested in it and there is need to appoint the Chairman on rotation basis among the members. In this Chapter, it is also suggested that there is need to open foreign branches.
NSDL and its Players

The NSDL has many players, who are in turn directly and indirectly linked to it. The main players are DPs, Issuers or Companies, Registrars and Transfer Agents, Clearing Members, Clearing Corporations, Banks and Investors.

Functions of NSDL

The Functions of the NSDL are opening of Demat account, Dematerialisation, Rematerialisation, clearing and settlement, corporate actions, pledge and hypothecation. The main functions of the NSDL is to dematerialise securities and enable securities transactions to be processed in book entry form. The process in the NSDL starts with opening of the account with any of the Depository Participants. Thereafter, the dematerialisation of shares available to the investors is achieved.

Bank Analogy

The NSDL is an Organisation, where securities are held in the form of electronic accounts in the same way as banks hold money. Therefore, comparison between banking system and the NSDL System (Depository System) becomes very relevant. Banks are operating through bank branches and the NSDL is operating through Depository Participantss and its branches. Banks are dealing with money and Depository Participantss are dealing with securities.
Fee structure of the NSDL

The NSDL does not charge from Investors and clearing members directly but it charges from Depository Participants, who are free to have their own fee structure for their clients.

III. OPERATIONS AND TRADING MECHANISM

The various services provided by the NSDL are governed by Depositories Act, SEBI regulations, bye laws and business rules of the NSDL and agreement between users and NSDL. The agreements are entered into between NSDL and participants, NSDL and Issuer, Registrar & Transfer Agents and NSDL, and Clearing Corporation of Stock Exchanges, Depository Participant and Investors. These agreements are binding on all parties.

In this Chapter, the operations and procedure in respect of the services provided by the NSDL are explained. These services are Opening of Demat A/c, Dematerialisation, Rematerialisation, Trading, Clearing & Settlement, Corporate Actions, Pledge and Hypothecation, Feezing and Defreezing of Demat Account, Account Suspension, Closing of Demat Account and Internet Service. In last Section of this Chapter, fees charged by Different Depository Participants, for these services compared.
IV. ANALYSIS OF PERFORMANCE OF NSDL

In this Chapter, performance of the NSDL has been analysed on the basis of some parameters, like number of Companies available for Demat, number of Companies signed for Demat, number of Depository Participants, number of locations served by Depository Participants, value of Dematerialised Stock, number of client accounts and Corporate Actions.

The total number of companies available for demat from March 31, 1997 to March 31, 2004 grew tremendously from 23 to 4761 and total number of companies signed for demat rose from 40 to 4860 on the same dates. The growth in terms of Depository Participants are also very high. On March 31, 1997 number of DPs are 24 and 213 as on March 31, 2003. Value of dematerialised stock growth was from 501 Crores to 551300 Crores. The number of clients accounts reached 3795604 on March 31, 2003. It is the remarkable progress achieved by the NSDL.

V. INVESTORS ANALYSIS

Depository Participants are the key players in the Demat System. They act as an agent of the Demat System and are, in fact, the customers interface of NSDL. Depository Participants open accounts of the investors, facilitates dematerialisation, settles trades and effects corporate actions. Therefore, it is imperative to measure the success of the Demat System. In this Chapter of the study, an attempt was made to measure the performance of Depository Participants on the basis of number of parameters.
An attempt was also made to understand the distribution of the customers regarding some issues, awareness and other issues. The results are summarised as follows:

Distribution on the number of transactions

In the sample of 250 in Haryana, 49% of the investors have less than 5 transactions in a month. The investors, having 5 - 15 transactions in a month, are 29%. The investors having, 15 - 25 transactions in a month, are 11% and investors, having more than 25 transactions in a month, are 11.3%.

In the sample of 250 in Delhi, investors, having less 5 transactions, are 42%. The investors, having 5 - 15 transactions in a month, are 39.2% and investors, having 15 - 25 transactions in a month, are 10.46% and investors having more than 25 transactions, are 10% in a month. Investors having 5 transactions in a month are more in Haryana.

Reasons for opening Demat Account with particular Depository Participant

Demat System is still new to many investors and it is the reason that the choice of Depository Participant is effected by advice of friends or relatives even now, out of the sample of 250 in Haryana, 28% investors are effected by this factor and 26% of the
investors are effected by this factor. DPs on the basis of quality of service, are 22% and 33% in Haryana and Delhi respectively. In conclusion, Delhi’s investors give more preference to the quality of service than Haryana’s.

