



## THE JOURNEY OF INDIAN DEPOSITORY SYSTEM: A CRITIQUE OF HICCUPS ACCOMPANYING DEMATERIALIZATION

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### ABSTRACT

Globalisation has brought all the economies together in a closely knit financial fabric. This requires an equal upgradation of the domestic financial market in line with the international standards. Where countries such as USA, UK, and Japan had already incorporated Depository System as a major pillar of their securities market, India was knocked into this realization after the 1992 scam orchestrated by Harshad Mehta. However, the transition of a traditional trading system into an electronic one was a rocky road in the beginning. In order to expedite this transition, the Regulatory Authority used a number of regulatory instruments to introduce depository system in a phased manner. Furthermore, as much as the dematerialized form of securities flourished, loopholes in the law were spotted by the criminal minds leading to various scams.

The following paper traces the evolution of Depository System in India and critically analyses the steps taken by SEBI to introduce it in India. Various issues such as discrimination between the dematerialized and physical shares, ineffective management of SEBI over the Depository system, presence of fictitious or duplicitous shares, creation of *benami* Demat accounts etc. that

came forward with time during this tenure, have been explored along with the scams associated with such loopholes. While analysing the root causes of these scams, an attempt has been made to comment upon the structural pros and cons of Indian Depository Framework.

### 1. INTRODUCTION

Change is the only constant in this universe. In order for an economy to be sustainable and survive the rigours of the dynamic nature of the international market with which it coexists, it must take the change in its own stride<sup>1</sup>. Similar is the story of the securities market of India. Given the fact that India is a developing country, it is all the more essential for it to have a robust financial system that is up to date with the changes occurring around the world.

In mid-1990s, the inefficiencies in physical aspect of the trading system of securities market came to the fore. These were associated with the large volume of certificates that were being issued and transferred on a daily basis. This accompanied problems such as delays in transfer, leading to delays in settlement, forgery in physical certificates, losses occurring in transit, disfigurement of certificates, additional litigations as a result, etc. In order to eliminate these inefficiencies, and to elevate the level of Indian stock market to that of the international ones, a new system of trading in the form of Depository system was introduced in India by June 1996. Developed countries such as Japan, UK and USA had already incorporated Depository Systems in their market reforms, and they

<sup>1</sup> David Wanis, *Change is the Only Constant*, SCHRODERS (Jan. 15, 2021),

<https://www.schroders.com/en/au/institutions/insights/taking-stock/change-is-the-only-constant>.



proved to be key ingredients in their financial prowess.

### *1.1. What is a Depository System?*

A Depository system is the one that facilitates the holding of securities in a dematerialised or in an electronic form by an investor. It is similar to a bank holding the money of a Depositor. Here, the Investor is permitted to trade in the securities so transferred to a Depository through Depository Participant (*hereinafter "DP"*). A DP acts as the agent of the Depository, and is the intermediary between it and the investor. The Central Act to govern this relationship in India is the Depository Act, 1996<sup>2</sup> (*hereinafter "the Act"*). The Depositories and DPs are both required to be registered under SEBI as per its regulations, and only after a certificate of registration is granted to them can they offer their services. DPs are generally public financial institutions, scheduled commercial banks, Stock-brokers, clearing houses, etc. These are registered with either of the two Depositories existing in India, namely:

1. National Securities Depository Limited (*hereinafter "NDSL"*), and
2. Central Depository Services (India) Limited (*hereinafter "CDSL"*).

In order to avail the services of a Depository, an investor who holds the share certificate, is required to open a Demat (short for Dematerialized) Account with any DP, and submit the share certificate therein. Through this process, the name of the investor, who is the registered owner of such shares, is put in the record as the 'beneficial owner' and it is the depository which becomes the 'registered owner' of such shares. However, it is merely for the procedural purpose that the Depository becomes the registered owner.

<sup>2</sup> Depositories Act 1996 (India).

The powers, rights and liabilities still vest with the investor. He is free to decide the fate of the shares and can subject them to sale, freezing, pledge, etc. according to the Regulations governing his relations with the Depository and the DP. It is also essential to note that an investor must mandatorily approach a DP as an intermediary, and cannot interact with a Depository directly.

