

DIGITISATION OF YOUR INVESTMENTS AND INSURANCE POLICIES



IFE Academy

Education Simplified

INVESTORS FINANCIAL EDUCATION ACADEMY

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Keeping proper records of your investments is as important as investing wisely.

Why?

Investment records can be submitted as 'Sufficient proof' (even after 4 years) to Income-tax Department for claiming various tax reliefs.

Sharing the investment information to family members at a later stage, is so simple.

You can view all your investments in a single window.

Demat a/c is inevitable

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About this book

Digitisation is the process of converting the physical content to electronic form. The process of digitization offers benefits such as saving in time in document retrieval, safety, disaster recovery and it is environment friendly.

The investing landscape has undergone a change and we have embraced digital transformation in banking and financial services sector.

Holding securities in an electronic form, as against the physical form, provides ease of transaction, provides greater security and consolidates the investments, making it easier to track and monitor them.

We have elaborated the need and advantages of holding Investment and Insurance records in the digital format.

We hope you would find this information useful.

Happy Reading!

Rs.40/-

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Dematerialisation

Introduction:

Dematerialisation is the process of converting the physical documents to electronic form. Securities such as shares, Bonds, NCDS and Mutual funds can be converted to demat mode. These securities are held by Depositories. Depositories appoint Depository Participant (DP) to service the Investor. If an investor wants to avail the services offered by the Depository, the investor has to open an account with a DP. In India, all demat accounts are currently held by two Depositories, namely National Securities Depository Limited (NSDL) & Central Depository Services (India) Limited (CDSL).

India adopted the DEMAT SYSTEM for electronic storing, where in shares and securities are represented and maintained electronically, thus eliminating the troubles associated with paper form. After the introduction of the depository system by the Depository Act of 1996, the process for sales, purchases and transfers of shares became significantly easier and most of the risks associated with paper certificates were mitigated.



Physical Share Certificate:

Securities and Exchange Board of India (SEBI) has mandated the trading of listed securities in electronic form. This encouraged the shareholders to hold the shares / securities in electronic form to retain its liquidity. Effective from 1st April 2019, requests for effecting transfer of securities shall not be processed unless the securities are held in dematerialized form with a depository. Investor has the option of holding shares in physical form even after April 01, 2019. Any investor who is desirous of transferring shares (which are held in physical form) after April 01, 2019 can do so only after the shares are dematerialized. This amendment will help in curbing fraud and manipulation risk in physical transfer of securities by unscrupulous persons. Further, with shares held in demat form will improve ease, convenience and safety of transactions for investors.



Unlisted Public Companies:

Ministry of Corporate Affairs (MCA) has advised the unlisted public companies to issue all its shares in electronic form and facilitate demat of all its existing securities. Securities include debentures, preference shares and other securities.

Every holder of securities of an unlisted public company,

- (a) who intends to transfer such securities on or after 2nd October, 2018, shall get such securities dematerialised before the transfer; or
- (b) who subscribes to any securities of an unlisted public company (whether by way of private placement or bonus shares or rights offer) on or after 2nd October, 2018 shall ensure that all his existing securities are held in dematerialized form before such subscription.



Demat Account opening procedure:

A demat account is a facility that allows investors to hold and transfer shares and other types of securities in electronic format. It is essential to have a demat account to trade in capital market. You can open a demat account in few simple steps as mentioned below:

Step1

Select a DP to open a demat account just like you select a bank for opening a savings account. Some of the important factors for selection of a DP can be:

- **Convenience** - Proximity to your office or place of residence, business hours.
- **Comfort** - Reputation of the DP, past association with the organisation, whether the DP is in a position to give the specific service you may need?
- **Cost** - The service charges levied by DP and the service standards.