Investors on the basis of holding

Out of the sample from Haryana, the majority of investors belongs to less than one lac holding category. Only 12% are having more than 5 lacs holding. But as per the sample collected from Delhi the position is contrary, where 17% investors belong to less than one lac holding category and 46% are having more than one lac holding.

Investors Perception about Tarif Charged

Out of the total 250 investors, 57% in Haryana and 43% in Delhi are of the opinion that charges are high. So, it can be concluded that majority of the investors believe that charges are on the higher side.

Perception about Timely Demat of Securities

Out of the investors, surveyed, 68% of Haryana and 75% of Delhi are of the opinion that securities are received in Demat account within reasonable time, whereas 19% of the investors from
Haryana and 13% of Delhi believe that they do not receive shares in their account within reasonable time. So, the working of the DPs in the big cities is better than small cities.

**Investors Awareness about other Service Offered by DPs**

In Haryana the investors awareness about other services is 48% and that of Delhi, it is 52% only. This clearly shows that there is a lot of scope of improvement in this area.

**Investors Perception about frequency of receiving the holding statement**

Only 12% of the customers in Haryana and 13% customers of Delhi are getting statement of holding monthly. So, majority of the customers are not getting statement in time. In conclusion, it can be seen that majority of the Depository Participants are not adhering to the limit framed by Act in sending monthly statement of holding to the customers.

**Awareness of the customers about Website of Depository Participants**

The awareness about websites among the surveyed investors are 22% and 30% in Haryana and Delhi respectively. That clearly shows, there is a lot of scope for the Depository Participants in this
area to educate their customers about using the internet to get the information of their account or the stock market.

Adequacy of Training of Staff

Investor interacts with the Depository Participant. It is, therefore imperative that the staff of the Depository Participant should be adequately trained to serve the need of the investors. The NSDL has made it compulsory to have at least one NCFM qualified person in every branch of Depository Participant. Survey conducted shows that 88.4% investors of Haryana and 92% investors of Delhi are of the opinion that staff is adequately trained. It can be concluded that the programme of having one NCFM qualified person in every branch is a success and investors have been benefited with this initiative.

Attitude of Employees of Depository Participants

The positive attitude of the employees of Depository Participants towards the investors is a must. The feedback on this issue is quite imperative. Only 1% and 3% of the investors in Haryana and Delhi respectively are not satisfied with the attitude of employees of Depository Participants. So it can be concluded that overall response of the investors about the attitude of the employees is satisfactory.

Quality of Infrastructure

The Physical infrastructure of the DPs is another important factor effecting the investors. Only 2% and 3.6% of the investors in Haryana
and Delhi respectively feel that the quality of infrastructure is poor. Overall response of the investors on the issue of infrastructure is between good and very good.

**Overall service standard of Depository Participants**

The feedback on the service standard of the Depository Participants is encouraging. Only 4% and 8% of the investors in Haryana and Delhi respectively feel that the service standard is poor. The response of the investors as a whole on the issue of overall service standard is between good, very good and excellent.

**Overall Reduction in Costs**

The Depository System has brought many changes in the settlement system and it was supposed to lower down the overall cost of transactions to understand the attitude of investors on the issue of reduction in costs. The information was collected from investors, 3.6% where it was found that in Haryana and 2% in Delhi disagree with the opinion that Demat System reduces the costs. The overall response of the customers is positive i.e. they tend to agree with the opinion that costs have gone down in the Demat System.

**Effect of Demat System on speeding up settlement**

To understand the opinion of the investors on this issue, the question was asked to customers and it was found that only 6.8% of investors both in Haryana and Delhi are of the opinion that shift would not
have been possible without demat system. The overall response of the investors on this issue falls in the category of “Agree”. So, it can be concluded that investors tend to agree that without Demat system, it would not have been possible to shift to rolling settlement, T+3 and T+2 system.

VI. SURVEY OF INVESTORS AND DEPOSITORY PARTICIPANTS

The Demat System has provided a number of benefits to the investors. The investors are now getting world class infrastructure in the area of stock market through online trading system and through NSDL. There are numerous advantages to the investors in the Demat System. It is true that Demat System has eradicated a number of problems related with physical trade settlement system. But it should not be concluded that Demat System is running without any problems. There are some problems, which have emerged with the introduction of Demat System. The problems faced by the investors in Demat System are presented in this Chapter.

