UpperCrust
THE WEALTH COMPANY

NISM CERTIFICATION · COMPLETE STUDY GUIDE

NISM Series VI

Depository Operations

How depositories, depository participants and demat accounts work: opening, transfer, pledge, settlement, corporate actions and debt.

100 QUESTIONS · 120 MINUTES · PASS 60% · 12 UNITS

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ABOUT THIS GUIDE

Everything you need, in one place.

NISM Series VI is the certification for people who work in depository operations in India. It covers the securities market and the depository system, the roles of depositories and depository participants (DPs), and every day-to-day DP function: account opening, transmission and nomination, dematerialisation, trading and settlement, pledge, corporate actions, public issues and debt securities. Short units on FPIs, FPIs and basic services demat accounts close the syllabus.

100	120 min	60%	25% of marks
QUESTIONS	DURATION	TO PASS	NEGATIVE MARKING

Who should take this exam

Staff of depository participants, stock brokers, banks and custodians, back-office and compliance teams, and anyone who wants a clear picture of how securities are held, moved and settled in electronic form.

How this guide works



Each unit opens with its exam weight, so you know where marks are. Each concept card gives the idea, a worked example, and the mistake the exam wants you to make. The same ideas power the five mock tests on the UpperCrust Academy app, which get harder one by one.

Keep this in mind

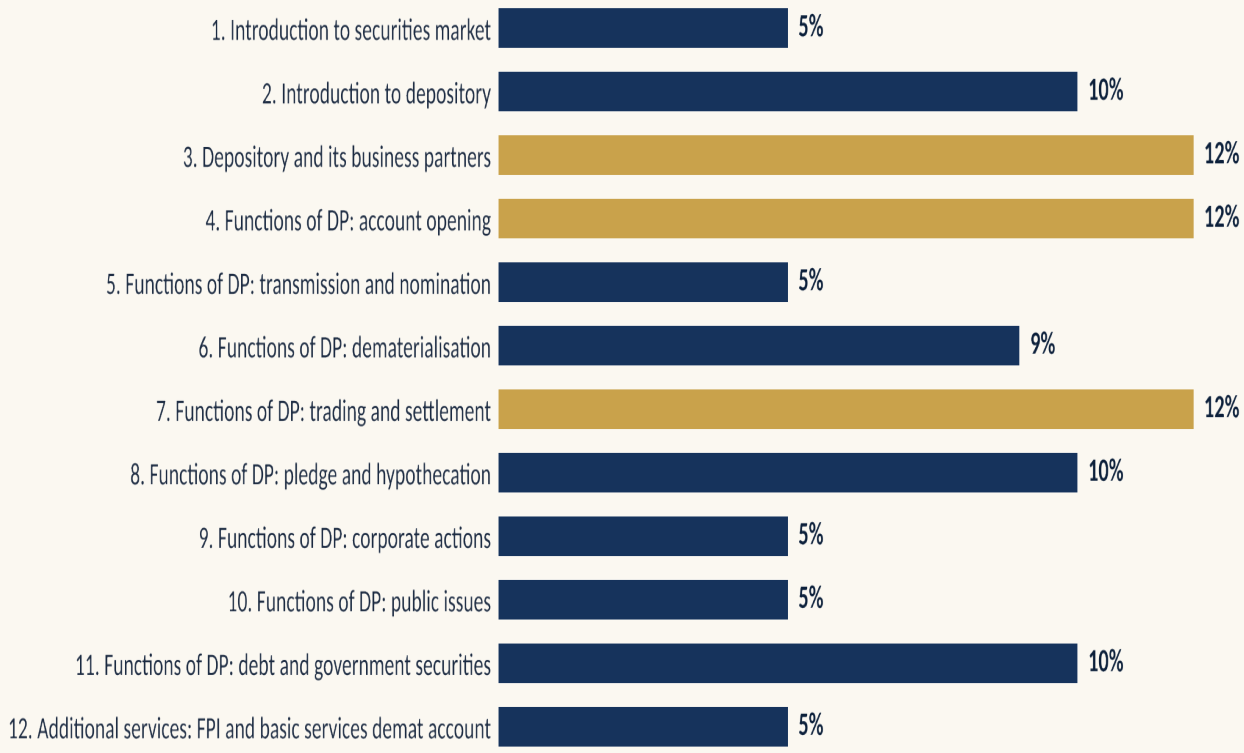
NISM revises its syllabus and workbook from time to time, and rules change by SEBI circular. This guide follows the official unit structure and weightage. Check the latest NISM workbook for any changes before your exam date.

EXAM AT A GLANCE

Structure and marks.

Item	Detail
Format	Computer-based, multiple-choice questions
Questions and marks	100 questions, 1 mark each, 100 marks
Duration	2 hours
Passing score	60 marks (60%)
Negative marking	25% of a question's marks, so 0.25 per wrong answer
Certificate validity	Three years; renew through NISM
Where it leads	Operational roles at depository participants and in depository operations

Where the marks are



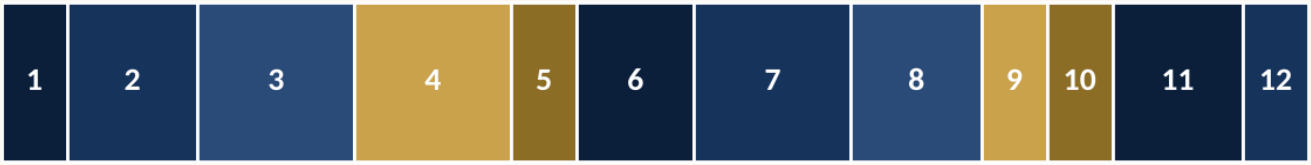
Read the chart like an examiner

Units above 10% decide most results. Master them first, then use the small units for easy marks. A unit worth 3% still supplies three marks at no extra effort once you have the concepts.

YOUR STUDY PLAN

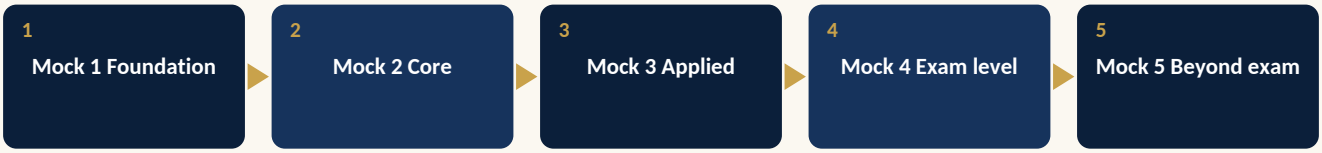
Time follows marks.

The bar shows how the exam is split across units. Spend your hours in the same proportion.



