

# CSD

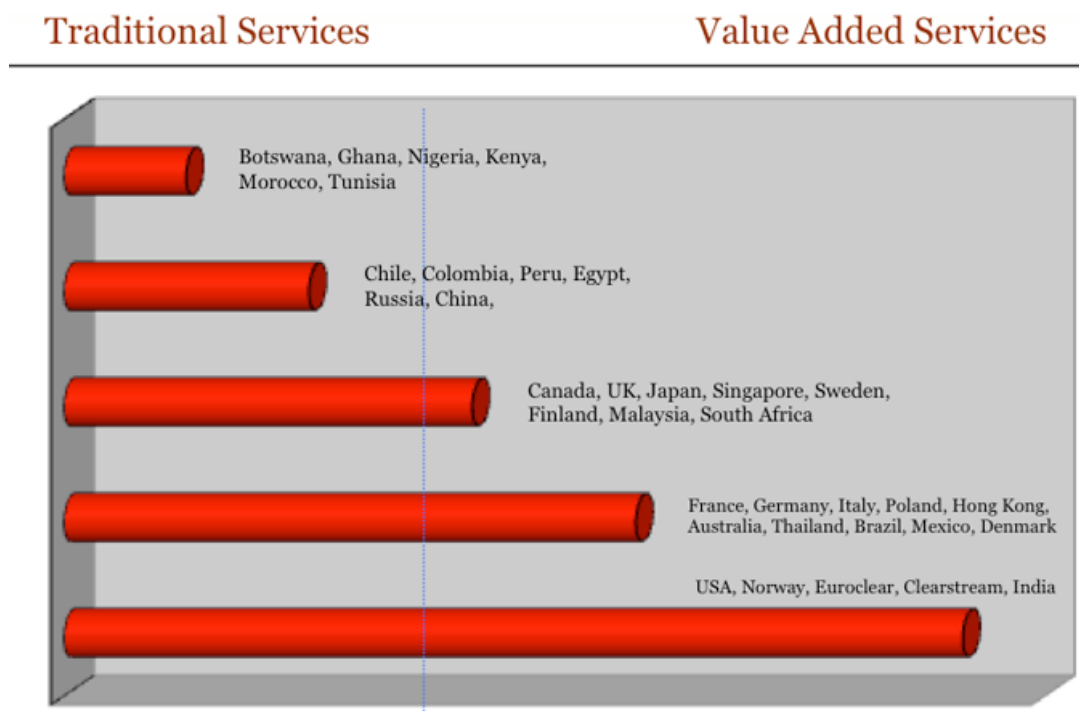
## Rethinking the Concept for Diversification Opportunities

Presentation to AMEDA 23<sup>rd</sup> Meeting, Tangier - Morocco



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# Thomas Murray analysis



**Nation-wide infrastructure utilities:** These are CSDs that have leveraged off their expertise in the securities market, such as in the maintenance of large databases to provide support as wider infrastructure entities. For instance, India's NSDL has become a depository not just for securities; it now provides Unique Identification Numbers to Indian Citizens (benefiting from the account structure at NSDL at the beneficial owner level). It is also the central record keeping agency for pensions and manages a skills database for employees in the IT sector amongst others.

*Source: Thomas Murray, Value added services by CSDs*

# Diversification: Extension of CSD concept by NSDL



## ■ CSD Traditional View

- Market infrastructure to facilitate holding and settlement of traded financial instruments

## ■ CSD Concepts can be extended into even non-financial areas

### 1. Provide segregated accounts showing authenticated view of balance

- Tax Information Network (Tax Accounts showing tax credits for every taxpayer)
- National Pension System (Individual Pension Accounts)
- Goods and Services Tax (Pilot)

### 2. To hold financial assets to evidence title storage

- National Insurance Policy Repository

### 3. Provide authenticated view of Client Credentials

- KYC (Know Your Client) Registration Agency (KRA)
- National Skills Registry
- National Academic Depository
- Enrolments for National IDs

# Segregated Accounts with Authenticated Balances

# Tax Information Network

- **Nation-wide tax-credit accounting system for Income Tax**
  - Tax is deducted at source on income accruing to any taxpayer
  - Tax deductors file returns on tax deducted on behalf of various taxpayers, to be credited to their tax accounts
  - Banks file information on tax deposited
  - Credits are posted in the accounts of taxpayers upon matching
  
