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INSIDE

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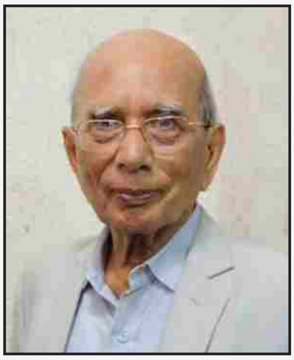

Shri. N. L. Bhatia
President Emeritus

Editorial - March 2022

"SAARTHI"

With a view empower knowledge among the investors about the knowledge of Securities Market, SEBI (Securities Exchange Board of India) has launched the mobile app "SAARTHI".
The Saarthi app aims to create awareness among the investors about the basic concepts of Securities Market, KYC Process, trading and settlement, mutual funds, recent market developments, investor grievances redressal mechanism, etc. The App is available in Hindi and English.
The application has various modules like "Know about Securities Market", "How to Invest", "SEBI Resources" etc.

Know about Securities Market
- ✓ Shares
- ✓ Mutual Funds and ETFs
- ✓ Debt / Bonds
- ✓ REITs and InvITs
- ✓ Derivatives

How to Invest
- ✓ What is Investment
- ✓ Savings vs Investment
- ✓ Investing in Securities Market
- ✓ Know your Client (KYC)
- ✓ Educational Material
- ✓ Informative videos & Webinars

SEBI resources
- ✓ What's new?
- ✓ SEBI Investor Charter
- ✓ Quiz Contest and Essay Writing Contest
- ✓ SEIB websites
- ✓ SEBI Innovation Sandbox

The Investors can also register their complain & contact through below mentioned details: -
- ✓ SEBI SCORES (For Complaints)
- ✓ SEBI Investor Helpline
- ✓ Ask SEBI (For Queries)
- ✓ Contact Exchanges / Depositories

Through this application Investors can also view SEBI's role in Securities Market, SEBI Circulars, SEBI FAQ's, SEBI Registered Intermediaries etc.

This application is very much informative and easy to understand. It Is very helpful to beginners for learning stock market fundamentals and detailed information.

Every reader is requested to download and explore this application.

Following is the application Link for the same: -
https://play.google.com/store/apps/details?id=com.sebi.invapp

INVESTOR PROTECTION THROUGH EDUCATION

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INVESTORS RELATED DEVELOPMENTS IN CAPITAL MARKET MONTH - MARCH 2022

(Courtesy: SEBI / BSEIPF)

➢ Execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities

SEBI vide its earlier circular dated April 23, 2010 issued guidelines regarding execution of Power of Attorney (PoA) by the client in favour of Stock Broker / Stock Broker and Depository Participant. It was inter-alia reiterated that:

1) PoA is optional and should not be insisted upon by the stock broker / stock broker depository participant for opening of the client account.

2) In case PoA is executed in favour of stockbroker / stock broker depository participant by the client, it shall be utilized;

   a) For transfer of securities held in the beneficial owner account of the client towards Stock Exchange related deliveries / settlement obligations arising out of trades executed by such a client on the Stock Exchange through the same stock broker.

   b) For pledging / re-pledging of securities in favour of the trading member (TM) / clearing member (CM) for the purpose of meeting margin requirements of the client in connection with the trades executed by such a client on the Stock Exchange.

What SEBI has decided now ?

In order to make the process more transparent and simpler, now SEBI vide its circular dated April 4, 2022 has stated that the two conditions as specified above shall be made part of a separate document viz. **'Demat Debit and Pledge Instruction'(DDPI)**, in the format attached with the circular under which ;

1) The clients shall explicitly agree to authorize the stock broker/stock broker and depository participant to access their BO account for the limited purpose of meeting pay-in obligations for settlement of trades executed by them.

2) It is further stated that the DDPI shall serve the same purpose of PoA and significantly mitigate the misuse of PoA. The use of DDPI shall be limited only for the two purposes as mentioned in paragraph.

3) The client may use the DDPI or opt to complete the settlement by issuing physical Delivery Instruction Slip (DIS) or electronic Delivery Instruction Slip (eDIS) themselves.