Unit	Marks	Share of study time	Suggested days
1. Introduction to securities market	5	5%	1
2. Introduction to depository	10	10%	2
3. Depository and its business partners	12	12%	3
4. Functions of DP: account opening	12	12%	3
5. Functions of DP: transmission and nomination	5	5%	1
6. Functions of DP: dematerialisation	9	9%	2
7. Functions of DP: trading and settlement	12	12%	3
8. Functions of DP: pledge and hypothecation	10	10%	2
9. Functions of DP: corporate actions	5	5%	1
10. Functions of DP: public issues	5	5%	1
11. Functions of DP: debt and government securities	10	10%	2
12. Additional services: FPI and basic services demat account	5	5%	1
Revision and five mocks			7

The mock ladder



Take Mock 1 after your first pass through the guide. Move to the next mock only when you score 15 marks above the pass mark. Review every wrong answer in the app; each one links back to its unit.

UNIT 1 · 5% OF THE EXAM

Introduction to securities market

The market that the depository system serves: what securities are, who issues and trades them, and who regulates the market.

What the exam looks for

- Primary and secondary markets.
- Market participants.
- Role of SEBI.
- Rolling settlement.

Concept cards

01

Securities

Securities include shares, debentures, government securities, units of mutual funds and similar instruments that can be issued and traded.

EXAMPLE A share of a listed company and a government bond are both securities.

WATCH OUT Not true: only shares are securities.

02

Primary market

The primary market is where new securities are issued by companies to raise funds directly from investors.

EXAMPLE A company launches an initial public offer to raise capital.

WATCH OUT Not true: the primary market is where existing shares are traded among investors.

03

Secondary market

The secondary market is where already-issued securities are bought and sold between investors, on stock exchanges.

EXAMPLE An investor sells her listed shares through a broker on an exchange.

WATCH OUT Not true: the secondary market raises fresh capital for the issuer.

04

Stock exchange

A stock exchange provides a platform on which members trade securities under rules and surveillance.

EXAMPLE Trades in listed shares are executed on a recognised exchange.

WATCH OUT Not true: a stock exchange issues shares to the public.

05

Clearing corporation

A clearing corporation guarantees and settles trades made on an exchange, managing the obligations of members.

EXAMPLE The clearing corporation works out what each broker must pay or deliver.

WATCH OUT Not true: the clearing corporation holds investors' securities in demat form.

06 Rolling settlement

In rolling settlement every trade is settled a fixed number of working days after the trading day; equity trades settle on a T+1 basis.

EXAMPLE A share bought on Monday is settled on the next working day.

WATCH OUT Not true: a weekly account period settles all trades together on Friday.

07 Role of SEBI

SEBI regulates the securities market, protects investors and promotes market development.

EXAMPLE SEBI frames the rules that depositories and DPs must follow.

WATCH OUT Not true: sEBI trades securities on behalf of investors.

08 Market intermediaries

Intermediaries such as brokers, depository participants, merchant bankers and registrars help investors use the market.

EXAMPLE An investor needs a broker to trade and a DP to hold shares.

WATCH OUT Not true: investors can trade on an exchange without any intermediary.

Unit recap · one line each

Securities · Primary market · Secondary market · Stock exchange · Clearing corporation · Rolling settlement · Role of SEBI · Market intermediaries

UNIT 2 · 10% OF THE EXAM

Introduction to depository

Why depositories exist, the law behind them, and how holding securities electronically differs from holding certificates.

What the exam looks for

- Problems of physical securities.
- Depositories Act, 1996.
- NSDL and CDSL.
- Beneficial owner and registered owner.

Concept cards

01

Depository

A depository is an organisation that holds securities of investors in electronic form and facilitates their transfer through book entries.

EXAMPLE An investor's shares are held as electronic records instead of paper certificates.

WATCH OUT Not true: a depository is a stock exchange that lists new companies.

02

Problems of physical securities

Physical certificates carry risks of loss, theft, forgery, bad delivery and delay in transfer and paperwork.

EXAMPLE A certificate lost in transit has to be replaced with effort and cost.

WATCH OUT Not true: physical certificates cannot be lost or forged.

03

Depositories Act, 1996

The Depositories Act, 1996 provides the legal framework for depositories, dematerialisation and the transfer of securities by book entry.

EXAMPLE The Act lets securities be held and transferred without certificates.

WATCH OUT Not true: the Act applies only to physical securities.

04

NSDL and CDSL

India has two depositories, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

EXAMPLE An investor may open her demat account with a DP linked to either depository.

WATCH OUT Not true: india has a single depository for all securities.

05

Beneficial owner

The beneficial owner (BO) is the person whose name appears in the depository's records as the owner of the securities and who enjoys their benefits.

EXAMPLE The investor receives dividends and votes on her demat shares.

WATCH OUT Not true: the depository enjoys the benefits of securities held by BOs.

06

Registered owner

In the issuer's books the depository appears as the registered owner of dematerialised securities but holds them for the beneficial owner.

EXAMPLE The company's register shows NSDL as holder of shares held in demat form.

WATCH OUT Not true: the registered owner has voting rights over the shares.

07

Fungibility

Securities held in a depository are fungible, so no distinguishing numbers or certificate marks are kept for individual securities.

EXAMPLE Any 10 shares of a company are equal to another 10 shares of the same company.

WATCH OUT Not true: each demat share keeps its own distinctive number.

08

Benefits of the depository system

Holding in demat form saves time, avoids bad delivery, reduces paperwork, allows trading in single-share lots and speeds up transfer.

EXAMPLE An investor can sell a single share without any certificate.

WATCH OUT Not true: demat holding makes transfers slower than physical holding.

09

Depository versus bank

A depository holds securities of investors just as a bank holds their money, and transfers move by book entry.

EXAMPLE Shares move from one demat account to another like money between bank accounts.

WATCH OUT Not true: a depository pays interest on securities held with it.

Unit recap · one line each

Depository · Problems of physical securities · Depositories Act, 1996 · NSDL and CDSL · Beneficial owner · Registered owner · Fungibility · Benefits of the depository system · Depository versus bank

UNIT 3 · 12% OF THE EXAM

Depository and its business partners

Who the depository works with: depository participants, issuers, registrars, clearing corporations and exchanges, and how DPs are admitted and supervised.

What the exam looks for

- Who can become a DP.
- Depository participant functions.
- Issuer and registrar.
- Clearing corporation and clearing member.

Concept cards

01

Depository participant

A depository participant (DP) is an agent of the depository through which investors access depository services, such as opening BO accounts.

EXAMPLE A bank branch acts as a DP and opens demat accounts for its customers.

WATCH OUT Not true: a DP is an agent of the investor and not of the depository.