### *1.2. Objectives of the paper -*

The present paper provides a detailed analysis of the history, formation and implementation of Depository system in India. The provisions that were framed by the Central regulatory authorities in India pertaining to compulsory dematerialisation were seen with scepticism even at the time of their introduction. While some experts regarded them as a necessary move to catch up with the dynamic and voluminous nature of securities market, others pointed out towards the discrepancies that dematerialization brings with itself, and the way it has the ability to impact millions of investors that will be subjected to it. Subsequently, various scams came to fore when the loopholes of the law were taken advantage of. While critically analysing these hiccups that came in the journey of Depository system in India, this paper attempts at drawing out conclusions and recommendations in the end.

## **2. HISTORY OF INDIAN DEPOSITORY SYSTEM**

### *2.1. Background-*

In 1992, the Harshad Mehta Scam shook the entire foundation on which the Indian Stock market stood to boast of its regulatory policies that protected millions of investors



across India. The impact of the scam was so huge that it caused the biggest plunge in the share prices in the history of the country<sup>3</sup>. It led to a withdrawal of around Rs. 3,500 Crore from the market, and led to a major collapse of the stock markets. Harshad Mehta was able to orchestrate the entire fraud owing to presence of physical means of trade by using fictitious practices, and forged cheques.<sup>4</sup> The domino effect of this led to the imposition of multiple questions upon the then settlement system. Additionally, it was also felt that in order for primary market to flourish, it was essential that the time taken in the actual transfer of entitlements of shares post their allotment be reduced.

### 2.2. Regulatory Framework-

In July 1992, the Stock Holding Corporation of India Limited (SHCIL), under a programme sponsored by US Agency for International Development, came up with a paper titled "National Clearance and Depository System". The Government of India set up a committee headed by Shri R. Chandrashekharan (MD of SHCIL) which submitted its report in 1993. Consequently, SEBI constituted a 7-member team to look into the practical aspects of instituting a Depository system.

Thereafter, in January 1996, the Depositories Ordinance 1995 was promulgated which provided a legal framework for the institution of Depositories while adopting book entry

basis of recording information. It was followed by the Depositories Act, 1996 (promulgated in August 1996) which led to certain amendments being made to Companies Act, 1956; SEBI Act, 1992; Income Tax Act, 1961, etc. The preamble of the Act stated that it was "*An Act to provide for regulation of depositories in securities and for matters connected therewith or incidental thereto.*"<sup>5</sup> Owing to this reform, there was a spur in the number of listed companies, trade volume of shares and investors.

### 2.3. Depositories in India-

The first electronic securities depository to come up in India with national coverage post the promulgation of the Act was the National Securities Depository Limited (NSDL).<sup>6</sup> It created an infrastructure that was based on international standards that permitted the transactions in securities to be settled in a dematerialised form. The long and tedious process of paperwork done for transfer of shares was reduced to a simple account transfer. Currently NSDL holds, approximately 2.05 Crore investor accounts as on September 2020<sup>7</sup>.

In 1999, Central Depository Services (India) Limited (CDSL) was incorporated as the second depository in India. It was initially promoted by Bombay Stock Exchange (BSE), and later on divested to major banks. Ever since 1999, CDSL has holds

<sup>3</sup> 'The Trees Minus the Forest: Janakiraman Reports on Banking Scam' (1993) EPW 28(23), pp. 1137–1139, JSTOR <[www.jstor.org/stable/4399807](http://www.jstor.org/stable/4399807)> accessed 3 Oct 2020.

<sup>4</sup>Pravin Palande, 'Economic Milestone: Stock Market Scam (1992)' (*Forbes India*, 20 Aug 2014) <[https://www.forbesindia.com/article/independence-day-special/economic-milestone-stock-market-scam-\(1992\)/38457/1](https://www.forbesindia.com/article/independence-day-special/economic-milestone-stock-market-scam-(1992)/38457/1)> accessed on 3 Oct 2020.

<sup>5</sup> Depositories Act (n 2).

<sup>6</sup> 'About NSDL' (*National Securities Depository Limited*) <<https://nsdl.co.in/about/index.php>> accessed on 3 Oct 2020.

