CORPORATE & INTERNATIONAL BANKING

No. C&I/Circular/2014-15/1413
February 27, 2015

The Chief Executives of All Member Banks

Dear Sirs/Madam,

Simplifying the Demat Account Opening Process

The Hon’ble Finance Minister in his Budget Speech 2014 had, inter-alia, made an announcement to introduce one single operating Demat account, so that Indian financial sector consumers can access and transact all financial assets through this one account.

2. There is a growing need for banks to provide a variety of services to its customers including a facility of a Demat account. It was brought to our notice that banks face some operational difficulties in opening Demat accounts and providing depository services. IBA engaged with the depositaries to simplify the Demat account opening process. Based on the interactions and discussions with the depositaries, the following measures have been taken to make it easier for banks to carry on the business as a Depository Participant (DP):

i. Depository Participants were required to appoint one person who is certified by passing an examination conducted by NISM at each branch in order to provide depository services. The matter was taken up with SEBI and now the requirement of appointing one qualified person at every service centre is withdrawn. Where the associated persons are engaged/employed at service centers for carrying out only basic / elementary level / clerical level work (as defined by depositaries), passing NISM – DOCE certification will be optional, if such work is supervised by a NISM - DOCE certified person.

ii. The documentations required for the purpose of nomination has been simplified. Earlier, Client was required to obtain signature of the nominee and give his photograph for nomination purpose. Now, simpler options are given to the Client to provide either the bank account number or PAN or AADHAR number or any other identity proof of the nominee at the time of nomination.
iii. The DP Client agreement is eliminated and is replaced by a Rights and Obligations Document, which needs to be made available to the client.

iv. The DP can retain the original KYC documents obtained from the customer and only the scanned images are required to be sent to the KYC Registration Agency (KRA).

3. These measures, we believe, would make it easier for member banks to provide depository services to their customers by opening Demat accounts. Accordingly, the member banks are requested to take following steps:

i. The member banks, who are not Depository Participants, may opt to become Depository Participants.

ii. A demat account may be offered to the prospective customers, who seek come to open new bank accounts, at the time of account opening.

iii. The member banks who are already Depository Participants may consider offering depository services from a larger number of their branches.

Yours faithfully,

(Sangeet Shukla)
Senior Advisor