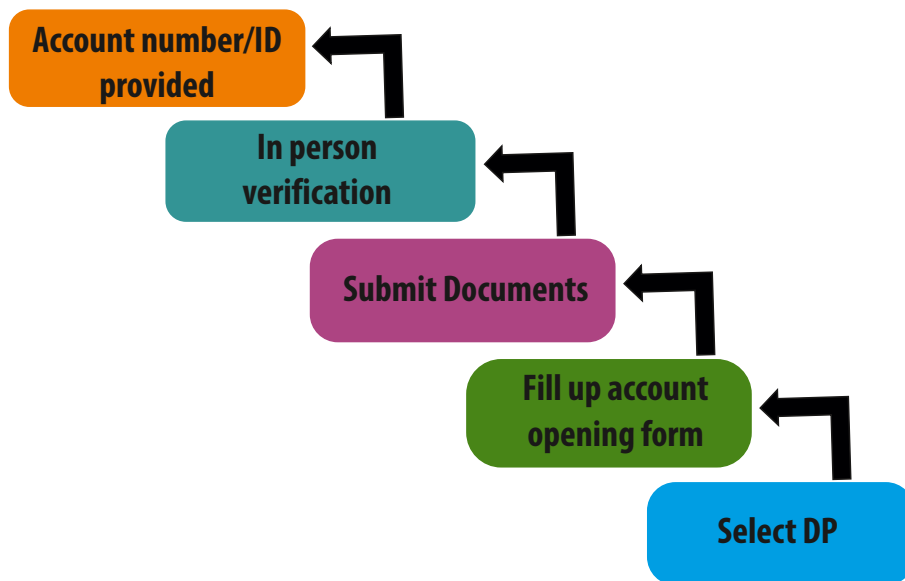
Step2

After you have selected a DP, you need to fill up an account opening form along with KYC form. You will be asked to provide copy of your PAN card and any one of Aadhaar Card / Passport / Driving License / Voter ID Card. As per SEBI's requirements, your DP will verify the photocopies with the original documents and also conduct in-person verification before activating your account.

Step3

On opening of your demat account, your DP will provide you a Delivery Instruction Slip (DIS) booklet which is similar to a cheque book used in banking system. On receiving the DIS booklet, kindly verify that DP name, DP ID & Client ID are pre-printed / pre-stamped. You will need to fill & submit DIS slip to your DP every time you want to transfer shares from your account

Note: In case demat account is opened by two or three joint holders, then PAN card and other documents as mentioned above would be required for each joint holder. Remember to obtain a copy of 'Rights and Obligations of the Beneficial Owner and Depository Participant' and schedule of charges from your DP.



How does Dematerialisation work?

Dematerialisation is the process by which you can get physical certificates converted into electronic form.

- Dematerialization starts with opening a Demat account. You need to approach any Depository Participant (DP) of your choice for demat account opening.
- To convert the physical shares into electronic form, a Dematerialization Request Form (to be provided by DP) needs to be filled in and submitted to your DP along

with share certificates. On each share certificate, 'Surrendered for Dematerialization' needs to be mentioned to avoid any risk on account of loss of certificate in transit.

- The DP will process this request and arrange to send the share certificates to the concerned company or its Registrars and Transfer Agent.
- Once the request is confirmed by the concerned company or its Registrar and Transfer Agent, the share certificates in the physical form will be cancelled and a confirmation of dematerialization will be sent to depository.
- The depository will then confirm the dematerialization of shares to your DP. Once this is done, credit of your securities can be seen in your demat account.
- This cycle generally takes 15 to 30 days after the submission of complete and properly filled up dematerialization request form. Dematerialization is possible only with a demat account.

Do's of Demat

Intimate any change of address or change in bank details to your DP immediately

Before sending securities for demat, record the distinctive numbers of the securities sent

Register for SMS alert facility to receive alerts for any activity in your demat account

Before giving Power of Attorney to anyone to operate your demat account, carefully examine the scope & implications of powers being granted.

The demat account has a nomination facility and it is advisable to appoint a nominee, in case of a sole account holder

Ensure that, both, your holding and transaction statement are received periodically. You are entitled to receive a transaction statement every month if you have any transactions and once in two quarters if there has been no transactions in your demat account

Do's of Demat

Scrutinize thoroughly both the transaction and holding statement that you receive.