<sup>7</sup>'NSDL at a Glance' (*National Securities Depository Limited*, 30 Sept 2020) <<https://nsdl.co.in/about/statistics.php>> accessed on 4 Oct 2020.



approximately 2.61 Crore investor accounts, became the first depository to cross 2 crore active demat accounts in 2020.<sup>8</sup>

### 3. DEMATERIALISATION – Boon or Bane?

#### 3.1. Measures by government to speed up transition into depository settlement process

Pursuant to the promulgation of Depositories Act, when NSDL was up and running in November, 1996, investors were hesitant to adopt the new system of dematerialization even after a year. In order to enable a faster transition, SEBI utilized its powers under the Securities Contracts (Regulation) Act, 1956 (*hereinafter “SCRA, 1956”*) and released a Press Note dated 15<sup>th</sup> October 1997<sup>9</sup>. It expressed concerns that despite of the participation in the depository system having been increased in terms of the number of Depository Participants and eligible securities, there was still a hesitation among investors to trade in those securities through the new system. Thereafter various measures were agreed upon to accelerate the adoption of dematerialisation and the process was decided to be done in a phased manner.

Thereafter a series of other Press Releases were promulgated to make trading through Depositories mandatory. These were:

- 14.01.1998<sup>10</sup>- SEBI mandated 8 entities, banks, financial institutions, insurance companies, mutual funds, and foreign institutional investors, to only utilise dematerialised securities to settle their trades.
- 24.04.1998<sup>11</sup>- Pursuant to the recommendation of the Working group to look into the issues of compulsory dematerialised trading, the list of scrips that was subject to compulsory dematerialization by institutional investors, was expanded to include 22 more companies having market capitalisation of Rs. 93,000 Crore.
- 07.09.1998<sup>12</sup>- SEBI made it mandatory for primary issues to be made through depository system.

In 2000, SEBI came up with the Securities and Exchange Board of India (Disclosure and Investment Protection) Guidelines, 2000 which made it mandatory for a company to enter into an agreement with a Depository for dematerialisation of securities that have already been issued or are proposed to be issued, if the company wanted to make a public issue or an offer of sale for securities. Thereafter, SEBI undertook numerous decisions to make dematerialisation compulsory in various segments of the securities market. Custodians were instructed to make payments in a prompt manner for securities that were obtained by them in a dematerialised form. Deals by institutions were to be negotiated in dematerialised form

<sup>8</sup> ‘About CDSL’ (*Central Depository Services India Ltd.*)

<<https://www.cdslindia.com/About/overview.html>> accessed on 4 Oct 2020.

<sup>9</sup> ‘Board Meeting held on 15.10.1997 at New Delhi’ (*SEBI*, 15 Oct 1997)

<[https://www.sebi.gov.in/media/press-releases/oct-1997/board-meeting-held-on-15-10-1997-at-new-delhi\\_18865.html](https://www.sebi.gov.in/media/press-releases/oct-1997/board-meeting-held-on-15-10-1997-at-new-delhi_18865.html)> accessed on 4 Oct 2020.

<sup>10</sup> ‘Trading in Dematerialised Securities’ (*SEBI*, 14 Jan 1998) <[https://www.sebi.gov.in/media/press-releases/apr-1998/trading-in-dematerialised-securities-meeting-of-the-working-group-held-on-april-24-1998\\_18814.html](https://www.sebi.gov.in/media/press-releases/apr-1998/trading-in-dematerialised-securities-meeting-of-the-working-group-held-on-april-24-1998_18814.html)> accessed on 4 Oct 2020.

<sup>11</sup> Ibid.

<sup>12</sup> ‘Board Meeting at Mumbai’ (*SEBI*, 7 Sept 1998) <[https://www.sebi.gov.in/media/press-releases/sep-1998/board-meeting-at-mumbai\\_19205.html](https://www.sebi.gov.in/media/press-releases/sep-1998/board-meeting-at-mumbai_19205.html)> accessed on 4 Oct 2020.



only.<sup>13</sup> The Companies that were earlier mandated by SEBI to enter into agreements with depositories were asked to make it mandatory that delivery to shareholders be permitted in a dematerialised form only.<sup>14</sup>

In order to ensure compliance with the directives issued by SEBI, a deterrent step was taken in the form of Circular<sup>15</sup> dated 21 February 2000 under which stock exchanged were directed to temporarily suspend the trading of shares of those entities possessing dematerialised securities who have defaulted in the compliance of the requirements stipulated by SEBI pertaining to such dematerialisation.

Additionally, on 10 September 2018, the Ministry of Corporate Affairs issued the Companies (Prospectus and Allotment of Securities) Third Amendment Rules, 2018<sup>16</sup> which made it mandatory for unlisted public companies to issue their shares in a dematerialised form only. All the existing securities of these entities were also to be converted in a dematerialised form.

