

COMPULSORY DEMATERIALIZATION OF PHYSICAL SHARES

SEBI in its meeting held on March 28, 2018 has decided to amend Regulation 40 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') which deals with transfer or transmission or transposition of securities. According to this proposed amendment, the requests for effecting the transfer of listed securities shall not be processed unless the securities are held in the dematerialized form with a depository. Therefore, for effecting any transfer, the securities shall mandatorily be required to be in demat form. Thereafter on June 8, 2018, SEBI vide its Notification² has amended the Listing Regulations to enforce the proposed amendment.

IMPACT:

The new regulations become applicable to all other investors, i.e. on 8 June 2018, market regulator SEBI issued a notification that transfer of securities will not be permitted unless they are dematerialized and the deadline for the same is December 5, 2018. The amendment shall come into force on the 180th day from the date of its publication in the Official Gazette, i.e., on December 5, 2018.

In view of the above all the shareholders who are holding shares in physical form are advised to convert their physical shares in to demat mode before the dead line as prescribed by SEBI.

PROCEDURE FOR DEMATERIALIZATION OF SHARES:

- **Step1:** Beneficiary Owner (BO) has to open a demat account with a Depository participant (DP) and obtain an account number.
- **Step 2:** BO need to fill in a Demat Request Form (DRF) and submit the same with the physical certificate/s to the depository participants for dematerialization. For each ISIN, a separate DRF has to be used. If the BO has free as well as lock-in shares of the same ISIN, separate demat request has to be set up for free shares and lock-in shares.
- **Step3:** DP would verify that the DRF has been filled correctly.
- **Step 4:** DP would setup a demat request on the CDSL or NSDL system and send the same to the Company and the Registrar and Transfer Agent.
- **Step 5:** Issuer/ Registrar and Transfer Agent (RTA) would verifies the genuineness of the certificates and confirms the request.
- **Step 6:** Once the request has been successfully made, DP would deface and mutilate the physical certificates, generate a Demat Request Number (DRN) and send an electronic communication to the depository and courier the DRF and the share certificate to the company by courier.
- **Step 7:** On receiving confirmation, depository will credit an equivalent number of securities in the demat account of the BO maintained with CDSL or NSDL.

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