Accept the DIS book from your Depository Participant(DP) only if each DIS slip has been pre-printed with a serial number&client id is pre-stamped

Keep the DIS book in safe custody just as you keep your cheque book in your locker

In case of a joint account,ensure that all demat account holder(s) sign on the DIS

Please strike out any empty spaces on the DIS slip while making use of it

Cancellation or correction on the DIS should be initialled or signed by all the account holder(s)

Submit the DIS ahead of the delivery date for all type of market transaction. DIS can be issued with a future execution date.

Always mention the detail like International Securities Identification Number (ISIN), number of securities accurately.

Don'ts of Demat

Do not leave your Delivery Instruction Slip(DIS) book with any one else

Do not sign blank DIS as it is equivalent to bearer cheque.

Do not issue demat Delivery Instruction Slip from any other family member's, friend's account. Issue the DIS only from your own demat account.

Avoid over writing, cancellation, misspellings, changing of the name and quantity securities.

Do not give general power of Attorney(POA). Be specific while giving your POA.

Do not share your password with anyone. This will preserve the security of your account and of your transaction.

Knowing more about Demat

A depository can be compared to a bank. A depository holds securities (like shares, debentures, bonds, Government Securities, sovereign gold bonds, mutual fund units etc.) of investors in electronic form. Besides holding securities, a depository also provides services related to transactions in securities.

Services provided by a Depository

Following services are provided by a depository to the beneficial owners , through a depository participant:

- Opening a demat account;
- Dematerialization, i.e. converting physical securities into electronic form;
- Rematerialization, i.e. converting electronic securities balances held in a BO account into physical form;
- Maintaining record of securities held by the beneficial owners in the electronic form;
- Settlement of trades by delivery or receipt of securities from / in BO accounts;
- Settlement of off-market transactions between Bos;
- Receiving electronic credit in respect of securities allotted by issuers under IPO or otherwise on behalf of demat account holders;
- Receiving non cash corporate benefits such as allotment of bonus and rights shares or any other non cash corporate benefits given by the issuers in electronic form on behalf of its demat account holders;
- Pledging of dematerialized securities & facilitating loans against shares;
- Freezing of the demat account for debits, credits, or both

Benefits of availing depository services

- A safe and convenient way to hold securities;
- Immediate transfer of securities;
- No stamp duty on transfer of securities;
- Elimination of risks associated with physical certificates such as bad delivery, fake securities, delays, thefts etc.
- Reduction in paperwork involved in transfer of securities;
- Reduction in transaction cost;
- No odd lot problem, even one share can be traded;
- Nomination facility;
- Change in address recorded with DP gets registered with all companies in which investor holds securities electronically eliminating the need to correspond with each of them separately;
- Transmission of securities is done by DP eliminating correspondence with companies;
- Automatic credit into demat account of shares, arising out of bonus/ split/ consolidation/ merger etc;
- Holding investments in equity and debt instruments in a single account.

Single Demat Account

You can dematerialise and hold debentures, bonds, mutual fund units and government securities in single demat account.

More than one demat account

You can open more than one demat account with the same DP as per your need and convenience. You can also open multiple demat accounts with different DPs. There is no restriction on the number of demat accounts to open with a DP or DPs.

Operate with Power of Attorney

If you authorize a person to operate your demat account by executing a power of attorney and submit it to DP, that person can operate your demat account on your behalf. The depository account can be operated both by the account holder(s) as well as by the Power of Attorney (POA) holder.

ECS facility for crediting dividend / interest to bank account

You need to provide your bank account details, IFSC & MICR code to your DP. This will help you to receive the dividend / interest / redemption proceeds directly in your bank account.

Joint Holders

- A demat account can be opened in a single name or in joint holders' name. There can be maximum three account holders i.e. one main holder and two joint holders.
- But the demat account cannot be operated on “either or survivor” basis like a bank account.
- The names of the account holders of a BO account cannot be changed. If any change has to be effected by addition or deletion, a new account has to be opened in the desired holding pattern (names) and then transfer the securities to the newly opened account. The old account may be closed.