In all these measures adopted by SEBI, there were questions raised with regard to whether compulsory dematerialisation done through various circulars and guidelines by SEBI was in line with the intent of the Depositories Act which was to give option to investors to choose to hold the share certificates in

physical form or in a dematerialized form. However, the benefits of transparency brought by trading in an electronic form kept on hushing these concerns.

### 3.2. Obstacles caused by an extensive dematerialisation-

The introduction of any new technological advancement by an authority requires equal enthusiasm by the participants in order for it to be efficiently implemented. However, in the case of India when the evolution of Depository System was not in the form of a voluntary commercial services but as a compulsory bureaucratic requirement. Owing to there being merely two depositories since the inception of the Act, it was felt that a monopolistic scenario got created. The dismantling of traditional trading system in the haste of implementing the depository system, coupled with the hesitance of investors to adopt electronic form of trading, led to several small-long term investors and middle class shareholders to quit the market in the initial stages of its implementation.

Initially, charges such as those related to opening of account, transaction, custody etc., payable by investors and were determined by the DPs. Owing to the presence of varied DPs, these charges differed a lot, creating hurdles for investors and making the entire process expensive<sup>17</sup>. Though later on these

<sup>13</sup>Trading in Dematerialised Securities- Meeting of the Working Group held on 23/09/98' (SEBI, 23 Sept 1998) <[https://www.sebi.gov.in/media/press-releases/sep-1998/trading-in-dematerialised-securities-meeting-of-the-working-group-held-on-23-09-98\\_19223.html](https://www.sebi.gov.in/media/press-releases/sep-1998/trading-in-dematerialised-securities-meeting-of-the-working-group-held-on-23-09-98_19223.html)> accessed on 4 Oct 2020.

<sup>14</sup>Trading in Dematerialised Securities- Meeting of the Working Group held on October 30, 1998' (SEBI, 30 Oct 1998) <[https://www.sebi.gov.in/media/press-releases/oct-1998/trading-in-dematerialised-securities-meeting-of-the-working-group-held-on-october-30-1998\\_19306.html](https://www.sebi.gov.in/media/press-releases/oct-1998/trading-in-dematerialised-securities-meeting-of-the-working-group-held-on-october-30-1998_19306.html)> accessed on 4 Oct 2020.

<sup>15</sup>SEBI Circular on Trading and Settlement of Trades in Dematerialised Securities, SMDRP/POLICY/CIR-11/2000.

<sup>16</sup>Companies (Prospectus and Allotment of Securities) Rules 2014.

<sup>17</sup> Gupta, L. C., and Naveen Jain, 'Indian Securities Depository System: What Has Gone Wrong?' (2003)



charges were done away, investors were still required to pay the charges towards:

- (i) De-materialisation and Re-materialisation of securities
- (ii) Account Maintenance
- (iii) Transaction fees for sell transactions

These charges are still determined by the DPs, and may be revised by giving a 30 days' notice. SEBI has tried assuaging the effects caused by permitting the DPs to determine their own charges by instructing DPs to submit an annual charge structure which could be used by investors to compare with the charges of other DPs.

Another reason for hesitation among investors from going Demat is the recalcitrance towards paying the annual account maintenance charges by small long-term shareholders. This decision becomes all the more problematic if the dividend is nil or negligible and these charges go on accumulating.

There have been rising incidents wherein brokers have defaulted in honouring their obligations towards their clients. One such instance is that of Karvy Stock Broking whose trading license was suspended<sup>18</sup>. The investors in these situations face the brunt of the defaults of DPs, as once a DP is suspended by the regulator, the shares get stuck. Since the procedure for transfer is bound to be performed by the suspended DP, the shareholder is unable to transfer the securities to another DP.

EPW 38(20), pp. 1969–1974, JSTOR  
<[www.jstor.org/stable/4413573](http://www.jstor.org/stable/4413573)> accessed 3 Oct 2020.