- **Every taxpayer holds an account in the system**
  - Based on Permanent Account Number (PAN) a ledger account is established for each taxpayer. 170 million accounts.
  - Taxpayers can view tax credits accrued on account of deductions by different entities and tax paid by themselves in their PAN ledger accounts
  
- **Income Tax Office uses this authenticated information for tax returns processing**

# National Pension System

- **Nation-wide Pension Accounting System regulated by PFRDA**
  - Every Subscriber holds an account in the system. Defined contribution accounts with choice of funds.
  - Subscribers identified by Permanent Retirement Account Number (PRAN), allowing portability.
- **Mandatory for government employees. Optional for private sector.**
  - 12 million accounts.
- **NSDL acts as Central Recordkeeping Agency (CRA)**
  - Interfaces with employers, pension funds, trustee banks and annuity providers
  - Segregated accounts of subscriber's contributions invested in funds of their choice from a basket offered by various pension fund managers. Accounts directly accessible to subscribers, show current value and allow transactions.
  - Funds settlement by collecting contributions and routing to fund managers

# Goods and Services Tax (Pilot)



- GST under consideration of parliament as a nation-wide goods and services tax to replace all central and state indirect taxes
  - Comprehensive value added tax on goods and services without state boundaries
  - Based on value addition at each stage with input tax credit
  - Tax Ledger Account established for every manufacturer and dealer in goods and services
  
- Manufacturers and Dealers file 3 part return evidencing
  - GST on output, GST on input and net GST paid
  - Banks file returns on GST deposited
  
- Matching engine matches filings of sellers and buyers as well as payment information from banks
  - Matched credits posted in dealer tax ledger account

# Financial Products in Electronic Form



# National Insurance Repository



- e-Insurance Account (eIA) allows all insurance policies to be held in electronic format in a single account.
  - Life policies already being issued in electronic form
  - Data standards issued for motor and health policies, issuance to commence soon
  - Existing paper policies can be converted into electronic policies
  - Consolidated insurance statement available to policyholders
  
- **Benefits to policyholders**
  - Enables policy holders to have anytime access to their insurance policy records and also improves the efficiency of processes for insurance companies.
  - Single KYC. Single request for client details modification
  - Premium alerts & payment for all insurers. Select transactions enabled.
  - Single view of all policies to an authorised person in case of death of the eIA account holder. Once claim intimation for all policies.

# Authenticated Record of Entitlements

# KYC Registration Agency

- **KYC Registry for investors in securities market**
  - Verified records of identity and address
  - Profile information of investors
- **Established under SEBI Regulations**
  - Single KYC for investors investing in the markets
  - KYC records verified by a Registered Intermediary can be used by another Registered Intermediary
  - Mandatory upload to KRA by all intermediaries
- **Online access to all SEBI registered intermediaries**
  - Dissemination of KYC information of clients to other intermediaries
- **Automatic notification of updates**
  - Updates disseminated to all intermediaries who are tagged with the KYC record of investor upon any changes in KYC information
- **KYC Registry for the entire financial sector on the anvil**

# National Skills Registry



- National Skills Registry for employees in IT and ITES industries
  - Established at the instance of NASSCOM, industry association for IT and ITES
  
- Record of Qualifications, Certifications and experience of an IT professional
  - Authenticated information based on independent background check verification. 1.3 million employees registered.
  
- NSR profile uniquely identified based on biometric details of the person
  - One person one profile
  - Professionals get access to their profile and can update. Companies can view profile only with consent.
  
- Authenticated data available to employers

# National Academic Depository



- National-level database of all academic qualifications from secondary school certificate to university and professional certificates
  - In February 2016, Finance Minister announced the decision to set-up Digital Depository for School Leaving Certificates, College Degrees, Academic Awards and Mark sheets.
  
- Account to hold all academic certificate and awards
  - Every Student will have an account to hold electronic record of his academic certificates
  - Starting with Central Schools and Universities
  
- Online verification and easy retrieval of academic records
  - Eliminate fake certificates by enabling online verification of authenticity of academic awards.
  