02

Eligibility to be a DP

Entities such as banks, public financial institutions, custodians, clearing corporations, stock brokers, NBFCs and registrars can become DPs, subject to net worth norms and approval.

EXAMPLE A SEBI-registered stock broker applies to become a DP.

WATCH OUT Not true: any individual can become a DP without registration.

03

DP registration

A DP must be registered with SEBI and admitted by the depository, and must meet net worth and other requirements.

EXAMPLE A stock broker obtains SEBI registration before acting as a DP.

WATCH OUT Not true: a DP is registered with the depository only.

04

Depository and DP agreement

The DP enters into an agreement with the depository, and the BO enters into an agreement with the DP when opening an account.

EXAMPLE A new account holder signs account-opening documents with the DP.

WATCH OUT Not true: the BO deals directly with the depository and signs nothing with the DP.

05

Issuer

An issuer is the company or body that issues securities and may offer them in demat form through the depository.

EXAMPLE A listed company makes its shares available in dematerialised form.

WATCH OUT Not true: the issuer holds securities of BOs.

06

Registrar and transfer agent

A registrar and transfer agent maintains the issuer's records and handles share transfers and demat requests for the issuer.

EXAMPLE The registrar confirms a demat request and updates the issuer's records.

WATCH OUT Not true: the registrar opens demat accounts for investors.

07

Clearing corporation and clearing member

The clearing corporation settles exchange trades, and clearing members hold accounts with it to settle obligations on behalf of brokers and clients.

EXAMPLE A clearing member delivers shares to the clearing corporation on the settlement day.

WATCH OUT Not true: the clearing corporation deals directly with each investor.

08

Inspection and supervision

Depositories inspect DPs, monitor compliance and can take action for violations, and SEBI oversees the system.

EXAMPLE The depository audits a DP's records and procedures.

WATCH OUT Not true: dPs are not subject to inspection.

09

Segregation of client assets

A DP must keep investors' securities separate from its own and cannot use client securities for its own benefit.

EXAMPLE A broker-DP keeps its own demat account separate from clients' accounts.

WATCH OUT Not true: a DP may use clients' securities for its own dealings.

Unit recap · one line each

Depository participant · Eligibility to be a DP · DP registration · Depository and DP agreement · Issuer · Registrar and transfer agent · Clearing corporation and clearing member · Inspection and supervision · Segregation of client assets

UNIT 4 · 12% OF THE EXAM

Functions of DP: account opening

How a demat (beneficial owner) account is opened: forms, KYC, documents, types of accounts, statements and closure.

What the exam looks for

- Account opening process.
- KYC and PAN.
- Types of accounts.
- Statements and tariff.

Concept cards

01

Beneficial owner account

A beneficial owner (BO) account, or demat account, holds securities in electronic form and is opened with a DP.

EXAMPLE An investor opens a demat account with a bank DP.

WATCH OUT Not true: a demat account can be opened directly with the issuer.

02

Account opening form and agreement

The investor completes an account opening form and signs the agreement setting out the rights and obligations of the BO and the DP.

EXAMPLE A new client signs the account opening form and the standard rights and obligations document.

WATCH OUT Not true: a verbal agreement is enough to open a demat account.

03

KYC and PAN

Opening an account requires KYC compliance, with PAN, proof of identity and proof of address, and PAN is mandatory.

EXAMPLE A client submits her PAN card and address proof with the form.

WATCH OUT Not true: an account can be opened without PAN.

04

Account holder

An investor can hold more than one demat account, with the same or different DPs, and the first holder in a joint account is the primary holder.

EXAMPLE A client holds one account for trading and another for long-term holding.

WATCH OUT Not true: an investor may hold only one demat account in India.

05

Types of accounts

Demat accounts may be opened by individuals, joint holders, HUFs, companies, trusts, NRIs and minors through a guardian.

EXAMPLE A parent opens a demat account for her minor child as natural guardian.

WATCH OUT Not true: only adults acting alone may open demat accounts.

06

BO ID

Every account has a unique BO ID: for NSDL a DP ID beginning with 'IN' followed by an 8-digit client ID, and for CDSL a 16-digit ID of DP ID and client ID.

EXAMPLE An investor quotes her 16-digit ID in a trade instruction.

WATCH OUT Not true: the BO ID is the same for all of an investor's accounts.

07

Transaction and holding statements

A DP sends a statement of transactions at least monthly when there are transactions, and a statement of holdings at least quarterly otherwise.

EXAMPLE An account with trades receives a monthly statement.

WATCH OUT Not true: a DP need not send any statements.

08

Tariff and charges

The DP must disclose its tariff and cannot charge beyond what it has disclosed; it levies charges such as annual maintenance and debit transaction fees.

EXAMPLE The tariff sheet lists the annual maintenance charge.

WATCH OUT Not true: a DP may add hidden charges at its own choice.

09

Account closure

A BO can close the account by request after transferring securities, and a DP can close an account only by giving notice to the BO.

EXAMPLE A BO moves holdings to another account and closes the first.

WATCH OUT Not true: a DP can close an account without notice to the BO.

10

Power of attorney and DDPI

A BO may authorise a broker or another person to act through a power of attorney or demat debit and pledge instruction, which is optional and must follow SEBI rules.

EXAMPLE A client signs a DDPI so her broker can deliver shares for settlement.

WATCH OUT Not true: a power of attorney is mandatory to open a demat account.

11

Change of details

A BO may change address, bank details, signature or nomination by sending a request with supporting documents to the DP.

EXAMPLE A client updates her address with fresh proof.

WATCH OUT Not true: details cannot be changed after the account is opened.

Unit recap · one line each

Beneficial owner account · Account opening form and agreement · KYC and PAN · Account holder · Types of accounts · BO ID · Transaction and holding statements · Tariff and charges · Account closure · Power of attorney and DDPI · Change of details

UNIT 5 · 5% OF THE EXAM

Functions of DP: transmission and nomination

What happens to securities on the death of a holder: nomination, transmission, and the documents needed.

What the exam looks for

- Nomination.
- Transmission.
- Joint holders.
- Documents.

Concept cards

01

Nomination

Nomination lets an account holder name a person who will receive the securities if the holder dies.

EXAMPLE A holder names her son as nominee when opening the account.

WATCH OUT Not true: a nominee becomes owner of the securities while the holder is alive.

02

Number of nominees

SEBI allows an investor to nominate up to ten persons for a demat account, with the percentage share of each specified.

EXAMPLE An investor splits holdings among three nominees in stated proportions.

WATCH OUT Not true: only one nominee is permitted for a demat account.

03

Transmission

Transmission is the transfer of securities to a person by operation of law, such as on the death of a holder, and not by sale or gift.

EXAMPLE Securities of a deceased holder pass to the nominee or legal heir.

WATCH OUT Not true: transmission is a transfer for consideration.