Hence, with the implementation of this circular, PoA shall no longer be executed for the conditions specified above. The DDPI shall be provided to clients as part of the Voluntary Documents and shall be executed only if the client provides his/her explicit consent for the same, including internet-based trading. The existing PoAs shall continue to remain valid till the time client revokes the same.

Thus, the stock broker/stock broker and depository participant shall not directly / indirectly compel the clients to execute the DDPI or deny services to the client if the client refuses to execute the DDPI. Also, as mentioned in point no.

Impact for Investors: This initiative from SEBI will make it much easier for investors to understand the reasons for which they are providing POA to the brokers/DPs very clearly. The stock brokers/DPs cannot insist the clients to execute POA against their will and even if investors execute them, the same can not be considered as granted for the two most common purposes mentioned above, which is generally bundled in other provisions of the POA.

A separate document specified for these two purposes will make investors understand these specific purposes and will help them to take appropriate decision about whether to provide the same or not.

CAUTION AGAINST UNREGISTERED INVESTMENT ADVISERS

SEBI registers Investment Advisers under SEBI (Investment Advisers) Regulations, 2013. As per the regulations, "Investment Adviser" means any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called. In simpler terms, an Investment adviser is a person who helps investors to know their needs, risk and return expectations and then make investment decisions.

"Investment Advice" refers to the advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning. Any investment advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public shall not be considered as investment advice for the purpose of these regulations.

To be an Investment Adviser, one needs to obtain registration from SEBI and follow the Code of Conduct. It is illegal to act as Investment Adviser without SEBI registration. SEBI is making concerted efforts to stop such illegal activity. Some dishonest and Ignorant entities may not get themselves registered and, or, may not follow the Code of Conduct. Investment Advisers have to limit themselves to giving advice and they do not handle cash or securities.

Some of the malpractices related to the activities of registered and unregistered entities acting as Investment Advisers (IA) reported to SEBI are mentioned as below:

- Assured returns being offered by the investment advisers to the clients.
- Charging exorbitant fees from client with a false promise of handsome returns.
- Mis-selling by IAs without adhering to the risk profile of the client to earn higher fees. On receiving complaints for refund of fees from client for loss incurred, IAs offer higher risk products to clients with a promise that they will recover their losses.
- Trading on behalf of the clients.
- Automatically upgrading or changing the service to higher risk products, not matching with the client profile and without the consent of the client.
- Poor service by the IAs causing loss of money to the clients.
- Refund related issues.

Investors need to be aware and guard themselves against above mentioned practices present in the market. They should take care while dealing with entities claiming expertise in capital markets. Investors are advised to take advice for investment only from entities registered under SEBI (Investment Adviser) Regulations, 2013. The list of such entities is available at the following website: https://www.sebi.gov.in

Savings Related Products

In this chapter, we will discuss about the various savings related products available to the public. These include deposit schemes offered by banks, government deposit schemes, public deposits issued by companies etc.

A. Why to keep money in banks?

Drawbacks of keeping cash at home:

a) Unsafe: Money can be stolen or lost due to natural calamities.

b) Loss of growth opportunities: Loss of interest income

c) No credit eligibility: Deposit in banks create eligibility for taking loans.

Therefore it is beneficial to keep money in banks rather than at home in cash.

B. Banking

Commercial banks are regulated financial institutions as they deal with public money and trust. Commercial banks in India are regulated by Reserve Bank of India. Banks are required to go through mandatory inspection and audits at various intervals and also by the Reserve Bank of India every year.

Bank deposits are comparatively lower risk investments. Banks offer various types of deposits, depending on the needs of the customers. Bank deposits are preferred more for their liquidity and safety than for the returns. It is possible to get loans up to 75 to 90% of deposit amount from banks against fixed deposit.

Central Government deposit insurance scheme ensures that all deposits are insured by the Government up to a limit of ` 1 lakh. So, even in case of a failure of a bank, depositors are assured that the Government will step in and return up to ` 1 lakh of their savings in the bank.