Name Combinations:

You may have physical certificates with the same combination of names, but the sequence of names is different i.e. some certificates with 'A' as first holder and 'B' as second holder and other set of certificates with 'B' as first holder and 'A' as the second holder.

In this case the investor may open only one account with 'A' & 'B' as the account holders and lodge the security certificates with different order of names for dematerialisation in the same account. An additional form called "Transposition cum Demat" form will have to be filled in. This would help you to effect change in the order of names as well as dematerialise the securities.

Transmission

Transmission is the process by which securities of a deceased account holder are transferred to the account of the surviving joint holder(s)/ legal heirs / nominee of the deceased account holder. Process of transmission in case of dematerialised holdings is very convenient as the transmission formalities for all securities held in a demat account can be completed by submitting documents to your DP whereas in case of physical securities the surviving joint holder(s)/ legal heirs/ nominee have to correspond independently with each company in which shares are held.

Documents required to claim the securities in the event of death of the sole holder

The claimant should submit to the concerned DP an application i.e. Transmission Request Form (TRF) along with the following supporting documents -

With Nominee	Without Nominee
<ol style="list-style-type: none">1. In case of death of sole holder; where the sole holder has appointed a nominee<ul style="list-style-type: none">• Notarised copy of the death certificate	<ol style="list-style-type: none">1. In case of death of the sole holder; where the sole holder has not appointed a nominee<ul style="list-style-type: none">• Notarised copy of the death certificate and any one of the below mentioned documents :• Succession certificate / Copy of probated will / Letter of Administration

The DP, after ensuring that the application is genuine, will transfer securities to the account of the claimant. The major advantage in case of dematerialised holdings is that the transmission formalities for all securities held with a DP can be completed by interaction with the DP alone, unlike in the case of physical share certificates, where the claimant will have to interact with each issuing company or its registrar separately.



e-Insurance



e-Insurance

There is a serious lack of awareness on the part of policyholders about the facility of maintaining policy records in electronic form.

Insurance Repository(IR) provides policyholders a facility to keep insurance policies in electronic form and to undertake changes, modifications and revisions in the insurance policy with speed and accuracy.

The IR maintains all policies of an individual in one folder facilitating review of one's records in a very convenient manner; and such clustering of policy records make the claims settlement process very convenient.

Not only the new policies but existing policies also can be dematerialised and maintained in electronic form. The repository is not merely for storage of policy bonds but they are also empowered to effect changes, modifications in regards to terms and conditions on behalf of the insurers.

The ease, efficiency and transparency that it offers should motivate the general public to adopt insurance as a convenient safety tool. The system also has the potential to effect substantial cost cutting on the part of the insurers which may translate into reduction of premium rate over a period of time. The IR, therefore, promises a win-win scenario for all the stakeholders.

eIA (e-Insurance account)

e-IA stands for e-Insurance Account or “Electronic Insurance Account” which will safeguard the insurance policy documents of policyholders in electronic format. This e-Insurance account will facilitate the policyholder by providing access to the insurance portfolio at a click of a button through internet.

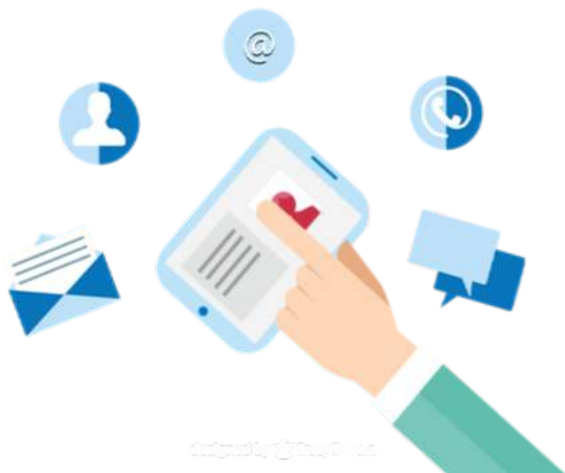
Each e-Insurance Account will have a unique Account number and each account holder will be granted a unique Login ID and Password to access the electronic policies online.

