

Securities Accounts System and its Legal Regulations

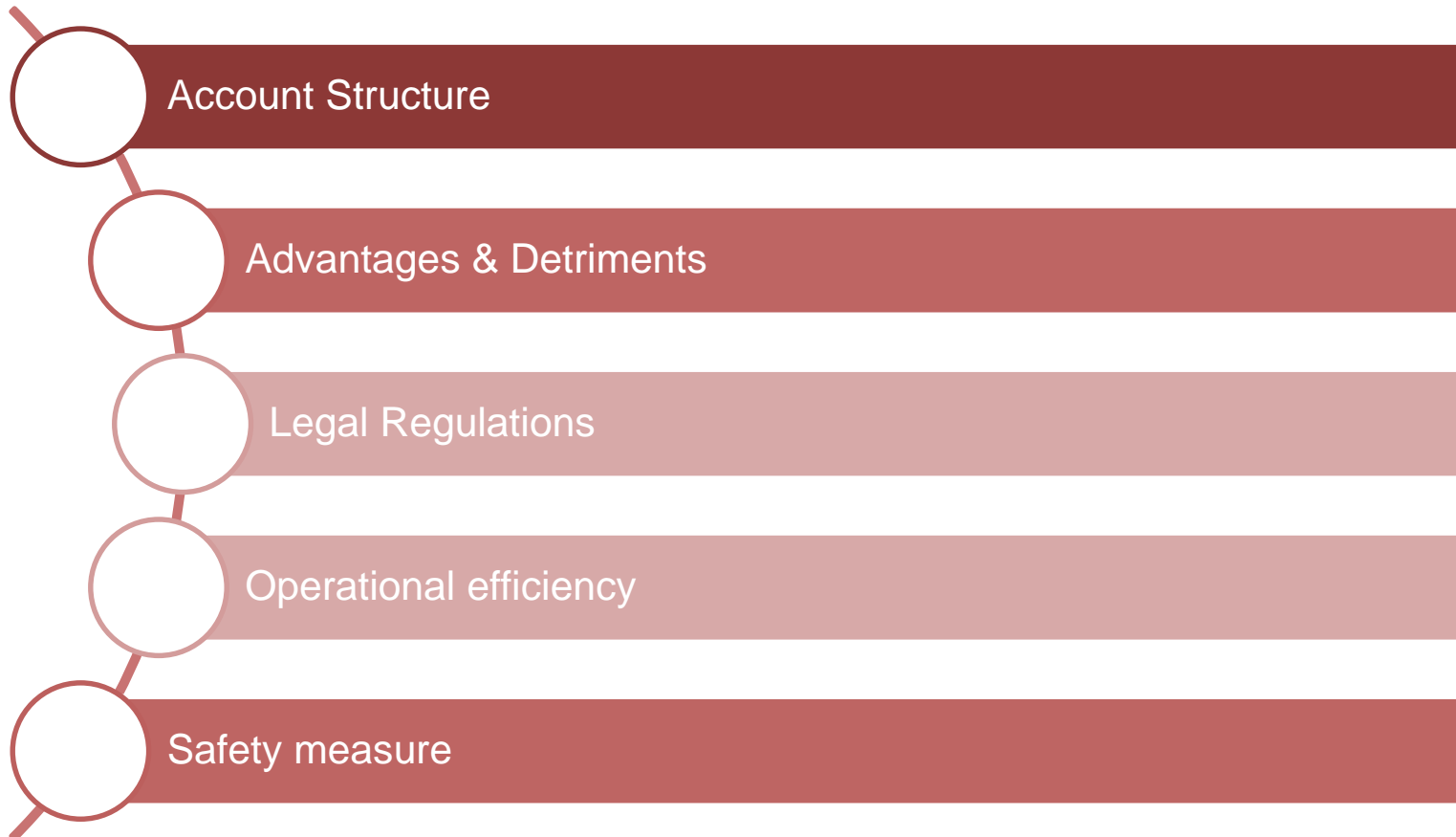
21st ACG Cross-Training Seminar – Yogyakarta

(National Securities Depository Limited)



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Agenda



Account Structure



Omnibus Account Structure

Securities for more than one client are comingled within the account(s) of Intermediaries.

Beneficial Owner

An account structure where securities are held at the level of the individual end-investor.

Hybrid Account Structure

Where both Omnibus and Beneficial Owner structures are in use.