C. Account Opening Process - Know Your Client (KYC) Norms

For opening any type of bank account, customers need to undergo the process of complying with KYC norms. KYC Stands for "Know Your Customer". The objective of KYC is to enable banks to know and understand their customers better and help them manage their risks prudently. The KYC documents generally accepted by banks are a) Photograph, b) Documentary proof of identity (copy of PAN Card / Aadhaar Card etc.), and c) Documentary proof of address (copy of electricity bill / driving license / passport / aadhar card, etc.

D. Types of Bank Accounts

Types of Bank Deposit	Key Features
Savings Bank (SB) Account	• Low interest, however, highly liquid. • Facilitates payment mechanism through Automated Teller Machines (ATMs) • No Tax deducted on Source (TDS) on interest on SB account balance, but taxable in the hands of depositor. • Account can be opened in single name or joint names. In the case of joint account, the operation of the account can be by any one or done jointly. The accounts can be opened in the name of minors also wherein the accounts can be operated by guardians.
Fixed Deposit (FD) Account	• Involves placing funds with the bank for a fixed term at a certain interest rate • Interest on FD is subject to Tax Deducted at Source (TDS) • Senior citizens may get extra benefit on the interest rate. • Tenure and rate of interest on FDs varies from bank to bank.
Recurring Deposit (RD) Account	• A fixed amount is deposited at monthly intervals for a predetermined term • Earns higher interest than savings bank account • TDS applicable on interest accrued or earned
Special Bank Term Deposit Scheme	• Tax savings scheme available with banks • Relief under Section 80C of the Income Tax Act, 1961 • Term deposit of five years maturity • No premature withdrawal allowed

E. Digital Banking

In the modern era, transaction including payments, fund transfers, buying goods etc. all take place in digital platforms such as mobile phones and the customer can do the transaction from any place. The various digital modes of transferring funds are mentioned as below:

Mode of Transfer	Key Features
NEFT (National Electronic Fund Transfer)	- Transfer of funds from one Bank account to a different account of another Bank using beneficiary's account number and IFSC Code (Indian Financial Services Code, a unique code assigned to each bank branch) - Charges for transfer may differ from bank to bank.
RTGS (Real Time Gross Settlement)	- Transfer of funds from one Bank account to a different account of another bank on a real time basis facilitating high value transactions using beneficiary's account number and IFSC Code (Indian Financial Services Code, a unique code assigned to each bank branch).
IMPS (Immediate Payment Service)	- Transfer of funds from one Bank account to another facilitating instant fund transfer. - For fund transfer through internet banking, beneficiary's account number and IFSC Code (Indian Financial Services Code, a unique code assigned to each bank branch) are needed and through mobile banking beneficiary's MMID (Mobile Money Identifier is a 7 digit number issued by bank to the customer) is needed.
Unified Payment Interface (UPI)	- Transactions to be done through any smart phone using VPA (Virtual Payment Address) facilitating 24 X 7 transfer on a real time basis. - One needs to download UPI-enabled bank app and login using bank details

F. Digital Payments - Do's and Don'ts:

Do's	DON'Ts
Use a password for your computer, laptop and mobile so that no one else can access your systems without consent Change your passwords and security settings regularly.	Never save your mobile banking login and password on the phone. Either memorize it or write it down somewher else.
Always visit your bank's secure Internet Banking site directly.	Never leave your handset unattended and logged into a mobile banking app.
Log out of your Internet Banking immediately after you have completed your transaction. Do not close the window without logging off.	Never leave your phone un-attended while carrying out financial transa-ctions through mobile.
Avoid using Internet Banking on unsecured WI-FI networks such as railway stations, airports and cybercafés.	Never ignore your account balance statements and transaction history.
Update the mobile banking app as and when a new version/ or upgrade is released. Also update your phone with latest security patches.	Don't keep your PC or laptop it lying around when not in use or trust a stranger to use it.
If you suspect unauthorized transactions in your account, report it to your bank immediately or at least within three working days, so that your complaint or grievance is addressed in your favour.	Never download apps from untrust-worthy and dubious sources.