Key features:

- Account can be opened free
- An individual can have only one account.
- Account can be opened even without having a life or non life policy

Requirements for Opening Account:

- Photo ID
- Recent passport size photograph
- Cancelled Cheque (In case of ECS/NEFT services for insurance premium payment transaction)
- Address proof



eIA opening by Insurance Repository Branch & Approved Person

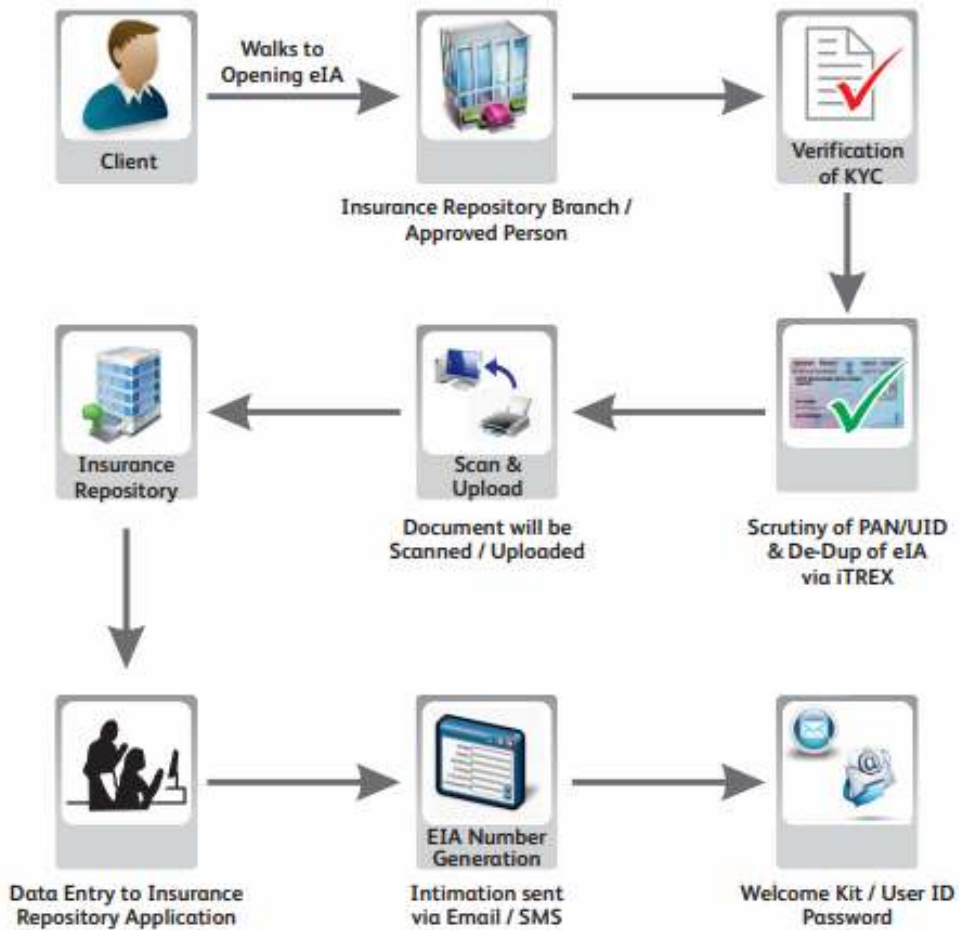


Image Courtesy:IRDA

Conversion of paper policies:

A service request to be made to the Insurance Repository or Insurer or the Approved person in this regard. An Approved Person is a Point of Sale (PoS) appointed by Insurance Repository and will be working on behalf of Insurance Repository to extend the IR services.

Submitting the physical original policy documents at the time of submitting conversion request is at the discretion of respective insurance companies. Once the policy is credited in the electronic form, the physical copies may not hold any significance.