Some of the major problems of the investors in the Demat System are highlighted as under:

• Problems in choosing the Depository Participant

• Problems in getting the share Demated
• Problems in trading
• High Fees Charged by Depository Participants

• High charges on low value holding customers

• Ignorance about the System

• Demat system not applicable on all Companies

• Problems related with the account opening

• ISIN not available

• Online connectivity not available

• Time lag in knowing actual holdings

• Holding statements not sent on time

• Failed transaction not reported

• Problem due to clearing system compatibles with Demat System
Some of the major problems of Depository Participants are given below:

- High fees charged by SEBI
- High fees charged by NSDL
- Problem of appointing NCFM person
- Problem of reporting failed transactions
- Mismanagement of Companies
- Problem of ignorance of customers about the systems
- Problem of Depository Participant Module
- Problem of monthly statement of holding
- Problem of Online Trading
- Problem of System Dependence
8.2 Suggestions

Investors in securities must be assured that they will be given a fair deal and protected adequately against the risks. In order to avoid the time gap in settlement and also the possibility of default by players, major step in this direction has been taken by introducing the T+2 settlement systems on the stock exchanges. The risk in transactions done on stock exchange arising due to the time gap between the execution of the trade and its settlements has been minimised with the introduction of rolling settlement, and this has become possible only due to the introduction of Demat System in India.

There is no doubt that the dematerialisation of securities has significantly eliminated the risk, such as bad delivery, inordinate delays in transfer of title, high stamp duty, etc. But that doesn't mean that the Demat System is totally free from the flaws. In the Demat System, there are other allied problems faced by the investors. To eliminate or to minimise these problems, the suggestions are given below:

i) Uniformity in practices of both the Depositories

There are two Depositories in our country. One is NSDL and the other is CSDL. Both these Depositories are following different patterns of allotting account number and they have different pricing structures. In NSDL, every accont number and the DP ID number is required to identify the account holder, whereas the CDSL allots
only one number containing both the information. This practice leads to confusion in the mind of investors. In pricing structure, NSDL charges custody fee whereas the CSDL does not charge any custody fee. The practice is not uniform and this leads to uncertainty in the mind of investors. If they shift from one Depository to another, they have to pay sell and purchase charges for their own securities, which is undesirable. There is, thus, a need to sort out this issue.

ii) Charges for transferring securities to self should be abolished

In the Demat system, one is allowed to maintain any number of accounts with any of the Depository Participant. But if a customer is transferring securities from one account to his another account, even then he has to pay sell charges in the account, from where the securities are going. He also has to pay buy charges in the account where he is transferring the securities. The customer is, thus, penalised for transferring his securities from one account to another, irrespective of the fact that both the accounts are of the same person. In case one Depository Participant is not providing good service to the customer, even then the customers can't close the account because they have to pay hefty transfer charges for transferring the securities from one account to another. However, the charges for transferring the securities from one account to another account of the same person, can be waived off.
iii) Rematerialisation should not be discouraged

As per Depository Regulations, one can opt for rematerialisation any time he wants. In this process, electronic shares are converted into physical shares, and the client can keep these physical shares with him. But this option exists only on the papers, as practically it is very difficult to get any security rematerialised. The companies don't pay any attention to the rematerialisation request. It is, therefore, necessary that steps should be taken to ensure that the client is always given the choice of getting his physical shares back in case he wants to do so. He should not be discouraged on his account and the companies should entertain the request within the reasonable time.

iv) Uniformity of codes of Securities

In Stock Exchanges, securities have different codes and in Depositories, securities have ISIN number. Steps can be taken to ensure that the uniform codes are followed in every institution of the country. This may result into adoption of ISIN numbers in the Stock Exchanges also. If uniformity of codes of securities are introduced, lot of confusion regarding the codes can be avoided from the minds of the investors.

v) Framing of Stringent rules

There are Companies, which are not following the procedures, laid down in the Depository Agreement. These Companies don't
send the Dematerialised shares in the account for months. Together, they are shaking the confidence of the investors in the whole system. The regulator and the NSDL should ensure that the rules framed are followed in the right spirit. The Companies, which are not following the rules, should be imposed heavy penalty or debarred. These Companies are making mockery of the processes and procedures. The sanctity of the system should be maintained in every case and at all costs. No body should be allowed to play with the spirit of the law.

vi) Increase the Applicability

The regulator should ensure that all the companies adopt the Demat System. There are Companies, which have not entered into the agreement with any of the Depositories. Steps should be taken to ensure that these Companies also enter into the agreement at the earliest. The investors of these Companies are feeling a lot of inconvenience, as they are not able to take the advantages, offered by the Depository System.