Omnibus Account Structure

Advantages	Detriments
Operational efficiency	Corporate Actions
Cost effective	Conflicting Votes.
Participation in foreign markets	Distance between Issuer &Investor
Reduced burden for Issuers	No title to investment – Asset Risk

Segregated Account Structure

Advantages	Detriments
Asset Protection	Complexity while allowing cross border connectivity for an omnibus markets
Transparency	
Legal title to account holder	
Tax Processing	

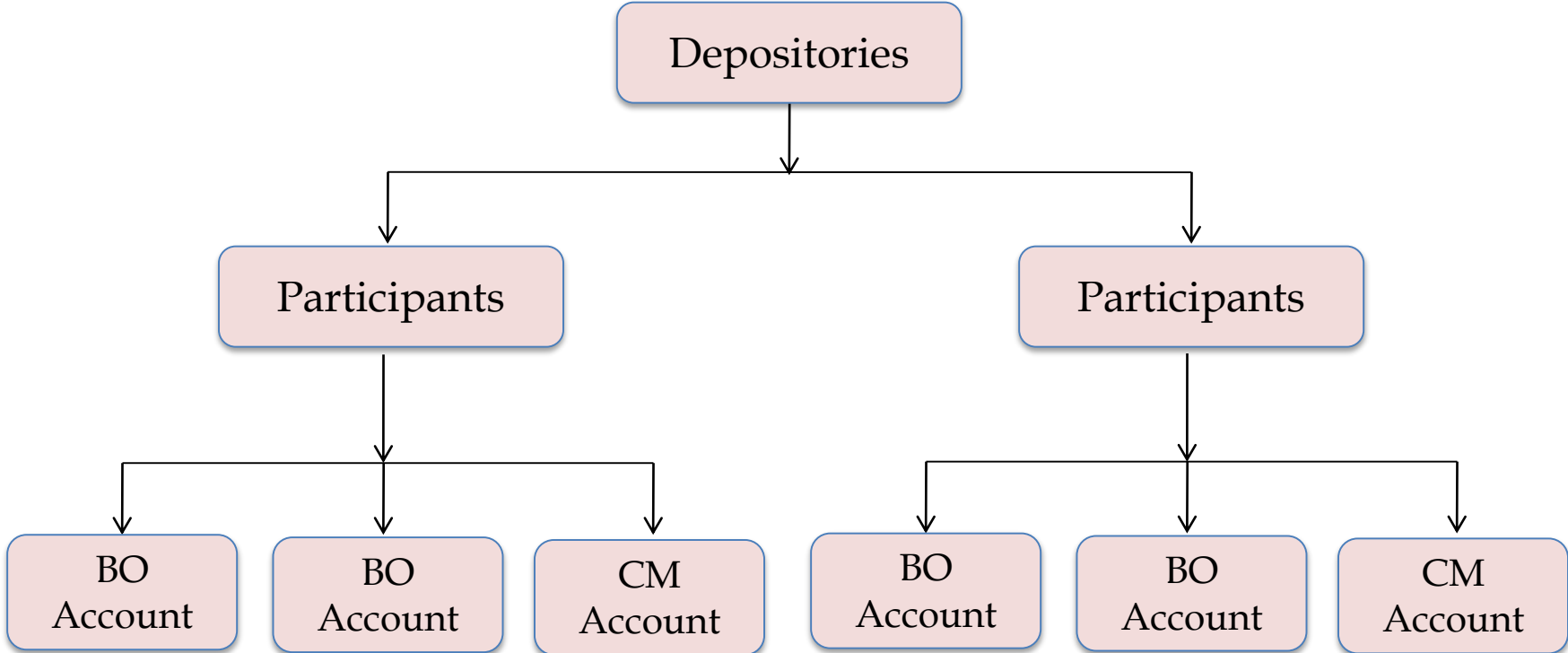
Legal structure in India



- Depositories Act, 1996
- SEBI (Depositories & Participants) Regulations, 1996
- Rights and Obligations of Depository Participant

- ❑ Client Accounts : 18.28 Million
- ❑ Total Custody Value : 2,552 US\$ Billion
- ❑ Service Centres of Participants : 30,739

Segregated Account Structure – NSDL



Segregated Account Structure – NSDL

Asset protection:

Segregation of accounts at the CSD level

Beneficial Owner name is on the Account. Legal title to Accountholder

Full protection from participant default. Full Portability.

Transfer Orders entered in CSD achieve finality in real time

Individual position computation at CSD in real time.

Segregated Account Structure – NSDL

Transparency:

Information of investor
is available with CSD

Real time view of
account accessible to
client directly from
CSD, on internet and
mobile apps

Information of investor
and movement
securities is available
to authorise entities
such as:

- Regulatory Authority
- Tax Authority
- Issuers
- Law enforcement Agency

Operational efficiency

- Maintenance of Client information
- Needs light processing and IT applications at participant. Web frontend to participant branches, besides computer to computer communication. In theory can operate directly using CSD infrastructure.
- Participants send individual client instructions to CSD
- Electronic instructions can be given by client
- 85% of instructions are electronic end-to-end. CSD provides electronic instruction capability to clients. Can be routed through participant or sent directly to CSD.
- Corporate action processing

Safety measure:

- SMS Alert
- Email Alerts to investors
- Alerts for Dormant accounts
- Account Statement by CSD directly to Clients
- Online view of statement of account
- Daily reconciliation at account level, each transaction level as well as ISIN level

Thank you