Buying a new policy in electronic form:

Once you have opened an e Insurance Account, to buy a new policy in electronic form, you just need to quote your unique e-Insurance account number in your new insurance proposal form and make a request to issue policy in an electronic form.



Issuance of e-Policy

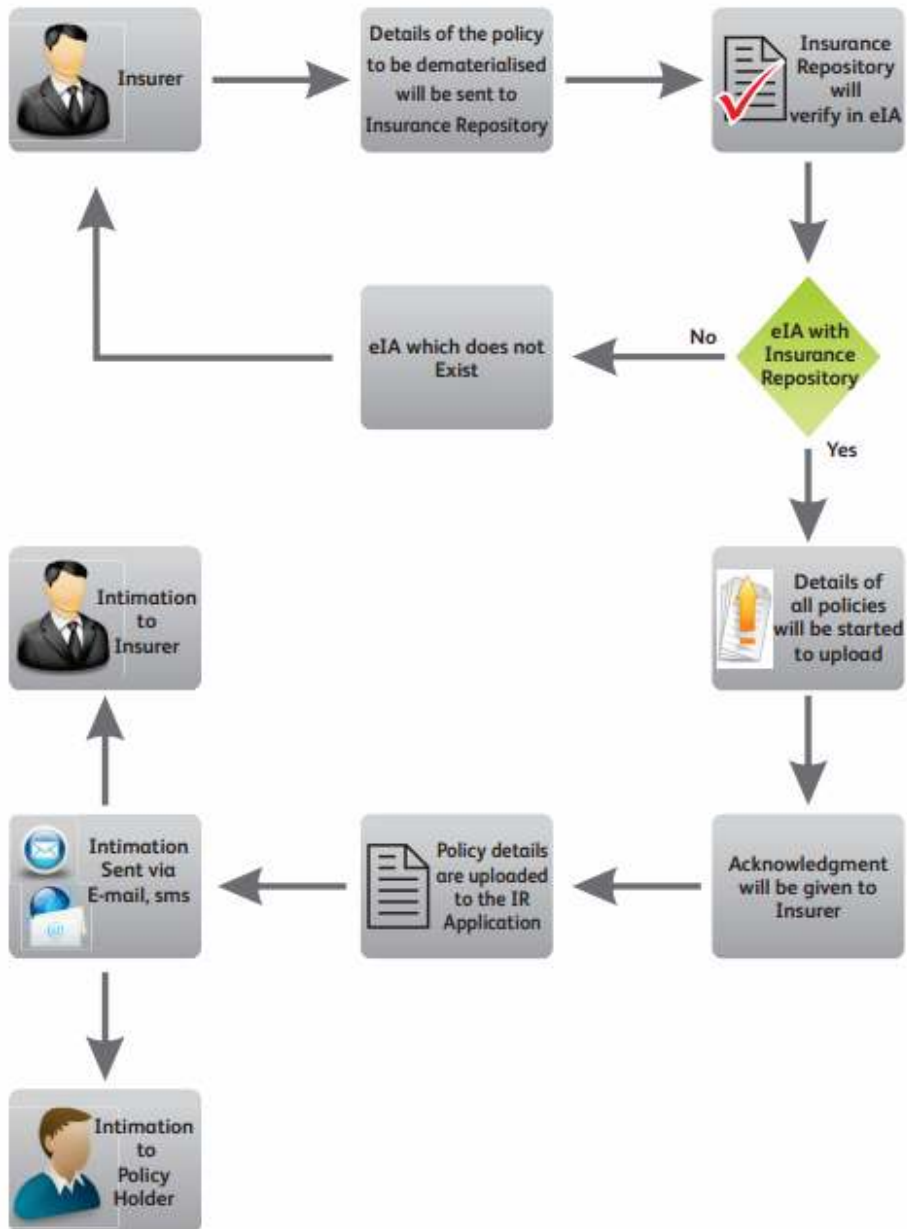


Image Courtesy: IRDA

Policy Servicing

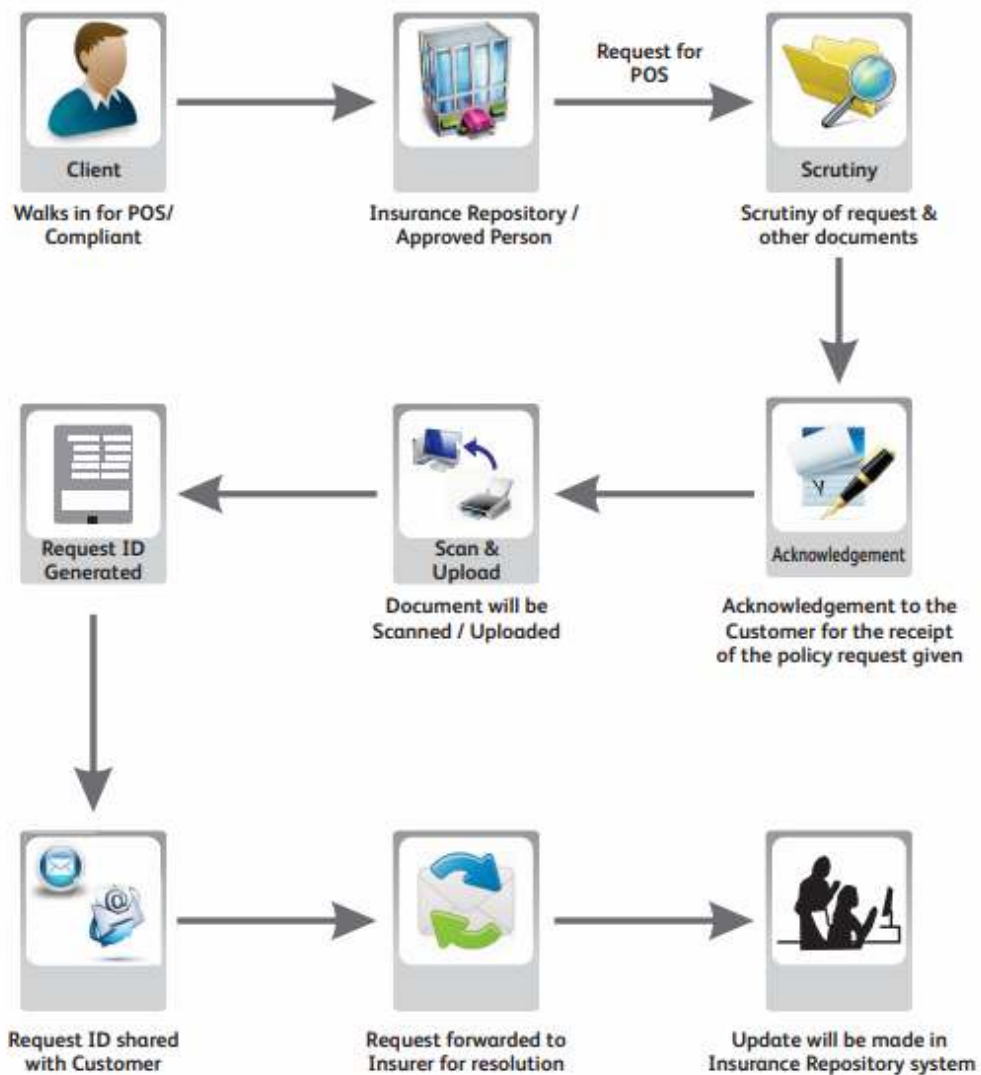


Image Courtesy:IRDA

Policies that can be held in electronic form:

All Life insurance, Health insurance, General insurance & Annuity policies that are issued by registered insurance companies with IRDA and who have signed up with the Insurance Repositories are eligible to be held in the electronic form.



Benefits :

Safety: There is no risk of loss or damage of a policy as is common with paper policies; the Electronic form ensures that the policies are in safe custody and can be easily accessed whenever and wherever needed. A copy of the policy can be downloaded at any time by accessing the e-Insurance account.

