

Depositories: Today & Tomorrow



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When was the last time you actually paid cash for a transaction instead of paying through online methods, or via payment wallets? Digitisation of money has not only led to convenience but with controls and verification methods, it has become a secured way of transacting and transferring money. Imagine paying a sum of a lakh rupees through hard cash and

the ease and security of transacting via online payment facilities.

Digitisation in the capital market and Dematerialization of capital market assets is here to stay and would make our lives more convenient, secured and dependable. Dematerialization of securities when explained further implies securities of a company are credited in the Demat account of the investor which is maintained with a Depository through a registered Depository Participant (DP).

The present treatise focuses on digitization and e-services possibilities in India in the wake of this crisis. The 2020 pandemic came like a bolt from the blue and disrupted the typical and standard way of doing business. Such disruptions, although rare provide an opportunity to reform operations, old-school processes and lead to a massive digital transformation.

With the focus on Digital India, the markets in India are evolving every day and the way our capital market functions, has been evolving with the same pace. Earlier, depositories were simply a facilitator for holding of equity shares in the dematerialised form and an enabler for transactions. However, with time – depositories, now are a medium for holding your shares, mutual funds, and other investments. New asset classes such as AIFs, REITs, etc. have been included in the demat form over time and the list continues to grow.

Today the the depository services are not restricted to the dematerialization services and it might be interesting to know that there are so many other e-services that form part of the core services of a depository. One of the important service provided by a depository currently is access to an investor to their capital market investments in one account. Depositories offer facilities empowering the investor to monitor and operate their demat account on their own from anywhere and at any time, empowering an individual to be self-reliant and monitor his investments from the comfort of his home. With the introduction of

online facilities and depository driven mobile based applications to view, monitor and transact investments, the new age investor avoids the hassles of dealing with the back-office of the DPs. These services are a demonstration of the future of operations i.e, DIY (Do-it-yourself) investments and management of one's investments independently. The current paradigm is to empower the investor to become self-resilient and self-sufficient.

Further, services include platform for e-delivery instructions providing ease of business to both the investor and the depository participants.

To further the cause of investor empowerment through the DIY framework, the depositories also offer e-voting services services to enable investors to cast their vote and further strengthen the foundation of corporate democracy even during the current restrictions of social distancing on account of the pandemic.

The pandemic has started to ring big changes in the new corporate world with the new age of work-from home. After corporate meetings being held through applications across the web, virtual Annual General meeting services have become the new highlight. Depositories have made it easier for listed companies to hold their shareholders meeting through their online platform. The platform enables companies to conduct their AGMs where shareholders are allowed to cast their votes on a stack of resolutions and take advantage of the opportunity to raise questions or to express their views to the management of the companies.

Additionally, efforts are being taken to ensure that the communication to the shareholders of companies is more effective as new services of updating the e-mail and mobile number of shareholders is being provided to corporates by depositories. The credentials of the shareholders of various corporates are being updated by depositories, as we speak. This will ensure that the dissemination of communication to the shareholders is valid, sufficient and productive.

The government and SEBI have now moved to ease KYC norms and standardize the process of client onboarding. The mechanism provides to verify identity of an Aadhaar number holder through an online electronic KYC service. This development provides an authenticated instant verification of identity and significantly eliminates the cost of paper-based verification and KYC.

In the coming times, organizations with automated process as a part of larger digital transformation will gain significant benefits, including increased efficiency, a reduced operational footprint, and support for future growth. Capital markets of the future will be characterized by new revenue streams, streamlined operations, and a symbiotic network of ecosystem partners made possible by emerging digital shifts.

With an evolving digital ecosystem incorporating big data analytics, cloud, artificial intelligence/machine learning, and other emerging technologies, the operations in a Market Infrastructure Industry will be reshaped by a rapidly changing environment, strategic choices and the possibilities of emerging technologies.

As in the game of cricket, till about 30 years ago, there used to be umpires from the host country for international cricket matches. Overseas teams used to accuse unfair umpiring all the time. To get rid of these accusations, a concept of neutral umpires was introduced. Since, field umpires are still subject to unfair opinions, a third umpire was introduced. With the new technology acting as the hawk-eye in the game, it comforts the audiences and the players of the unprejudiced results. Drawing an analogy, the Indian capital markets in the next decade will be one of the most sophisticated financial markets in the world, with the best practices and adoption of cutting-edge technologies.

Thus, one of the most important aspects for the growth of the capital markets and the growth of spectrum of

depositories will be e-governance. The Government of India puts great emphasis on data protectionism and treating data as a form of wealth. Currently, depositories monitor the Foreign Investment Limit, and other parameters and provide such requisite information to the regulatory authorities. In line with the growing markets and expansion of monitoring tools, the requirement of governance through technology will widen, enforcing MIIs to enhance their toolkits to keep pace with the rapidly changing paradigm of markets.

Two clear themes are sure to gain traction, i.e. mitigation of risk and enhancing supervision through a sophisticated toolkit of machine learning and artificial intelligence leading to a new phase of digital transformation and the future of depositories will be embarked with e-governance with the focus on core values of integrity, objectivity and transparency.

To sum it up, it can be said that the new normal way of business will be paper-less, quick-digital and highly efficient.