<sup>18</sup> 'Karvy Stock Broking's Trading Licence Suspended: What Clients Can Do Now?' (CNBCTV18, 3 Dec 2019)

### 3.3. Dematerialisation Scams that left their mark on Indian Economy

The Depository System in India has faced various ups and down in its course of over a decade up-to 2020. Each time a rock bottom, new regulatory provisions were developed as the ship to sail the economy again. Issues such as discrimination between the dematerialized and physical shares, ineffective management of SEBI over the Depository system, presence of fictitious or duplicitous shares, creation of *benami* Demat accounts etc. came into the front with time. Some of these 'scams' have been listed below:

#### • Dalmia Scam (2001)

**Cause:** Sale of duplicate shares in secondary market after creating a fictitious market.

**Facts:** This scam was facilitated by selling the duplicate shares in the secondary market after having created a fictitious market for them. Dinesh Dalmia along with the promoters of DSQ Biotech Ltd. dematerialised more shares than the authorized issued capital of the company and thus created a fictitious market. He issued 50% extra capital in the name of allotting preferential shares to three companies based in Mauritius. This artificially raised the share prices of DSQB. Physical shares with the same distinctive numbers were also sold by him illegally through brokers without ever introducing them on any recognised stock exchange.

#### Measure taken by SEBI:

<<https://www.cnbctv18.com/legal/karvy-stock-broking-trading-licence-suspended-what-clients-can-do-now-4800181.htm#:~:text=Two%20weeks%20after%20the%20Securities,of%20the%20regulatory%20provisions%20of>> accessed on 4 Oct 2020.



The SEBI found that the conduct of the company and its promoters was not only detrimental to the interest of the investors but gave a blow to the very safety and integrity of securities market. The unjust enrichment that was calculated to have been obtained by Dalmia due to his conduct was calculated at around Rs. 630 Crore and thus a penalty of equal amount was levied on him. The Promoters and DSQB were banned from accessing the market for 10 years, and instructed Dalmia to immediately buyback 1.30 Crore of the shares. The more appalling fact about this entire incident was the happenings after the passing of this order. For around 14 years, Dalmia did not comply with the directions of the market regulator to buy back the shares and resorted to prolonged litigation to avoid it. Thereafter in 2019, the regulator slapped a fine of Rs 1 Crore on him as maximum penalty on account of such failure. In 2016 as well the Apex court had directed him to deposit Rs. 30 Crore with SEBI within six months.

- **IPO Scam (2005)**

Cause: Opening of *Benami*/Fictitious Demat Accounts

Facts: This scam was unearthed in 2005 when Yes Bank decided to go public and launched its initial public offer. Roopalben Panchal along with her associates used to operate thousands of bank and Demat accounts which were meant to be sold to retail investors in several IPOs.<sup>19</sup> Being the wife of a sub broker, she ran a photo studio and used the copies of these photographs to open fictitious bank and Demat accounts. So when Yes Bank declared its IPO, around 6,315 different applications from different names, containing

<sup>19</sup> Roopalben Nareshbhai Panchal v SEBI, SAT [Appeal No. 400 of 2015]

the same address. The DP in this case, Karvy Stock Broking, failed to notice these abnormalities which got caught by the surveillance system of SEBI. SEBI noticed unusual off-market transfer of shares in large volumes which were shares of the companies that were proposed to be listed on the stock markets.

Post this scam, SEBI was able to unearth around 45,000 more *benami* Demat accounts<sup>20</sup> that were targeting the shares meant to be floated for small investors in IPO of IDFC.

Measures taken by SEBI:

The scam made SEBI realise that the periodical inspections that was alleged to be done by DPs were merely cosmetic in nature. Several intermediaries were held responsible for enabling the negligence to persist such as Depositories, DPs, Registrars and Brokers. Measures were introduced to bolster the systems of NDSL and CDSL so that multiple Demat accounts could be eradicated. The process of Know Your Customer (KYC) was implemented as a step into this direction. Instructions were given to these DPs and Depositories to equip themselves with better surveillance and investigation mechanisms.

- **Karvy Stock Broking Fraud (2019)**

Cause: Illegal additional pledge created on securities of shareholders by brokerage firms

Facts: Karvy Stock Broking, a Hyderabad-based stock brokerage firm, resorted to misusing their client's dematerialised securities by creating additional pledge on them in clear violation of their legal rights. The power of brokers in respect of creating

<sup>20</sup> Bhanuprasad D Trivedi v. SEBI, SAT [Appeal No. 197 of 2009].



pledges on these securities is limited to meeting the obligations of the investors themselves. Karvy went on to commit a fraud of around Rs. 2000 Crore by such illegal practices. The fraud came into light when there happened a continuous delay in payouts by the brokerage firm in the name of technical glitches. Additionally, an amount of Rs. 1096 Crore was transferred by the firm to its group company Karvy Realty. A further probe into the matter by SEBI and NSE revealed that Karvy had even signed undertakings stating that they were pledging their own securities and not those belonging to the investors.