04

Joint holders

On the death of one joint holder, the surviving joint holder is recognised as the holder of the securities.

EXAMPLE The second holder continues to hold the securities after the first holder's death.

WATCH OUT Not true: the securities of a joint account are frozen permanently on a holder's death.

05

Documents for transmission

A transmission request needs a claim form, an attested death certificate and identity and KYC details of the claimant, with extra documents when there is no nominee.

EXAMPLE The nominee submits the death certificate with her claim.

WATCH OUT Not true: no documents are required for transmission.

06

Nominee and legal heir

A nominee receives the securities as a trustee for the legal heirs when the law provides so, while a legal heir has a right under succession law.

EXAMPLE A nominee must account to the legal heirs where succession rules say so.

WATCH OUT Not true: a nominee always owns the securities outright against other legal heirs.

07

Nomination for minors

A nominee may be a minor, with a guardian appointed to act for her.

EXAMPLE A holder nominates her grandchild and names the child's guardian.

WATCH OUT Not true: a minor cannot be a nominee under any circumstance.

Unit recap · one line each

Nomination · Number of nominees · Transmission · Joint holders · Documents for transmission · Nominee and legal heir · Nomination for minors

UNIT 6 · 9% OF THE EXAM

Functions of DP: dematerialisation

Converting physical certificates into electronic holdings and back again.

What the exam looks for

- Demat process.
- Remat.
- ISIN.
- Physical share transfer rules.

Concept cards

01

Dematerialisation

Dematerialisation is converting physical securities into electronic form and crediting them to the investor's demat account.

EXAMPLE An investor surrenders paper certificates and receives the same shares electronically.

WATCH OUT Not true: dematerialisation is converting electronic securities into paper.

02

Demat request form

The investor fills a demat request form (DRF) and submits it with the certificates to the DP.

EXAMPLE A holder hands over certificates with a DRF.

WATCH OUT Not true: a DRF is submitted to the stock exchange.

03

Defacing certificates

The DP marks the certificates 'Surrendered for dematerialisation' and sends them with the request to the issuer or registrar.

EXAMPLE The certificates are stamped so they cannot be used again.

WATCH OUT Not true: the certificates are returned to the investor after the demat request.

04

Role of the registrar in demat

The registrar verifies the request and certificates, cancels them, confirms to the depository, and the depository credits the account.

EXAMPLE The registrar confirms and the account is credited with electronic securities.

WATCH OUT Not true: the DP credits the account before the registrar confirms.

05

Rematerialisation

Rematerialisation converts demat holdings back into physical certificates at the investor's request.

EXAMPLE A holder asks for paper certificates through a remat request form.

WATCH OUT Not true: rematerialisation is the same as dematerialisation.

06

ISIN

An ISIN is a unique 12-character international securities identification number, allotted to each security, which begins with 'IN' for Indian securities.

EXAMPLE A company's equity shares and its debentures carry different ISINs.

WATCH OUT Not true: one ISIN applies to all securities of an issuer.

07

Physical transfer restriction

SEBI does not permit the transfer of listed securities in physical form, other than for transmission and transposition, so securities must be dematerialised before transfer.

EXAMPLE A holder of paper shares must demat before she can sell them.

WATCH OUT Not true: physical shares can be transferred freely for any purpose.

08

Transposition

Transposition is a change in the order of names of joint holders, and it is done by the issuer or registrar.

EXAMPLE Joint holders swap the sequence of their names.

WATCH OUT Not true: transposition means a transfer of securities to a new holder.

09

Name matching

The names and order on the certificates must match the demat account, and unmatched requests are rejected or need further steps.

EXAMPLE A DRF is rejected because the certificate name differs from the account name.

WATCH OUT Not true: the names on certificates need not match the demat account.

Unit recap · one line each

Dematerialisation · Demat request form · Defacing certificates · Role of the registrar in demat · Rematerialisation · ISIN · Physical transfer restriction · Transposition · Name matching

UNIT 7 · 12% OF THE EXAM

Functions of DP: trading and settlement

How securities move after a trade: on-market and off-market transfers, delivery instructions, pay-in and pay-out, and the settlement cycle.

What the exam looks for

- Delivery instruction slip.
- On-market and off-market.
- Pay-in and pay-out.
- T+1 settlement.

Concept cards

01

Settlement cycle

Equity trades on exchanges settle on a T+1 rolling basis, meaning one working day after the trade day.

EXAMPLE A trade made on Tuesday settles on Wednesday.

WATCH OUT Not true: equity trades settle on T+5.

02

Delivery instruction slip

The BO gives a signed delivery instruction slip (DIS), issued by the DP in a booklet with pre-printed serial numbers, to debit securities from her account.

EXAMPLE A client submits a DIS to deliver shares for a sale.

WATCH OUT Not true: a DIS is used to credit securities to an account.

03

Electronic delivery instruction

BOs can give delivery instructions online using e-DIS authorised by a TPIN and one-time password.

EXAMPLE A client authorises delivery through the depository's online facility.

WATCH OUT Not true: online instructions need no authorisation.

04

On-market transfer

An on-market transfer settles a trade executed on a stock exchange, with delivery through the clearing corporation.

EXAMPLE A seller's securities move to the clearing corporation for settlement of her trade.

WATCH OUT Not true: an on-market transfer happens only between two relatives.

05

Off-market transfer

An off-market transfer is a transfer of securities directly between two BOs without a trade on an exchange, such as a gift or family transfer.

EXAMPLE A father transfers shares to his daughter's account directly.

WATCH OUT Not true: an off-market transfer settles through the stock exchange's clearing corporation.

06

Inter-depository transfer

An inter-depository transfer moves securities between accounts held with different depositories.

EXAMPLE A holder shifts shares from an NSDL account to a CDSL account.

WATCH OUT Not true: securities cannot be moved between NSDL and CDSL accounts.

07

Pay-in and pay-out

Pay-in is the delivery of securities to the clearing corporation by sellers, and pay-out is the delivery of securities from it to buyers.

EXAMPLE The seller's DP delivers shares at pay-in and the buyer receives them at pay-out.

WATCH OUT Not true: pay-in is the delivery of securities to the buyer.

08

Early pay-in

Securities may be delivered at the usual pay-in time or earlier, called early pay-in, and the DP processes instructions before the deadline.

EXAMPLE A seller delivers shares a day before the settlement day.

WATCH OUT Not true: delivery can be made only on the settlement day itself.

09

Failed instructions

An instruction fails if securities are insufficient, the account is frozen or details are wrong, and the DP must tell the BO or correct it.

EXAMPLE A delivery fails because the account holds fewer shares than needed.

WATCH OUT Not true: a failed delivery is carried out anyway.

