

Simplifying Investment Management: The Advantages of Linking Mutual Funds to Demat Accounts



Samar Banwat
Executive Director
National Securities
Depository Ltd.

Gone are the days when mutual fund units were exclusively held in folio form. Over a decade ago, in 2011, SEBI directed mutual fund houses to give investors the option to hold their units under open-ended schemes in their demat account, to enable them to better manage their portfolios.

Since then, a growing number of investors are choosing to leverage the benefits of a demat account to streamline their investment activities.

However, there are still many who hold investments in mutual funds in the folio form although they possess a demat account. This could be so because they may not have realized the advantages of holding mutual fund units in dematerialized form. Alternatively, although they are well-informed about the benefits, they may mistakenly assume that their mutual funds are already in demat form, when in reality, they are held in traditional folios. For others, it is simply the effort involved in filling up a physical form and approaching their Depository Participant.

In today's rapidly evolving financial landscape, technology has revolutionized the way investors manage their portfolios. With simplicity, convenience, and comfort as key driving factors, technology has paved the way for significant advancements in investment practices. Linking your mutual funds to your demat account, rather than holding them in traditional folio form, is one such investor practice that can deliver multiple benefits.

NSDL has incorporated a Mutual Fund conversion link under the 'Holdings' section of Mutual Fund Folios in the NSDL CAS from May 2023. You can easily submit a request to convert your Mutual Fund investments held in physical or Statement of Account (SoA) form into your NSDL Demat account. This is an end-to-end digital process without any need for the investor to fill up any physical forms. So here are the top benefits of holding your mutual fund units in your demat account:

1. Transfer of your MF units as gifts

You can even gift MF units to your loved ones through off market transfer. Transferring of MF units from one demat account to another demat account is seamless and easy.

2. Ease in using Mutual Fund Units as Collateral

- a. Avail loan against mutual fund units by pledging: Holding mutual fund units in a demat account offers

the advantage of enhanced liquidity by using these units as collateral. Investors can easily mark a pledge on their mutual fund units, enabling them to avail loans against their holdings. This collateralization feature aligns with the existing digital processes in the market for efficient loan disbursement against securities. By utilizing mutual fund units as collateral, investors can access additional liquidity, providing them with greater financial flexibility and opportunities for meeting their funding needs.

- b. Use mutual funds units as collateral to stock exchange for trading purpose.

3. Simplified Subscription to New Fund Offers

When you apply for a new fund offer from a mutual fund house through a distributor, all you need to do is quote your demat account number in the subscription form for receiving the credit of MF Units directly to the account of your choice.

4. Streamlined Asset Transfer and Inheritance

Holding mutual fund units in a demat account offers the convenience of simplified asset transfer and inheritance. With a demat account, the transmission process applies to all assets within the account, including mutual funds. This means that in the unfortunate event of the account holder's demise, a single process can be initiated to transfer ownership of all assets through nomination facility. Additionally, by consolidating all assets in one demat account, heirs receive a comprehensive statement containing details of the entire portfolio. This streamlined approach simplifies the claims process and ensures a smoother transition of wealth, providing investors and their beneficiaries with peace of mind.

5. Effortless Management of Change in Details

Another notable benefit of holding mutual fund units in a demat account is the ease of making changes to your particulars. When units are held in a demat account, any updates or changes to client information / demographic details can be efficiently implemented at the demat account level by the Depository Participant (DP). This streamlined approach ensures that changes in client particulars, such as address, bank account details, or contact information, are automatically reflected across all asset classes held in the demat account, including equities, bonds, and funds. It eliminates the need for you to update your information at multiple places, simplifying the process and reducing the chances of discrepancies. With the ease of changing client particulars at the demat account level, you can enjoy a seamless and hassle-free experience, ensuring your investment details are always up to date.

6. Eliminate the need for additional KYC procedures

Providing KYC details can be time consuming and

tedious. One significant benefit of holding mutual fund units in a demat account is the elimination of the need for additional KYC procedures as the KYC verification is already completed by the DP while opening the demat account. This streamlined approach saves time and effort for investors, reduces administrative burdens for the AMC, and even enables seamless transition from traditional folio-based investments.

The flexibility and simplicity of demat account integration empowers you to optimize your investment experience, eliminate physical paperwork, and leverage

the convenience of digital transactions. By embracing the demat option for mutual fund units, you can embrace a more streamlined and efficient approach to managing your investment portfolios. So, what are you waiting for, open your latest CAS statement and submit your conversion request and follow the below three simple steps:

- a) Click on the conversion link, enter verification code and OTP,
- b) Select the demat account details,
- c) Select the folio no(s), review and apply for conversion.

For detailed understanding of this feature, please watch the audio visual at <https://youtu.be/r0vm34pSKWM> or scan the QR code

SCAN TO WATCH
THE VIDEO