Convenience: All insurance policies, be it life, pension, health or general, can be electronically held under a single e-Insurance account. This means all details of all policies are available in a single account (place). The details of any of the policies can be accessed at any time by logging on to the online portal of Insurance Repository.

Single Point of Service: Service requests in respect of e-Insurance account or any of the electronic policy can be submitted at any of Insurance Repository's service points. A single request can sometimes cater to the requirements of several Insurers. As an illustration, a

single change of address request made to the Insurance Repository can update the policies issued by multiple Insurers. There would be no need to go to several offices of individual Insurers for service.

Less Paper work and savings in time: An e-Insurance account holder is freed from the trouble of submitting KYC details each time a new policy is taken. Further, any changes in personal details like address or contact number can be effected through a single request thus saving on paper and time.

Statement of Account: At least once every year, the Insurance repository would send a statement of account to the e-Insurance account holder with the details of the policies of the account holder.

Payment Options: Premium for all the policies can be paid online and several service requests can be logged from the e-Insurance account.

Increased number of service touch points: Since, the Insurance repositories function in addition to the Insurers, the policyholders will have increased number of touch points for having their servicing needs attended.

Easy payout transfers: Policy benefits would be paid through electronic facility to the registered bank account, thus ensuring speedier and convenient settlement.

Single view: Single view of all policies will be made available to an authorized person in case of death of the e-Insurance account holder.



Authorized Representative

An Authorized Representative is a person who is appointed by e-Insurance account holder to operate his/her e-Insurance account in case of unfortunate demise or incapability of e-Insurance account holder to operate the account. The Authorized Representative will intimate the Insurance Repository about the demise/incapability of policyholder with valid proof.

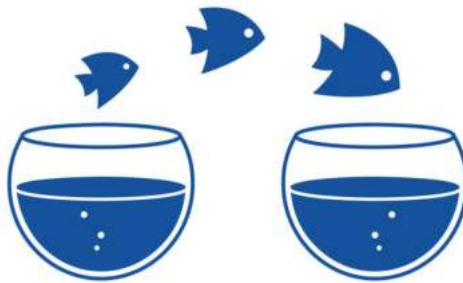
An Authorized Representative has only access rights to the e-Insurance account in the event of demise of the policy holder. The Authorized Representative would only act as a facilitator and is not entitled to receive any policy benefits unless designated as a 'nominee' or 'assignee' by the deceased policy holder.

Authorized Representative can be changed by making a request to the Insurance Repository. Nominee and Authorized Representative can be the same person.

eIA holder may appoint his family member, nominee of any policy, friend, etc as Authorized representative.

Portability

e-Insurance account holder will have an option to shift from one Insurance Repository to the other. All the policy details and transaction history would then be transferred to the new Insurance repository.



Is it compulsory?

It is not compulsory. Policy holder has the discretion to opt for a policy in electronic form. If a policy holder wants his/her policy (either new purchase or existing) in electronic form, then the Insurer is bound to fulfil his / her requirement.

The choice of a Repository for opening an e IA is the prerogative of the policy holder and hence all Insurance Companies will need to work with all the Insurance Repositories.



Why you need Life Insurance and why it needs to be Term Insurance

- Life insurance offers peace of mind by protecting the family financially.
- Term insurance is one of the least expensive types of coverage you can have. Rs. 1 crore Term insurance costs around Rs.20/- per day for a male aged 30.

The best gift you can give.

Life insurance can give your family the gift of financial security. And there's no better present.



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About IFE Academy

IFE Academy was established in 2011 as a Not-for-Profit entity to promote Financial Education. IFE Academy conducts Investor Awareness Programs across the country with the support of other market participants. www.ifea.in is a comprehensive website on Financial Education. It has various sections such as Videos, Puzzles & Games, Financial Calculators and Library. It gives a holistic view on financial education combining various aspects such as Savings, Investments, Credit, Insurance and Pension at a single place. IFE Academy periodically publishes Investor Educational materials and distributes it to general public.



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