10

Freeze or suspension

A BO or an authority can freeze an account or particular securities, with a debit freeze stopping outgoing transfers and a total freeze stopping both debits and credits.

EXAMPLE A debit freeze stops sales but allows credits.

WATCH OUT Not true: a debit freeze blocks both credits and debits.

11

Settlement guarantee and risk

The clearing corporation guarantees the settlement of exchange trades, which lowers counterparty risk.

EXAMPLE The buyer is protected if the seller defaults on delivery.

WATCH OUT Not true: settlement of exchange trades is not guaranteed by anyone.

Unit recap · one line each

Settlement cycle · Delivery instruction slip · Electronic delivery instruction · On-market transfer · Off-market transfer · Inter-depository transfer · Pay-in and pay-out · Early pay-in · Failed instructions · Freeze or suspension · Settlement guarantee and risk

UNIT 8 · 10% OF THE EXAM

Functions of DP: pledge and hypothecation

Using securities as collateral for loans and margins, while they stay in demat form.

What the exam looks for

- Pledge cycle.
- Hypothecation.
- Margin pledge.
- Invocation and closure.

Concept cards

01

Pledge

A pledge is the delivery of securities as security for a loan, with the pledged securities blocked in the borrower's account.

EXAMPLE A borrower pledges shares to a bank for a loan.

WATCH OUT Not true: in a pledge the lender never holds any claim on the securities.

02

Pledgor and pledgee

The pledgor is the borrower who pledges the securities and the pledgee is the lender who accepts them as security.

EXAMPLE The bank is the pledgee and the borrower is the pledgor.

WATCH OUT Not true: the pledgee is the owner who offers the securities.

03

Pledge creation and confirmation

The pledgor requests the pledge through her DP and the pledgee confirms it, so the pledge is created only after confirmation.

EXAMPLE A pledge becomes effective after the lender confirms it.

WATCH OUT Not true: a pledge is complete when the pledgor submits the request.

04

Pledge closure

When the loan is repaid, the pledgee closes the pledge, or both parties request closure, and the securities are released.

EXAMPLE After repayment, the bank closes the pledge.

WATCH OUT Not true: the pledgor can close a pledge alone without the pledgee's consent.

05

Invocation

If the pledgor defaults, the pledgee can invoke the pledge, and securities are moved to the pledgee's account.

EXAMPLE The lender invokes the pledge after repeated default.

WATCH OUT Not true: the pledgor invokes a pledge when she wants her shares back.

06

Rights of the pledgor

While securities are pledged, the pledgor continues to enjoy corporate benefits such as dividends, as the pledgor remains the beneficial owner.

EXAMPLE A borrower still receives a dividend on pledged shares.

WATCH OUT Not true: the pledgee receives all corporate benefits throughout the pledge.

07

Hypothecation

In a hypothecation, the securities remain in the borrower's account but are blocked in favour of the lender, who gets a charge without possession.

EXAMPLE A borrower hypothecates shares to a bank, which holds a charge on them.

WATCH OUT Not true: in hypothecation the lender takes the securities into its own account.

08

Margin pledge

Clients give securities as margin to brokers by creating a margin pledge in favour of the clearing member, and the clearing member may re-pledge them to the clearing corporation.

EXAMPLE A client pledges shares as margin for derivatives positions.

WATCH OUT Not true: clients must transfer shares to the broker's own account to give margin.

09

Restrictions on pledged securities

Pledged securities cannot be sold or transferred until the pledge is closed or invoked, and any partial release is handled by the pledgee.

EXAMPLE A client must first release the pledge before selling the shares.

WATCH OUT Not true: pledged shares can be sold freely by the pledgor.

Unit recap · one line each

Pledge · Pledgor and pledgee · Pledge creation and confirmation · Pledge closure · Invocation · Rights of the pledgor · Hypothecation · Margin pledge · Restrictions on pledged securities

UNIT 9 · 5% OF THE EXAM

Functions of DP: corporate actions

How benefits like dividends, bonus and splits reach demat accounts.

What the exam looks for

- Record date.
- Cash and non-cash benefits.
- Rights and buyback.

Concept cards

01

Corporate action

A corporate action is an event by an issuer, such as a dividend, bonus, split, rights issue or merger, that affects securities and holders.

EXAMPLE A company announces a bonus issue to its shareholders.

WATCH OUT Not true: a corporate action is a trade between two investors.

02

Record date

The record date is the date on which a holder must be on the company's records to be entitled to the benefit.

EXAMPLE A holder on the record date receives the dividend.

WATCH OUT Not true: the record date is the date the benefit is paid.

03

Cash benefits

Cash benefits such as dividends are paid directly to the BO's bank account, using details held by the depository or issuer.

EXAMPLE A dividend is credited to the shareholder's bank account.

WATCH OUT Not true: dividends are credited as securities to the demat account.

04

Non-cash benefits

Non-cash benefits such as bonus shares and split shares are credited to the demat account of the BO, using fresh ISINs where needed.

EXAMPLE Bonus shares appear in the demat account.

WATCH OUT Not true: bonus shares are paid by cheque.

05

Stock split

A stock split reduces the face value of a share and increases the number of shares held, without changing total value.

EXAMPLE A ₹10 share is split into two shares of ₹5 each.

WATCH OUT Not true: a split reduces the number of shares held.

06

Rights issue

In a rights issue, existing shareholders get the right to subscribe to new shares in proportion to their holdings.

EXAMPLE A holder is offered one new share for every four held.

WATCH OUT Not true: a rights issue is open only to new investors.

07

Buyback

In a buyback the company purchases its own shares from holders, and the shares tendered are debited from the BO's account.

EXAMPLE A holder tenders her shares in the company's offer.

WATCH OUT Not true: a buyback adds new shares to holders' accounts.

Unit recap · one line each

Corporate action · Record date · Cash benefits · Non-cash benefits · Stock split · Rights issue · Buyback

UNIT 10 · 5% OF THE EXAM

Functions of DP: public issues

How investors apply for public issues and receive shares in the demat account.

What the exam looks for

- IPO in demat.
- ASBA and UPI.
- Allotment and credit.
- Role of the DP.

Concept cards

01

Public issue

A public issue is an offer of securities to the public by a company for subscription, such as an initial public offer.

EXAMPLE A company offers new shares to investors at a price band.

WATCH OUT Not true: a public issue is the sale of existing shares on the exchange.

02

Initial public offer

An initial public offer (IPO) is the first public offer of shares by an unlisted company, and its securities are issued in dematerialised form.

EXAMPLE An investor applies for shares in an IPO and receives them in her account.

WATCH OUT Not true: allotment in an IPO is made in paper certificates only.

03

Demat account for applicants

An applicant in a public issue needs a demat account, and the allotment is credited to it.