- Legislation expected to be introduced in parliament shortly

# Single Demat Account for all financial investments

# Title Storage: A Pathbreaking Vision

- **Single Operating Demat Account for all financial assets**
  - In July 2014, Finance Minister announced the decision to introduce one single operating demat account so that Indian financial sector consumers can access and transact all financial assets through this one account.
- **Title Storage: Implementation of FSLRC recommendation**
  - FSLRC envisages CSDs as institutions offering title storage to investors in an electronic form for all financial products

# Single Demat Account: Benefits



## ■ Benefits to investors

- Single view and simplified monitoring of all investments
- No need for safe-keeping paper
- Simplified process for notification of changes
- Simplified monitoring, Better Portfolio Management
- Simplified transmission and succession
- Single Know Your Customer (*KYC*)
- Simplified investment process
- Financial planning can take root
- Independent portfolio record

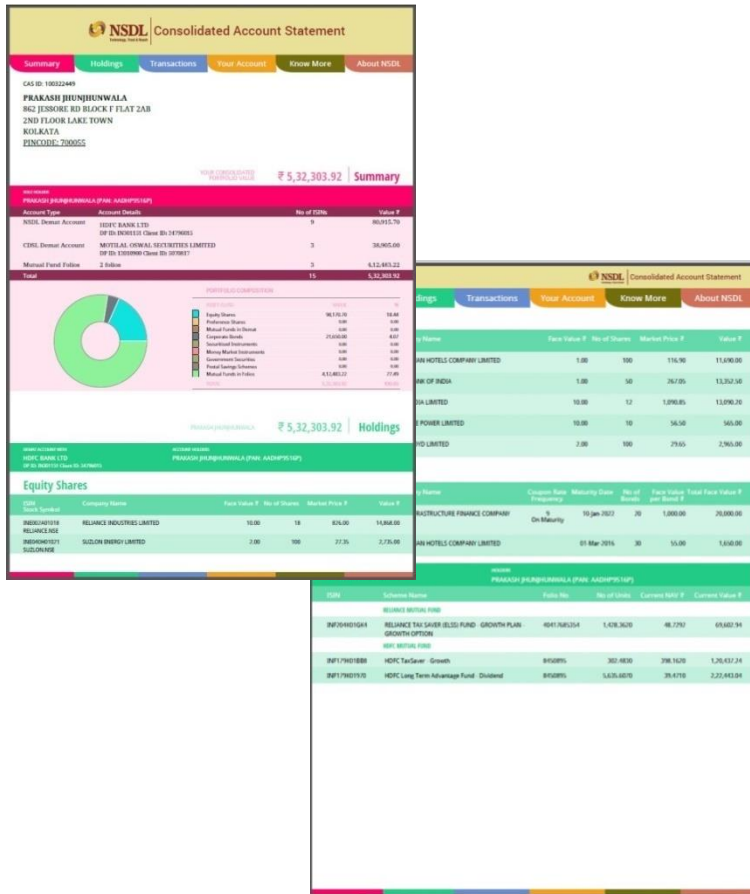


# Single Demat Account Benefits



- **Benefits to Issuers**
  - Shared infrastructure
  - Single KYC
  - Substantial cost savings
  - Simplified application for investment
  - Online investing becomes easy
  - Savings in servicing costs
  
- **Other benefits to the economy**
  - Rich data analysis
  - Assist tax administration

# Consolidated Account Statement



- All assets under SEBI (capital market regulator) jurisdiction
  - All securities
- Across all accounts of client
  - Consolidation based on PAN
  - Across family (i.e joint accounts)
- Aggregation of investment funds
  - Data from Transfer Agents
- Complete information about products
  - Corporate Bond Database
- Rich portfolio analysis
  - Portfolio Value movement
  - Composition of portfolio
  - Returns analysis in due course
- Sent directly by NSDL to clients
- Insurance now included

# **NSDL e-Voting System**

# NSDL e-Voting



- NSDL offers Remote e-voting as well as Venue e-Voting.
- Mandatory for all listed companies
  - NSDL system has modules for retail clients and institutional clients having custodians
- Remote e-voting
  - Available on internet
  - Client issued login credentials by NSDL
  - Single sign-on integration with leading online brokers
- Venue e-voting
  - E-voting continues into meeting venue
  - Tablet based voting on wireless network
  - Voting stations and in-seat voting
  - NSDL sets up entire infrastructure
- Consolidated Results immediately after close of voting

**Thank you**