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**NATIONAL SECURITIES DEPOSITORY LIMITED (NSDL)**

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India has a vibrant capital market which is more than a century old, the paper-based settlement of trades caused substantial problems like bad delivery and delayed transfer of title etc. The Government of India promulgated the depositories ordinance in September 1995 for major development of Indian capital markets. Based on this ordinance, securities and Exchange Board of India (SEBI) notified its Depositories and Participants Regulations in May 1996. The enactment of the Depositories Act the following August 1996 paved the way for the launch of National Securities Depository Limited (NSDL) which is promoted by the Industrial Development Bank of India (IDBI), Unit Trust of India (UT) and National Stock Exchange of India (NSE). NSDL is first electronic securities depository company established in August 1996 with its office in Mumbai. The Depositories Act has provided dematerialization route to book entry based

transfer of securities and settlement of securities trade.

NSDL is a central securities depository which is governed by the depositories Act 1996 and it works under the Jurisdiction of the Securities and Exchange Board of India (SEBI). It commenced its operations on 8 November 1996. NSDL aims at ensuring the safety and soundness of Indian marketplaces by developing settlement solutions that increase efficiency, minimize risk and reduce cost.

NSDL performs the following functions :

- It provides securities transfer facilities.
- It provides and enables the surrender and withdrawal of securities to and from the depository (dematerialization and rematerialization).
- It maintains investor holdings in the electronic form
- It provides engagement in stock lending and borrowing

- It performs settlement of securities that have not be done in the stock exchange
- It provides loan facilities in mortgaging securities.
- It locks the investors account it required.
- It facilitated electronic credit of shares in public offer.

NSDL in authorised by the Central Government to offer depository services in India while it is privately held professionally managed company but it also provides PAN applications acceptance and processing services because it is entrusted by Income Tax Department of India.

NSDL has some participants which help its functions. They are IIT Trust, Corporate Services, Global Trust Bank, HDFC Bank, City Bank Custodian Services, Morgen Stanley Custodian Services, Reliance Share and Stock brock. Janata Sahakari Bank, Industrial Development Bank of India, State Bank of India, Standard Chartered Bank, National Securities Clearing Corporation and Deutsche Bank.

NSDL work to support the investors and brokers with using innovative and flexible technology system in the Indian Capital market. The securities are hold in depository accounts, which is more or less similar to holding funds in

bank account in the depository system also and ownership of securities transfer through simple transfers. Thus, all risk and hassles do away which is related with paperwork. Hence the transaction cost in depository become low. NSDL provides services through its wide network of Depository partners to investors, stock brokers, custodians and issuer companies.

There are several functionalities on NSDL. These functionalities are Depository Participants (DPs), Issuer companies and their Registrars and share transfer agents, Clearing Corporation of Stock Exchanges. They are linked electronically with NSDL through multi-protocol label Switching (MPLS). The entire integrated system is called the “NEST” (National Electronic Settlement & Transfer) system. Depository Participant (DP) included a bank, financial institution, a custodian, a broker or any entity eligible as per SEBI (Depositories and Participants) Regulation, 2018. At present 279 (as on 31/10/2022) DPs are functioning at NSDL with 58,519 Depositories Centre. The investor opens a depository account with DPs for depository facilities. There are 2,95,58,112 ( as on 31/10/2022) investor account with DPs.

The issuers companies who want to issuer securities they have entered into an agreement with NSDL and they submit a certificates of dematerialisation before

they are dematerialised and to maintain electronic connectivity with NSDL. Clearing Corporations of stock exchanges also have to be electronically linked to the depository for taking facilities of settlement of the trade which is done on the stock exchange for dematerialised share, The Bombay Stock Exchange, National Stock Exchange and Metropolitan Stock Exchange to India are electronically connected to National Securities Depository Limited.

NSDL provides a platform for depository services to investors and clearing members through market intermediaries. So NSDL does not charge directly on investors but it charges its DPs. Depository participants are free to make charge structure for their clients. The charges are uniform for all DPs fixed by NSDL. It also impose some charges on issuers and other users.

NSDL plays vital Role in Corporate Social Responsibility (CSR). It has been carrying on various social welfare at educational programs. As per CSR policy, it undertakes many need base projects. The CSR committee and board of NSDL & NSDL Database Management Limited (NDML) provides approval for CSR projects and implemented by both companies jointly. The expenditures shall be incurred out of respective CSR budget of NSDL and NDML.

NSDL initiative a skill development project Artha Samarth for unemployed graduates or post graduates, college drop-out graduates/post graduates with prior work experience youth engaged in informal/unorganized sector etc. they are enrolled in the sector as sector required for specific training programs. The training programs to be conducted at NSDL's regional office/branches namely Mumbai, Ahmedabad, Delhi, Lucknow, Chandigarh, Kolkata, Chennai, Hyderabad, Jaipur and Kochi. The program covers training on mutual fund Distributors, Business correspondent, Business Facilitator, insurance Agents.

NSDL provides free bed-side Leukocyte filters and yearly DXA Scan and cardiac & Liver T2\* MRI investigations to underprivileged Thalassemia patients under project Yogdaan. The Company provides all facilities to such patients. Around 310 Thalassemia patients benefited in 2021-22, They are all belongs to poor socio-economic background. NSDL has started Eye Screening Comps for farmers, Salt pan workers and people engaged in allied agricultural Sector across the state of Tamil Nadu.

NSDL has started School kit Distribution Program (Chalo School Chale) for education development. Under this program, NSDL shall provide a

complete school kit including stationary items to the underprivileged students from all school. The aim of this program is to promote education amongst students who belong from poor socio-economic background, NSDL has launched shiksha sahyog program (an educational scholarship). This program provides scholarship to those bright students who drop education to lack of financial resources. NSDL awarded Scholarship to deserving students in different categories such as 8<sup>th</sup> to 12<sup>th</sup> STD and also engineering and medical degree and post graduate.

Mid-Day-meals for the students in government school in associated with Akshaya Patra Foundation should be provided by NSDL and its subsidiaries. The aims of this program is to make nutritious food for children leading to better health status. The organization will be provided around 2000 students mid-day-meals in identified schools of Thane and Bangaluru.

Thus, it may observe that NSDL plays very important role for development

of Indian Capital Market. The NSDL is providing dematerialization of shares in electronic formate and also rematerialization of shares from electronic format to converted as physical certificates on requirement of investor. The NSDL has brought about many positive development in the Indian financial market. Its settlement of transactions have become faster and smoother. The environment should be neat & clean due to less use to paper. The investors are free to keep physical certificate of securities. It also bear corporate social responsibility through start many beneficiaries programs/projects for poor social-economically persons in the area of health, education & traning for self employment. The National Depository Limited has made, all things much better for the nation.

#### References:

Source: SCCL-a publication of NSE, 1997

Website : nsdl.co.in>about

: accountlearning.com

: commercestudyguide.com