vii) Investors Education

The investors should be properly educated about rules and procedures of the Depository System and their implications. The Depositories and the intermediaries should ensure that the investors, dealing with them, are properly educated about their rights and
duties in the Demat System. Most of the investors are still not aware the functioning of the System. In the process, if they suffer any loss due to their ignorance, they blame the system. Therefore, it is necessary to educate the investors. The NSDL has been conducting Investors Depository Meets (IDMs) since 2001 in cities and towns.

viii) Training of Staff

The staff of the Depository Participants should be properly trained to serve the needs of the investors. It is observed that the staff deployed by the DPs is not trained. SEBI has taken steps to ensure by asking Depository Participants to have at least one NCFM qualified person in every branch. But this is not followed in the right spirit because the qualified person costs high and, therefore, the DPs employ unqualified persons to save costs. In the branches, where DPs have staff of 10 persons, and only one is NCFM qualified, then the branch may not be serving the investors adequately.

ix) Online Connectivity

Every DP is not having online connectivity at every branch. It is considered to be very costly affair to have the connectivity at every branch/center. But it is important from the investor's point of view. There is no uniformity between the practices at various
Depository Participants. Some Depository Participants are processing the transaction at branch offices and some are sending it to their Head office. This confusion leads to uncertainty in the mind of the investors, which is not right. Therefore, steps should be taken to ensure that there is uniformity between the practices of the Depository Participants.

x) **Awareness of the Websites**

The regulator and the NSDL should ensure that the investors are properly educated about the use of the websites. Websites offer a lot of information and accessing that information is cost effective also. The Depository Participants should also make sincere efforts to develop this habit for their clients. The use of websites will prove to be cost effective for all the parties. The investors should be encouraged to view their transactions / holdings through websites. This will save a lot of time of the Depository Participants, which they can utilise for other important functions.

xi) **Custody fee for non-tradeable securities should be abolished**

This is another problem caused by the malfunctioning of the Companies. In case, a client has got some shares and that are not traded in Stock Exchanges for one reason or the other, in that case, the securities are worthless but at the same time, the client has to pay custody fee on those securities every month. These charges
can be made non applicable if the securities are not traded on any Stock Exchange.

xii) Imparting of Knowledge about nomination facility to be made compulsory & the nomination procedure should be made comparable with banking system

Most of the time the investors don't give importance to the nomination in their Demat Accounts. This facility should be given due importance by the Depository Participants and they should, in turn, guide the investors about the advantages of the nomination. Generally, the nomination facility is not being told to the clients and they are also not encouraged to opt for the same. The procedure for getting nomination registered is difficult than the banking system. In banks, the signatures of the nominee and the photograph are not required, whereas in the Demat Account, both of these things are a must. If one can have nomination in bank account, why should he be asked to go through different processes to nominate in Demat Account. The process should, therefore, be made uniform in Bank Account and Demat Accounts.

xiii) Encouragement to ECS Facility

The investors should be properly educated to make use of ECS facility, offered by the banks, to get dividends/redemptions from the Companies. The authorities should also take necessary steps
to ensure that the ECS facility is provided to all the investors, irrespective of the fac', whether they are based in specific cities or otherwise. In that case, the problem of lost warrants, unclaimed dividends, etc. will be sorted out and the investors will also be able to take advantage of the electronic funds remittances as well as the electronic transfer of securities.

xiv) Adequate disclosure practices

The regulator should ensure that the companies are providing adequate information to the investors. Efforts should be made by SEBI to ensure better corporate governance in the companies. If adequate information is provided to the investors, only then they can make judicious informed decisions regarding the securities they hold.

xv) More Powers should be given to SEBI

SEBI has been able to bring Indian Stock markets almost at par with the international securities markets. There is a general tendency that when something goes wrong with the markets, SEBI is blamed for it. The regulator can control systematic and operational risks, but not the frauds. There is a need to empower the regulatory authority further. The punishment that the regulatory body awards should be strong enough to deter people doing the same kind of acts in the future.
xvi) Separate Identification Number should be given to Non Voting Shares

NSDL should adopt a system of allotting separate Identification Numbers or codes for non-voting shares. This will facilitate the functioning of Demat System efficiently.

xvii) Net Worth Limit should be raised

The networth for becoming a Depository Participant should be raised from 1 crore to 5 crores. It will reduce the possibility of frauds made by brokers Depository Participants.

xviii) Choice should be given to Investors for transferring/selling securities

In selling/transferring securities, the FIFO method should not be adopted. Instead, the choice should be given to investors as to which securities he/she wants to sell or transfer.

xix) Facility of Inter-Depository Pledge

NSDL and CDSL, both Depositories, should extend the Inter-Depository pledge facility to the investors. This will facilitate the investors for taking 1 crore credit facility from the Dematerialised shares.