

# Road Ahead for Depository Institutions in Protecting Retail Investors



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In India, Depository Participants extend depository related services to retail investors and also to other categories of investors. However, investors' interest remains the central theme while designing the products and services of NSDL.

Some of the steps taken to empower investors and keep them aware about the operations of demat account are as follows:

- 1) NSDL provides free **SMS alerts** facility to its investors for transaction carried out through their demat accounts, change of mobile number, change of address, change of nominee, credits on account of sub-division / IPO, etc. Thus, investors are aware about the operations in their demat account
- 2) For initiating **margin pledge**, confirmation of investors is obtained through a bitly link sent in the SMS at the registered mobile number.
- 3) **eDIS**, which has been an alternative option for power of attorney, requires authentication of investors at NSDL's Demat Gateway for sale of securities.
- 4) **NSDL Mobile App** (named NSDL SPEEDe): For viewing holding and statement of demat account anytime, anywhere (*available for download at Google Play and App Store*).
- 5) **NSDL-CAS** provides a single view of entire portfolio held in demat mutual fund folio, total value thereof with graphical representation of investments. Thus, NSDL-CAS enrich investors experience of managing his/her portfolio effectively and benefit him/her in many other ways viz. better decision making, simplified monitoring, rich analysis of portfolio etc. NSDL eCAS can be accessed from NSDL's IDeAS website at <https://eservices.nsdl.com/>
- 6) **NSDL e-Services** - SPEED-e / IDeAS facilitates viewing of demat account as well as submitting instructions for securities settlement to the pre-designated broker.

## 1. Role of BSDA (Basic Service Demat Account) in attracting more retail investors.

A BSDA i.e., Basic Services demat account is focused for small investors which can be opened and maintained at a low or reduced cost. SEBI was of the opinion that

BSDA will attract more demat account holders due to low maintenance fees. Hence, to facilitate investors the concept was introduced. A DP would be required to give an option to investors at the time of opening demat account. Thus, investors can choose the option and avail the low cost maintenance account.

## 2. KRA as the key to the simplification of client registration.

With a view to bring uniformity in the KYC requirements for the securities markets, SEBI initiated usage of uniform KYC by all SEBI registered intermediaries. In this regard, SEBI issued the SEBI {KYC (Know Your Client) Registration Agency (KRA)}, Regulations, 2011. Pursuant to this regulation, NDML which is a wholly owned subsidiary of National Securities Depository Ltd (NSDL), has been granted In-principle approval by SEBI to function as a KRA.

NDML-KRA provides for centralization of the KYC records in the securities market. Client who enters the securities market initially and desirous of opening an account/trade/deal with the SEBI registered Intermediary viz., Broker, Depository Participant, Mutual Fund etc has to submit the KYC details viz. proof of identity, proof of address through the KYC Registration form and supporting documents. The Intermediary then performs the initial KYC and uploads the details electronically in the NDML-KRA system. This electronic KYC information details can be accessed by all the SEBI Registered Intermediaries through NDML-KRA or other KRA where they are registered, while dealing with the same client. As a result, once the client has done KYC with a SEBI registered intermediary, he / she need not undergo the same process again with another SEBI intermediary. NDML-KRA offers certain distant features :

- APIs/Online or file based option to register, download, modify and make KYC inquiry of new or existing investors.
- Intimation of KYC changes viz., change of address, etc through auto feeds / EOD download for the KYC data already solicited.
- Status inquiry / Various reports viz., KYC pending status for rectification / providing documents for intermediaries etc.
- Security system features viz., administrator login for user management etc.
- Feature of Straight through Processing for fetching recording and upload of records without manual intervention.
- Interoperability with all KRAs to verify, download and modify KYC details.
- Generation of Acknowledgment Letter and SMS facility to view the status of KYC record and download KYC information.

### **3. Well informed Investor is well protected.**

An investment in knowledge pays the best interest. This is not just something what Benjamin Franklin said long back, its something what we sincerely believe as a responsible market institution. NSDL has always followed that One should not be a just investor, but a 'Prudent Investor'. We continue to engage with the investing community at large in multiple ways to keep them informed and updated. NSDL publishes a monthly newsletter 'The Financial Kaleidoscope' in Hindi and English which reaches to more than a Crore investors. More important fact is that this newsletter is actually read by a large number of investors and appreciated too, as we get to know from the responses from them. In addition to this, NSDL has published number of other booklets, FAQ etc. in Hindi and other languages apart from English. All these materials are available on our website for free access.

NSDL has been organizing awareness programmes for investors all over the country. During the pandemic, more than 400 webinars were conducted which were attended by around 62000 investors. By these programs we attempt to connect with public at large, spread the message of financial literacy and helping them to understand the basics of investment process. These programs are conducted in association with SEBI, stock exchange, mutual funds, depository participants, industry associations and other market intermediaries. The schedule of these programs is published online on our website and also disseminated through our newsletters.

### **5.E- KYC has led to large number of first time investors to get into the markets – the road ahead.**

e-KYC and related innovations in the client on-boarding process have indeed brought in a large number of investors into the Indian capital markets in the recent months. The do-it-yourself for on boarding new clients for broking and demat accounts has facilitate large number of investors to enter the capital market. NSDL group has developed product viz., Instigo. Instigo Do-It-Yourself (DIY) Module facilitates opening of demat / trading accounts by Client in a compliant manner.

Still a large number of Indian populations is away from the mainstream market and thus unable to create wealth for themselves. We need to continue to refine our offerings and create an ecosystem whereby more number of investors can join the process of wealth creation. Hence, eKYC will play a very important role in reaching out to more investors.

SEBI on Jan 13, 2021 has published a consultation paper on Role of KYC Registration Agencies (KRAs)/ Market Infrastructure Institutions (MIIs) in performing KYC (Know Your Client) of the client in securities market.

In order to achieve multiple objectives of standardizing the KYC process, making the KYC process more robust, avoiding duplication, saving cost to RI etc.; a modified process for KYC in securities market has been envisaged. It is being proposed that the KYC and account opening process may be separated by doing client KYC through KRAs (which includes Market Infrastructure Institutions like Stock Exchanges, Depositories). This would ensure an end to end secured KYC process including Aadhaar authentication, independent verification of Officially Valid Document (OVD) / Income Tax Permanent Account Number (PAN), document safekeeping, technological innovations, standardization, cyber security norms, etc. While KYC will be responsibility of RIs and KRAs, documentation for opening of account for entering into transaction shall continue to be the responsibility of concerned RI.

### **6. Advice to the young and first-time investors.**

My simple advice to young investors is that investment in market is essentially a long term phenomena to reap benefits. Don't take it as a short cut or quick way to make money. The best advantage you have is the longer time you can allow your investments to grow. For first timers in the market, I would like to emphasize that it's better to stick to time tested way of seeking professional advice rather than going by so called hot news or tips. Mutual funds are a better way of entering in the markets first time, compared to investing in equity directly. Being disciplined will always have advantage for all retail investors.