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MCA may mandate DEMAT of shares by Private Limited Company also

Since last year from 02 October 2018, Unlisted public companies had to compulsorily issue new shares in Demat form (electronic form) and transfer of shares also need to be done in the Demat form only. Ministry mandated it amid continuing its efforts to curb illicit fund flows, enhancing transparency, investor protection and governance in the corporate sector

In the process of digitization move by Government, there may be amendment expected for Demat of shares of all private limited company also in near future. This may also be mandated by Ministry in its efforts to bring transparency in process and reduce disputes between parties.

For Demat of Shares the Company need to have connectivity with Depositories (NSDL or CDSL) and have Registrar and Share Transfer Agent appointed for such connectivity with CDSL or NSDL.

A. Company need to follow steps as detailed below with documents :

1. To obtain connectivity with Depositories (NSDL or CDSL) and obtain ISIN International Securities Identification Number (ISIN) and its structure is defined in ISO 6166.
2. To appoint Registrar and Share Transfer Agent (**SEBI Registered RTA**)

Steps for obtaining ISIN from CDSL / NSDL.

- Step 1 : Appointment of Register Transfer Agent (RTA) by the Company.
Step 2 : Preparation of Application in Prescribed format along with Misc. Documents to be submitted to NSDL by RTA.
Step 3 : Vetting of Documents by NSDL and if all Documents are in order they Issue Reference Number.

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Step 4 : Payment of Fees to NSDL by Demand Draft / Cheque or NEFT Favouring “National Securities Depository Ltd”.

Step 5 : Payment of Fees of RTA

Step 6 : Issue of ISIN by NSDL for the Company in one week time.

Documents required for obtaining ISIN from NSDL / CDSL

1. PAN Card Copy / COI/ first page of MOA and 2 years Annual Report of the Company.
2. TAN, GST Registration and Current Share Holding Pattern of the Company.
3. PAN / Aadhaar Card Copy of Directors & Authorised Signatory.
4. Email ID, Contact Number and Name of Authorised Signatory
5. List of Directors, Net Worth Certificate as per format to be provided by us .

B. NSDL / CDSL & RTA Fees Details approx. are as follow

NSDL Fees Details (Cheque Favouring National Securities Depository Limited)					
	NOMINAL CAPITAL / PAID UP CAPITAL				
NSDL Fees Details	Upto 2.5Cr	2.5cr- 5 cr	5 cr-10 cr	10cr- 20 cr	Above 20cr
Joining Fees	15,000	15,000	15,000	15,000	15,000
Annual Custody Fees (Prop.)	2,083	3,750	9,375	18,750	31,250
Gross fees	17,083	18,750	24,375	33,750	46,250
GST @ 18%	3,075	3,375	4,388	6,075	8,325
Total fees	20,158	22,125	28,763	39,825	54,575
Security Deposit (only for Limited Companies)	10,000	18,000	45,000	90,000	150,000

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After getting ISIN of your Company from NSDL / CDSL and Share Holder of the company can Dematerialized their Shares in their DEMAT Account Electronically.

C. Processes of Opening of DEMAT Accounts of Share Holders:

Step 1: Open the Demat Account of all the shareholders by providing documents given below. Shareholders can be individual, HUF, or Company.

In Case of Opening Demat Account of an Individual: Applicant is require to provide Certified Copy of following :

1. PAN Card,
2. Aadhaar Card,
3. Contact Number and Email
4. Full name with Mothers name
5. Cancelled Cheque with three months latest bank Statement of his / her Account
6. Two Passport size Latest Photograph
7. Email ID

In case of Opening Demat Account of HUF: Karta & Co-Parceners of HUF are require to provide Certified Copy of following:

1. PAN Card of HUF and Karta
2. Aadhaar Card of Karta
3. Contact Number and Email of Karta
4. Two Passport size Latest Photograph under stamp of HUF
5. Cancelled Cheque with three months latest bank Statement of HUF Account
6. HUF Undertaking

In case of Opening Demat Account of Corporate: All Director's & Authorised Signatories are require to provide Certified Copy of following :

1. PAN Card of each Director and Authorised Signatory
2. Aadhaar Card of each Director and Authorised Signatory
3. Contact Number and Email of each Director and Authorised Signatory
4. Email ID, Contact number of each Director and Authorised Signatory
5. Two Passport size Latest Photograph under stamp of Company of each Director and Authorised Signatory

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6. Cancelled Cheque with Certified copy of Six months latest bank Statement, 6. Certificate of Incorporation with copy of Memorandum and Articles of association
7. Two years Annual Accounts,
8. Address Proof of Company
9. List of Directors and List of Share Holders of the Company under the stamp.

Step 2: After Opening DEMAT Account, all shareholders can convert their Shares from Physically to Electronically by Providing Signed Demat Request form (DRF) of each shareholder along with Original Share Certificate to our Company.

The conversion of physical shares to Demat process normally is done in 3 weeks' time from the date of receiving request from Depository Participant to Registrar & Share Transfer (RTA). RTA send the DRF form & Original Share Certificate to Company, later RTA release the shares as per the request and Shares will be directly credited to Share Holder's Demat Account in Digital Form.

Conclusion: Ministry intent to eliminate risks associated with physical certificates such as loss, theft, mutilation and fraud. Demat will also help in restricting holding as benami shares and back dating of transfer which create disputes and evade tax etc. Disclosure of Significant Beneficiary Ownership (SBO) also a step in that direction to have transparency.

There will be definitely cost to the Company of connectivity with depository and RTA, at the same time there are benefits to the shareholders by saving stamp duty on transfer of shares

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Amita Desai & Co.
Company Secretaries
1005, Hubtown Solaris
Prof N S Phadke Marg,
Andheri (East), Mumbai -400 069,

Landline : + 91-22-2684-5920/21
Fax : + 91-22-6678-7499
Mobile : + 91-982-017-7691
Website : www.amitadesai.com
Email : info@amitadesai.com

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Off : 1005, 10th Floor, Solaris Hubtown, Prof N S Phadke Marg, Andheri (east),
Mumbai-400 069, 09820177691 Off -91 22-2684 59 19/20/21/23
website www.amitadesai.com email info@amitadesai.com