

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7777
ANSWERED ON:17.05.2002
DEPOSITORY PARTICIPANTS CHARG
NARESH KUMAR PUGLIA

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government are aware that small investors have to deposit their shares with the Depository Participant irrespective of the number of share held by them;
- (b) if so, whether the Depository Participant realised money from the depositor for opening an account, for depositing shares of each company and also charges annual maintenance charges;
- (c) if so, the details thereof;
- (d) whether the Government have fixed these charges or the Depository Participants charge the amount of their own will;
- (e) if so, whether this has caused a great resentment among the small investors as they have to make payment to Depository Participant without any benefit to them; and
- (f) if so, the manner in which the Government propose to relieve small investors from this burden of making payment to Depository Participant unnecessarily?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) : The Securities and Exchange Board of India (SEBI) has intimated that under the Depositories Act, 1996 the right to hold shares either in physical or dematerialised form vests with investors. Further, Stock Exchanges should provide an additional trading window as a one time facility for small investors to sell physical shares (which are in compulsory demat list) not exceeding 500 shares in number irrespective of their value. Also, the investors, if they so desire, can rematerialise the shares that were already dematerialised.

(b) &(c) : Depository Participants charge the investor certain service charges like annual account maintenance charges, custody charges per ISIN (per company) and transaction charges, for the various services rendered, as per the agreement entered into with investors. These charges and fees are based on the charges levied by the Depository on the Depository Participants.

(d): The manner of determination and levy of fees and charges by Depositories is their commercial decision based on transaction costs incurred by them.

(e) and (f): According to SEBI, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) had revised their tariff structure to a flat fee basis. Based on the representations received from certain individual investors, against revision of charges, SEBI advised the Depositories to reconsider the decision. NSDL has since revised the tariff structure downwards, effective from May 01, 2002. Tariff structure of Central Depository Services (India) Limited is comparable to that of National Securities Depositories Limited.