G. What is Credit card and debit card:

Credit card gives the card holder the benefit of availing certain period of credit i.e. making payment without having immediate money on hand in credit card transactions.

Debit card, on the other hand, is a card issued to a bank account holder for withdrawing money at ATMs from his account as well as to make payment at point of sale. All the merchant establishments accept debit cards in settlement of transactions.

Both credit and debit cards can be used for withdrawal of cash from ATMs as well as for digital transactions. Comparison between a credit card and debit card are listed as below:

Particulars	Credit Card	Debit Card
Source of funds	Lending bank provides the credit facility	Linked to one's own account maintained with the same bank
Interest	If outstanding amount is not paid on time, interest is levied	No interest is levied
Credit History	Relevant for issuing a credit card	Not relevant for issuance of the debit card.
Relationship with the issuer	No compulsion to have account with issuing bank	Having an account with the issuing bank is a pre-requisite

Things to keep in mind while transacting through ATM card

- Change the PIN immediately when the card is received from bank.
- Don't write down your PIN number anywhere. Memorize it. Don't disclose your PIN number to any third person
- Preferably use an ATM within bank premises or manned 24 hours by a security guard. Use it personally, Bank has no liability in case the ATM card has been handed over for transaction to any other person except the account holder.
- While using the online transaction, use the virtual keyboard.
- Register yourself with bank for getting SMS alerts on transactions. However, banks may charge customers for providing SMS or e-mail alerts related to their bank accounts.
- Change your PIN numbers as often as convenient.
- If the card is lost, immediately inform the bank.
- Do not allow anyone to access or use your card.

H. Customer Liability for unauthorized banking transactions

RBI has specified that a customer has no liability when an unauthorized transaction happens on account of fraud, contributory negligence or deficiency on the part of the bank. Similarly, even when neither the customer nor the bank is at fault, but the problem lies elsewhere in the system, the customer does not have any liability, provided she or he notifies the bank about the illegal operation within three days of receiving an alert from the bank. And the bank shall credit the amount involved in such transaction to the customer's account within a specified period. However, in cases where such fraud takes place on account of the negligence of the customer, the entire loss, until the date of reporting the unlawful transaction will be borne by the customer.

The RBI has emphasized to banks that they need to send SMS and e-mail alerts to the customers immediately after a transaction in their account. They have been instructed to ensure that such messages are enabled to carry the customer's reply too, so that a consumer can report any such fraud immediately.

I. Reserve Bank of India (RBI)

The Reserve Bank of India (RBI), the central bank of India, was established on April 1, 1935, under the Reserve Bank of India Act. The Reserve Bank of India uses monetary policy to create financial stability in India, and it is charged with regulating the country's currency and credit systems. The main purpose of RBI is to conduct consolidated supervision of the financial sector in India, which is made up of commercial banks, financial institutions and nonbanking finance companies. It formulates, implements and monitors India's monetary policy. The central bank's management objective is to maintain price stability and ensure that credit is flowing to productive economic sectors. The RBI acts as a regulator and supervisor of the overall financial system and it is also the banker to the Government of India. RBI is also the lender of last resort for all commercial banks.

Rights and Obligations of Investors

(Annexure-2 by SEBI)

(**Courtesy-** Security and Exchange Board of India)

Rights of Investors

- Get Unique Client Code (UCC) allotted from broker.
- Get a copy of KYC and other documents executed from intermediary.
- Get trades executed in only your UCC.
- Place order on meeting the norms agreed to with the Member.
- Get best price.
- Get the contract note for trades executed.
- Ask the details of charges levied.
- Receive funds and securities on time.
- Receive statement of accounts from trading member.
- Ask for settlement of accounts.
- Get statements as per agreed schedule.

Obligations of Investors

- Execute Know Your Client (KYC) documents and provide supporting documents.
- Understand the voluntary conditions being agreed with the trading member.
- Understand the rights given to the Trading Members.
- Read Risk Disclosure Document.
- Understand the product and operational framework and deadlines. Pay margins in time.
- Pay funds and securities for settlement in time.
- Verify details of trades, Verify bank account and DP account for funds and securities movement.
- Review contract notes and statement of account.

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