EXAMPLE An investor quotes her DP ID and client ID in the application.

WATCH OUT Not true: an investor needs no demat account to apply in a public issue.

04

ASBA

Application Supported by Blocked Amount (ASBA) blocks the application money in the investor's bank account until allotment, instead of debiting it.

EXAMPLE The amount remains in the investor's account, blocked, while the bid is pending.

WATCH OUT Not true: under ASBA the money is paid out at the time of application.

05

Demat credit on allotment

Securities allotted to successful applicants are credited to their demat accounts through the registrar and depository, and the unallotted amount is released.

EXAMPLE The allotted shares appear in the account before listing.

WATCH OUT Not true: allotted shares are posted to the investor days after listing.

06

Mismatch of details

If the name or details in the application differ from the demat records, allotment can fail or be delayed, so details must match.

EXAMPLE An application with the wrong client ID is rejected.

WATCH OUT Not true: mismatched details never affect the allotment.

Unit recap · one line each

Public issue · Initial public offer · Demat account for applicants · ASBA · Demat credit on allotment · Mismatch of details

UNIT 11 · 10% OF THE EXAM

Functions of DP: debt and government securities

Holding and trading debt securities and government securities in electronic form.

What the exam looks for

- Government securities.
- Treasury bills.
- Debt in demat.
- Retail Direct.

Concept cards

01

Debt securities

Debt securities such as debentures and bonds are instruments by which an issuer borrows and pays interest, and can be held in demat form.

EXAMPLE An investor holds a corporate bond in her demat account.

WATCH OUT Not true: debt securities represent ownership in the issuer.

02

Government securities

Government securities (G-secs) are debt instruments issued by the central or state governments, and they carry the lowest credit risk.

EXAMPLE A dated government security pays a fixed coupon every half-year.

WATCH OUT Not true: government securities are issued by private companies.

03

Treasury bills

Treasury bills are short-term government securities issued at a discount and redeemed at face value, with maturities of 91, 182 and 364 days.

EXAMPLE An investor buys a 91-day bill below face value and receives face value on maturity.

WATCH OUT Not true: treasury bills pay a coupon every six months.

04

SGL account

A Subsidiary General Ledger (SGL) account with the RBI holds government securities in electronic form for eligible institutions.

EXAMPLE A bank holds its government securities in an SGL account.

WATCH OUT Not true: an SGL account is held by retail investors with a DP.

05

Constituent SGL

A Constituent SGL (CSGL) account lets a constituent hold government securities through a bank or institution that has an SGL account.

EXAMPLE A small institution holds government securities through its bank's SGL facility.

WATCH OUT Not true: a CSGL account is the same as a demat account with CDSL.

06

Retail access to G-secs

Retail investors can invest in government securities through demat accounts with a DP or through the RBI Retail Direct facility.

EXAMPLE A retail investor buys a T-bill online.

WATCH OUT Not true: retail investors are barred from holding government securities.

07

Commercial paper and debt in demat

Money market instruments such as commercial paper are issued in dematerialised form.

EXAMPLE A company's commercial paper is credited to the holder's demat account.

WATCH OUT Not true: commercial paper may be issued only in paper form.

08

Coupon and maturity

A debt security pays periodic interest, the coupon, and returns the face value on maturity, handled as a corporate action by the depository.

EXAMPLE On maturity the redemption proceeds are paid to the holder.

WATCH OUT Not true: a debt security never repays the principal.

09

Settlement of debt trades

Debt trades are settled through clearing corporations, with securities moved between demat accounts on a delivery versus payment basis.

EXAMPLE Securities and cash change hands together on settlement.

WATCH OUT Not true: debt trades are settled by physical delivery.

Unit recap · one line each

Debt securities · Government securities · Treasury bills · SGL account · Constituent SGL · Retail access to G-secs · Commercial paper and debt in demat · Coupon and maturity · Settlement of debt trades

UNIT 12 · 5% OF THE EXAM

Additional services: FPI and basic services demat account

Two smaller topics: how foreign portfolio investors hold securities, the Rajiv Gandhi Equity Savings Scheme, and the low-cost basic services demat account.

What the exam looks for

- FPI holding limits.
- BSDA eligibility and charges.

Concept cards

01

Foreign portfolio investor

A foreign portfolio investor (FPI) is a registered foreign investor who invests in Indian securities through a demat account with a DP, and who must be registered through a designated depository participant.

EXAMPLE A foreign fund registers and opens a demat account to invest in listed shares.

WATCH OUT Not true: an FPI may invest without registration or a demat account.

02

FPI investment limits

A single FPI can hold up to 10% of the paid-up capital of a company, and the combined holding of all FPIs is limited to 24%, which can be raised up to the sectoral cap.

EXAMPLE A fund keeps its stake in a company below 10%.

WATCH OUT Not true: an FPI may hold any proportion of a company.

03

Basic services demat account

A basic services demat account (BSDA) is a low-cost demat account for small investors with limited holdings, and an investor can hold only one BSDA.

EXAMPLE A small investor opens a BSDA to hold a few shares.

WATCH OUT Not true: an investor may hold several BSDAs across depositories.

04

BSDA eligibility

A BSDA is meant for an individual with only one demat account in her name, and the value of securities in it must not exceed ₹10 lakh.

EXAMPLE An investor with holdings of ₹6 lakh qualifies for a BSDA.

WATCH OUT Not true: a BSDA is available for holdings of any value.

05

BSDA charges

For a BSDA, the annual maintenance charge is nil for holdings up to ₹4 lakh and up to ₹100 plus GST for holdings above ₹4 lakh and up to ₹10 lakh.

EXAMPLE An account with ₹3 lakh pays no annual maintenance charge.

WATCH OUT Not true: a BSDA pays the same annual maintenance charge as any other account.

Unit recap · one line each

Foreign portfolio investor · FPI investment limits · Basic services demat account · BSDA eligibility · BSDA charges

QUICK REFERENCE

Numbers and formulas.

Depository and DP at a glance

Item	Rule
Depository	Holds securities in electronic form; keeps the record of beneficial owners; works through DPs
Depository participant	Agent of the depository; opens BO accounts and handles instructions
Beneficial owner (BO)	The investor who owns the securities; enjoys all rights and benefits
Registered owner	The depository appears in the issuer's records, but holds for the BO
ISIN	12-character international security identification number
BO ID (NSDL)	DP ID of 8 characters starting 'IN' plus 8-digit client ID
BO ID (CDSL)	16 digits: 8-digit DP ID plus 8-digit client ID

BSDA snapshot

Value of holdings	Maximum annual maintenance charge
Up to ₹4 lakh	Nil
Above ₹4 lakh, up to ₹10 lakh	₹100 plus GST
Above ₹10 lakh	Not eligible for BSDA

GLOSSARY

Every term, A to Z.