#### Measures taken in consequence:

Both BSE and NSE suspended the broking membership of Karvy, and the depository was directed to transfer the securities from the account of the brokerage firm to the respective accounts of investors.<sup>21</sup> Suitable penalties were also imposed.

This fiasco led to major changes in the regulatory provisions pertaining to the handling of dematerialised securities by the brokerage firms. The pooling system of securities across clients that was adopted by brokers was banned in February, 2020. As a result, clear directions were given to brokers to manage individual accounts of all the investors.

The SEBI (Depositories and Participants) Regulations were amended wherein the definition of 'pledge' was tweaked to include "re-pledge of securities for margin or

settlement obligations."<sup>22</sup> The onus of creation of bonafide pledge from margin account of stock broker was shifted to the depository. This pledge was earlier routed directly by the stock broker using the power of attorney. After the amendment, this has to be accompanied by the active consent of the beneficial owner (investor). The new system also permits the beneficial owner to directly approach the clearing corporations, and such securities shall continue to be a part of the investor's account. If the brokers wish to re-pledge the securities in order to allow margin benefit, they have to get approval from the investor.

#### 4. CONCLUSION AND RECOMMENDATIONS

The Depository system in India was introduced with the aim of achieving paperless trading in the stock market. Despite its hasty implementation and hesitation among the investors to accept this system, there has been an exponential increase in the sheer volume of dematerialised securities and trade in the securities market. The shortcomings of this system are outweighed by the advantages, coupled with the necessity for such transition given the effect of globalisation. The world has now been closely knit into a combined financial economy and overseas investments are a crucial part of all the developed and developing nations. This phenomenon is the primary reason why constant upgradation of the Indian Capital Market to the international

<sup>21</sup> Ashish Rukhaiyar, "Explained: Why SEBI banned this Hyderabad-based firm from taking on new clients" (*The Hindu*, 8 Dec 2019) <[https://www.thehindu.com/business/markets/what-](https://www.thehindu.com/business/markets/what-is-the-karvy-stock-scandal-all-about/article30233018.ece)

[is-the-karvy-stock-scandal-all-about/article30233018.ece](https://www.thehindu.com/business/markets/what-is-the-karvy-stock-scandal-all-about/article30233018.ece)> accessed on 4 Oct 2020

<sup>22</sup> SEBI Circular on Margin Obligations to be given by way of Pledge/ Re-pledge in the Depository System, SEBI/HO/MIRSD/DOP/CIR/P/2020/28.



standards in a requisite to gain more adeptness and transparency.

However, this does not mean that there aren't still miles left to cover. A powerful IT-based monitoring mechanism is required to be developed by the regulator, depository as well as, by the depository participant in order to successfully deal with the complexity with which securities are traded electronically. With the recent incorporation of NSDL Payments Bank, new avenues have been opened at the intersection of banking and securities markets. It allows remittance, payment services, transfer directly to bank account, coupled with the features of a trading and Demat Account. However, this also calls for a more advanced monitoring mechanism to deal with the challenges that future will bring.

Lastly, the following recommendations are given:

1. In cases where the Regulator suspends a Depository Participant leading to the shares of investors being stuck, they investor should be permitted to directly approach the DP in order to transfer the shares to another DP.
2. Electronic medium of trading should be coupled with an equal advancement of technology available to masses. Due to the fact that not all banks are electronically connected, the transfer of funds takes 2-3 days at times.
3. The hesitation among the masses that was sensed by the law-makers when the Depositories Act was promulgated still persists among several segments of society. There need to be awareness programmes and investor-friendly mechanisms that reduce the complexities that the common man sees in trading of securities.

4. Given that over two decades have passed since the introduction of Depositories System in India, it is high time that compulsory dematerialisation be introduced for all kinds of securities. This will eliminate the discrimination between dematerialised and physical shares.

There need to be uniformity in the charges levied by various DPs or in the least a structure within which these charges must be decided. A minor reduction in the cost of dematerialisation will go a long way in attracting masses into the securities market.

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