

# What Is Demat Account

We all know about savings accounts with banks. It allows easy access to our funds while offering security from theft and mishandling. A Demat account does the same for investors. Nowadays, the Demat account is a prerequisite for stock investment.

Demat Account is an account that is used to hold shares and securities in electronic format. The full form of Demat account is a dematerialised account. The purpose of opening a Demat account is to hold shares that have been bought or dematerialised (converted from physical to electronic shares), thus making share trading easy for the users during online trading.

In India, depositories such as NSDL and CDSL provide Free Demat account services. Intermediaries, depository participants or stockbrokers - like Indo Thai Securities Limited - facilitate these services. Each intermediary may have Demat account charges that vary as per volume held in the account, type of subscription, and terms and conditions between a depository and a stockbroker.

## What is Demat account?

A Demat Account or Dematerialised Account provides the facility of holding shares and securities in an electronic format. During online trading, shares are bought and held in a Demat Account, thus, facilitating easy trade for the users. A Demat Account holds all the investments an individual makes in shares, government securities, exchange-traded funds, bonds and mutual funds in one place.

Demat enabled the digitisation process of the Indian stock trading market and enforced better governance by SEBI. In addition, the Demat account reduced the risks of storing, theft, damage, and malpractices by storing securities in electronic format. It was first introduced in 1996 by NSE. Initially, the account opening process was manual, and it took investors several days to get it activated. Today, one can open a Demat account online in 5 mins. The end-to-end digital process has contributed to popularizing Demat, which skyrocketed in the pandemic.

## What is dematerialisation?

Dematerialisation is the process of converting the physical share certificates into electronic form, which is a lot easier to maintain and is accessible from anywhere throughout the world. An investor who wants to trade online needs to open a Demat with a Depository Participant (DP). The purpose of dematerialisation is to eliminate the need for the investor to hold physical share certificates and facilitating a seamless tracking and monitoring of holdings.

Earlier, the share certificate issuance process was time-consuming and cumbersome, which Demat has helped transform by speeding the entire process and storing security certificates in digital format. Once your Demat account is active, you can convert paper certificates into digital format by submitting all your physical securities along with a Dematerialisation Request Form (DRF). Also, remember to deface each physical certificate by mentioning 'Surrendered for Dematerialisation' on it. You will receive an acknowledgement slip when you surrender your share certificates.

# Mandatory KYC attributes for Demat account

Realising the importance of KYC (Know Your Customer), concerned depositories have asked investors with Demat accounts to complete their KYC process. But what is KYC? KYC is the process of identifying and verifying the authenticity of a customer. It helps in bringing transparency by eliminating unlawful practices. All the Demat account holders must mandatorily update 6 KYC attributes to continue trading or investing using their Demat accounts. To make it easy for the users and the regulators, online KYC has now become a trend.

## 6 attributes of KYC

Fields that need to be mandatorily filled by the participants are,

### 1. Name

The name you provide should match with the name on your PAN card, that is, the name as on the income tax site

### 2. Address

Make sure your address matches with the one on the address proof provided (Refer KYC checklist to know the documents accepted)

### 3. PAN

Clients must submit a PAN card to continue transacting in the stock market. Checklist for a valid PAN:

- PAN should be seeded with Aadhar Card. If it is not linked to Aadhaar Card till the date specified by the government, it won't be considered a valid PAN.
- Online PAN verification can be done using the Income Tax database.

### 4. Mobile Number

Make sure the following pointers are taken care of while entering your mobile number.

- Enter a valid 10-digit mobile number of your own
- If your mobile number is linked to more than 1 Demat account and the family flag is not updated, you'll receive a 15 days' notice to submit a modification form for the same.

Indo Thai has made the above process easy for you,

- You can send your family declaration details (Name, Relationship, PAN, Mobile number, Client Code) from your registered email to [compliance@indothai.co.in](mailto:compliance@indothai.co.in)

## **5. Email ID**

While entering your email ID, please keep in mind the following points.

- If @ is not mentioned in email ID or is mentioned multiple times, it will be invalid
- If 'Noemail', 'not provided' or 'XYZ' is filled for the email ID, it won't be considered valid
- Don't add invalid email domains

### **Points to keep in mind for mobile number and email ID**

- All the Beneficial Owner (BO) account holders must provide separate email ids and mobile numbers
- As a BO, if you want to update the mobile number and email address of your family members, you can do so – by submitting a written declaration
- Please note that only self, spouse, dependent parents and dependent children are considered as a family for this purpose

### **Verification of mobile number and email ID**

- You will receive an SMS and an email for electronic confirmation of both
- Once the verification is done, a 'verified' flag will be enabled against your mobile number and email ID
- In case mobile number or email ID cannot be verified, your account will be considered non-compliant

## **6. Income Range**

Declaring income range has been made mandatory by the depository participants. You will need to fill and submit Form 9 (Account opening form for individuals) or Form 11 (for non-individuals) to specify the income range. The income range options for the individuals and non-individuals in these forms are mentioned in the table below.

<b>Individuals (Form 9)</b>	<b>Non-Individuals (Form 11)</b>
Below Rs. 1 lac	Below Rs. 20 lacs
Rs. 1 lac to Rs. 5 lacs	Rs. 20 lacs to Rs. 50 lacs

Rs. 5 lacs to Rs. 10 lacs	Rs. 50 lacs to Rs. 1 crore
Rs. 10 lacs to Rs. 25 lacs	More than Rs. 1 crore
More than Rs. 25 lacs	

### **What is the deadline to update your KYC?**

In this context, Government of India vide press release dated March 28, 2023 has extended the timeline of linking of PAN and Aadhar upto June 30, 2023.

“In order to provide some more time to the taxpayers, the date for linking PAN and Aadhaar has been extended to 30<sup>th</sup> June, 2023, whereby persons can intimate their Aadhaar to the prescribed authority for Aadhaar - PAN linking without facing repercussions”

### **Freezing of Folios without PAN, KYC details and Nomination**

The folios wherein any one of the above cited document/details not available on or after October 01, 2023 shall be frozen by the RTA

For any payment including dividend, interest or redemption payment in respect of such frozen folios, only through electronic mode with effect from April 01, 2024. An intimation shall be sent by the Listed Company to the security holder that such payment is due and shall be made electronically only upon complying with the requirements stated above

Frozen folios shall be referred by the RTA / listed company to the administering authority under the Benami Transactions (Prohibitions) Act, 1988 and/or Prevention of Money Laundering Act, 2002, if they continue to remain frozen as on December 31, 2025

### **Conclusion**

This initiative by the regulators and depositors will ultimately benefit clients like us. It will help minimise the risk and save you from fraudulent activities. If you haven't already updated your KYC.