Term	Meaning	Unit
Account closure	A BO can close the account by request after transferring securities, and a DP can close an account only by giving notice to the BO.	4
Account holder	An investor can hold more than one demat account, with the same or different DPs, and the first holder in a joint account is the primary holder.	4
Account opening form and agreement	The investor completes an account opening form and signs the agreement setting out the rights and obligations of the BO and the DP.	4
ASBA	Application Supported by Blocked Amount (ASBA) blocks the application money in the investor's bank account until allotment, instead of debiting it.	10
Basic services demat account	A basic services demat account (BSDA) is a low-cost demat account for small investors with limited holdings, and an investor can hold only one BSDA.	12
Beneficial owner	The beneficial owner (BO) is the person whose name appears in the depository's records as the owner of the securities and who enjoys their benefits.	2
Beneficial owner account	A beneficial owner (BO) account, or demat account, holds securities in electronic form and is opened with a DP.	4
Benefits of the depository system	Holding in demat form saves time, avoids bad delivery, reduces paperwork, allows trading in single-share lots and speeds up transfer.	2
BO ID	Every account has a unique BO ID: for NSDL a DP ID beginning with 'IN' followed by an 8-digit client ID, and for CDSL a 16-digit ID of DP ID and client ID.	4
BSDA charges	For a BSDA, the annual maintenance charge is nil for holdings up to ₹4 lakh and up to ₹100 plus GST for holdings above ₹4 lakh and up to ₹10 lakh.	12
BSDA eligibility	A BSDA is meant for an individual with only one demat account in her name, and the value of securities in it must not exceed ₹10 lakh.	12
Buyback	In a buyback the company purchases its own shares from holders, and the shares tendered are debited from the BO's account.	9
Cash benefits	Cash benefits such as dividends are paid directly to the BO's bank account, using details held by the depository or issuer.	9
Change of details	A BO may change address, bank details, signature or nomination by sending a request with supporting documents to the DP.	4
Clearing corporation	A clearing corporation guarantees and settles trades made on an exchange, managing the obligations of members.	1
Clearing corporation and clearing member	The clearing corporation settles exchange trades, and clearing members hold accounts with it to settle obligations on behalf of brokers and clients.	3
Commercial paper and debt in demat	Money market instruments such as commercial paper are issued in dematerialised form.	11
Constituent SGL	A Constituent SGL (CSGL) account lets a constituent hold government securities through a bank or institution that has an SGL account.	11
Corporate action	A corporate action is an event by an issuer, such as a dividend, bonus, split, rights issue or merger, that affects securities and holders.	9
Coupon and maturity	A debt security pays periodic interest, the coupon, and returns the face value on maturity, handled as a corporate action by the depository.	11

Term	Meaning	Unit
Debt securities	Debt securities such as debentures and bonds are instruments by which an issuer borrows and pays interest, and can be held in demat form.	11
Defacing certificates	The DP marks the certificates 'Surrendered for dematerialisation' and sends them with the request to the issuer or registrar.	6
Delivery instruction slip	The BO gives a signed delivery instruction slip (DIS), issued by the DP in a booklet with pre-printed serial numbers, to debit securities from her account.	7
Demat account for applicants	An applicant in a public issue needs a demat account, and the allotment is credited to it.	10
Demat credit on allotment	Securities allotted to successful applicants are credited to their demat accounts through the registrar and depository, and the unallotted amount is released.	10
Demat request form	The investor fills a demat request form (DRF) and submits it with the certificates to the DP.	6
Dematerialisation	Dematerialisation is converting physical securities into electronic form and crediting them to the investor's demat account.	6
Depositories Act, 1996	The Depositories Act, 1996 provides the legal framework for depositories, dematerialisation and the transfer of securities by book entry.	2
Depository	A depository is an organisation that holds securities of investors in electronic form and facilitates their transfer through book entries.	2
Depository and DP agreement	The DP enters into an agreement with the depository, and the BO enters into an agreement with the DP when opening an account.	3
Depository participant	A depository participant (DP) is an agent of the depository through which investors access depository services, such as opening BO accounts.	3
Depository versus bank	A depository holds securities of investors just as a bank holds their money, and transfers move by book entry.	2
Documents for transmission	A transmission request needs a claim form, an attested death certificate and identity and KYC details of the claimant, with extra documents when there is no nominee.	5
DP registration	A DP must be registered with SEBI and admitted by the depository, and must meet net worth and other requirements.	3
Early pay-in	Securities may be delivered at the usual pay-in time or earlier, called early pay-in, and the DP processes instructions before the deadline.	7
Electronic delivery instruction	BOs can give delivery instructions online using e-DIS authorised by a TPIN and one-time password.	7
Eligibility to be a DP	Entities such as banks, public financial institutions, custodians, clearing corporations, stock brokers, NBFCs and registrars can become DPs, subject to net worth norms and approval.	3
Failed instructions	An instruction fails if securities are insufficient, the account is frozen or details are wrong, and the DP must tell the BO or correct it.	7
Foreign portfolio investor	A foreign portfolio investor (FPI) is a registered foreign investor who invests in Indian securities through a demat account with a DP, and who must be registered through a designated depository participant.	12
FPI investment limits	A single FPI can hold up to 10% of the paid-up capital of a company, and the combined holding of all FPIs is limited to 24%, which can be raised up to the sectoral cap.	12
Freeze or suspension	A BO or an authority can freeze an account or particular securities, with a debit freeze stopping outgoing transfers and a total freeze stopping both debits and credits.	7

Term	Meaning	Unit
Fungibility	Securities held in a depository are fungible, so no distinguishing numbers or certificate marks are kept for individual securities.	2
Government securities	Government securities (G-secs) are debt instruments issued by the central or state governments, and they carry the lowest credit risk.	11
Hypothecation	In a hypothecation, the securities remain in the borrower's account but are blocked in favour of the lender, who gets a charge without possession.	8
Initial public offer	An initial public offer (IPO) is the first public offer of shares by an unlisted company, and its securities are issued in dematerialised form.	10
Inspection and supervision	Depositories inspect DPs, monitor compliance and can take action for violations, and SEBI oversees the system.	3
Inter-depository transfer	An inter-depository transfer moves securities between accounts held with different depositories.	7
Invocation	If the pledgor defaults, the pledgee can invoke the pledge, and securities are moved to the pledgee's account.	8
ISIN	An ISIN is a unique 12-character international securities identification number, allotted to each security, which begins with 'IN' for Indian securities.	6
Issuer	An issuer is the company or body that issues securities and may offer them in demat form through the depository.	3
Joint holders	On the death of one joint holder, the surviving joint holder is recognised as the holder of the securities.	5
KYC and PAN	Opening an account requires KYC compliance, with PAN, proof of identity and proof of address, and PAN is mandatory.	4
Margin pledge	Clients give securities as margin to brokers by creating a margin pledge in favour of the clearing member, and the clearing member may re-pledge them to the clearing corporation.	8
Market intermediaries	Intermediaries such as brokers, depository participants, merchant bankers and registrars help investors use the market.	1
Mismatch of details	If the name or details in the application differ from the demat records, allotment can fail or be delayed, so details must match.	10
Name matching	The names and order on the certificates must match the demat account, and unmatched requests are rejected or need further steps.	6
Nomination	Nomination lets an account holder name a person who will receive the securities if the holder dies.	5
Nomination for minors	A nominee may be a minor, with a guardian appointed to act for her.	5
Nominee and legal heir	A nominee receives the securities as a trustee for the legal heirs when the law provides so, while a legal heir has a right under succession law.	5
Non-cash benefits	Non-cash benefits such as bonus shares and split shares are credited to the demat account of the BO, using fresh ISINs where needed.	9
NSDL and CDSL	India has two depositories, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).	2
Number of nominees	SEBI allows an investor to nominate up to ten persons for a demat account, with the percentage share of each specified.	5

Term	Meaning	Unit
Off-market transfer	An off-market transfer is a transfer of securities directly between two BOs without a trade on an exchange, such as a gift or family transfer.	7
On-market transfer	An on-market transfer settles a trade executed on a stock exchange, with delivery through the clearing corporation.	7
Pay-in and pay-out	Pay-in is the delivery of securities to the clearing corporation by sellers, and pay-out is the delivery of securities from it to buyers.	7
Physical transfer restriction	SEBI does not permit the transfer of listed securities in physical form, other than for transmission and transposition, so securities must be dematerialised before transfer.	6
Pledge	A pledge is the delivery of securities as security for a loan, with the pledged securities blocked in the borrower's account.	8
Pledge closure	When the loan is repaid, the pledgee closes the pledge, or both parties request closure, and the securities are released.	8
Pledge creation and confirmation	The pledgor requests the pledge through her DP and the pledgee confirms it, so the pledge is created only after confirmation.	8
Pledgor and pledgee	The pledgor is the borrower who pledges the securities and the pledgee is the lender who accepts them as security.	8
Power of attorney and DDPI	A BO may authorise a broker or another person to act through a power of attorney or demat debit and pledge instruction, which is optional and must follow SEBI rules.	4
Primary market	The primary market is where new securities are issued by companies to raise funds directly from investors.	1
Problems of physical securities	Physical certificates carry risks of loss, theft, forgery, bad delivery and delay in transfer and paperwork.	2
Public issue	A public issue is an offer of securities to the public by a company for subscription, such as an initial public offer.	10
Record date	The record date is the date on which a holder must be on the company's records to be entitled to the benefit.	9
Registered owner	In the issuer's books the depository appears as the registered owner of dematerialised securities but holds them for the beneficial owner.	2
Registrar and transfer agent	A registrar and transfer agent maintains the issuer's records and handles share transfers and demat requests for the issuer.	3
Rematerialisation	Rematerialisation converts demat holdings back into physical certificates at the investor's request.	6
Restrictions on pledged securities	Pledged securities cannot be sold or transferred until the pledge is closed or invoked, and any partial release is handled by the pledgee.	8
Retail access to G-secs	Retail investors can invest in government securities through demat accounts with a DP or through the RBI Retail Direct facility.	11
Rights issue	In a rights issue, existing shareholders get the right to subscribe to new shares in proportion to their holdings.	9
Rights of the pledgor	While securities are pledged, the pledgor continues to enjoy corporate benefits such as dividends, as the pledgor remains the beneficial owner.	8
Role of SEBI	SEBI regulates the securities market, protects investors and promotes market development.	1

Term	Meaning	Unit
Role of the registrar in demat	The registrar verifies the request and certificates, cancels them, confirms to the depository, and the depository credits the account.	6
Rolling settlement	In rolling settlement every trade is settled a fixed number of working days after the trading day; equity trades settle on a T+1 basis.	1
Secondary market	The secondary market is where already-issued securities are bought and sold between investors, on stock exchanges.	1
Securities	Securities include shares, debentures, government securities, units of mutual funds and similar instruments that can be issued and traded.	1
Segregation of client assets	A DP must keep investors' securities separate from its own and cannot use client securities for its own benefit.	3
Settlement cycle	Equity trades on exchanges settle on a T+1 rolling basis, meaning one working day after the trade day.	7
Settlement guarantee and risk	The clearing corporation guarantees the settlement of exchange trades, which lowers counterparty risk.	7
Settlement of debt trades	Debt trades are settled through clearing corporations, with securities moved between demat accounts on a delivery versus payment basis.	11
SGL account	A Subsidiary General Ledger (SGL) account with the RBI holds government securities in electronic form for eligible institutions.	11
Stock exchange	A stock exchange provides a platform on which members trade securities under rules and surveillance.	1
Stock split	A stock split reduces the face value of a share and increases the number of shares held, without changing total value.	9
Tariff and charges	The DP must disclose its tariff and cannot charge beyond what it has disclosed; it levies charges such as annual maintenance and debit transaction fees.	4
Transaction and holding statements	A DP sends a statement of transactions at least monthly when there are transactions, and a statement of holdings at least quarterly otherwise.	4
Transmission	Transmission is the transfer of securities to a person by operation of law, such as on the death of a holder, and not by sale or gift.	5
Transposition	Transposition is a change in the order of names of joint holders, and it is done by the issuer or registrar.	6
Treasury bills	Treasury bills are short-term government securities issued at a discount and redeemed at face value, with maturities of 91, 182 and 364 days.	11
Types of accounts	Demat accounts may be opened by individuals, joint holders, HUFs, companies, trusts, NRIs and minors through a guardian.	4

FINAL STRETCH

The last seven days.

Revision checklist

- [ ] Re-read units 3, 4 and 7, which carry 12% each.
- [ ] Learn the BO ID formats of NSDL and CDSL and the ISIN structure.
- [ ] Write out the pledge cycle (create, confirm, invoke, close) from memory.
- [ ] Revise the BSDA limits and AMC slabs on one page.
- [ ] Take Mock 5 timed, two hours, no breaks.

Exam-day tips

- A wrong answer costs 0.25, so guess only after you have removed two options.
- Learn the sequence of every process: creation, confirmation, execution, closure.
- Keep similar terms apart: pledge versus hypothecation, transmission versus transfer, remat versus demat.
- For 'NOT correct' questions, test each option against its rule.
- Read the settlement cycle and holding-period numbers carefully; they are easy marks.

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