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CLASS X · INTRODUCTION TO FINANCIAL MARKETS (405) · SKILL SUBJECT · CBSE BOARD EXAMINATION 2027

PART B · UNIT 6

Depository

NSDL · CDSL DP · ISIN Demat

Unit Booklet · Short Notes · Board-Pattern Questions · Model Answers

Part B · 2 of 40 theory marks | 23 questions with model answers | Manish Mathur Sir | Taught: Thu 26 Nov (with Unit 5)

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STUDENT DETAILS

NAME _____

CLASS & SECTION _____

ROLL NO. _____

UNIT FINISHED ON _____

OBJECTIVE SELF-CHECK _____ / 14

1

READ THIS FIRST · SHORT NOTES

Unit Notes

What a depository is and how it is like a bank, India's two depositories, depository participants, ISIN and custodians, the benefits of holding securities in electronic form, and the steps of dematerialisation.

THIS UNIT IN THE BOARD PAPER

2 / 40

Unit 6 carries **2 marks**. In the CBSE sample paper it gave **2 one-mark items** (NSDL and depository participants) and a **2-mark** question on the benefits of holding shares in demat form.

SYLLABUS 2026–27 · WHAT CBSE LISTS FOR THIS UNIT

- Holding securities: how a depository is like a bank; role of a depository
- Benefits of depository participation
- Depository participant (DP), ISIN and custodian; role of custodians
- Dematerialisation: converting physical shares to electronic form
- Activity: steps of demat; filling a demat request form (DRF)

HOW THE CBSE SKILL-SUBJECT PAPER IS SET (THEORY 50 MARKS · 2 HOURS)

1 mark
Objective: MCQ, assertion–reason, fill in the blank, true/false, match. Q1 is Part A; Q2–Q5 (answer 5 of 6 in each) are Part B.

2 marks
Short answer in **20–30 words**: two clear points. Part B: answer any 4 of 6 (Q11–Q16).

4 marks
Long answer in **50–80 words**: four points, or 2 + 2. Answer any 3 of 5 (Q17–Q21); often case-based.

Part B = 40
Objective 20 + short 8 + long 12. Part A (Employability Skills) = 10. Practical = 50.

Write in points, start each point with the key word, and stay inside the word limit. Objective answers: write the option letter **and** the answer.

1 What is a depository?

Depository: an organisation that holds investors' securities in **electronic (dematerialised) form** and transfers them by book entry, just as a bank holds money in accounts.

- India has two depositories: **NSDL** – National Securities Depository Limited (1996) and **CDSL** – Central Depository Services (India) Limited (1999).
- They work under the **Depositories Act, 1996** and are regulated by **SEBI**.
- An investor deals with the depository through a **depository participant (DP)**, where the **demat account** is opened.

2 Depository and bank – similarities

Basis	Bank	Depository
Holds	Money	Securities
Account	Savings account	Demat account
Transfer	Money moves without handling cash	Securities move without handling certificates
Safekeeping	Keeps funds safe	Keeps securities safe
Statement	Passbook / bank statement	Statement of holdings and transactions
Nomination	Allowed	Allowed

One difference: a depository account needs **no minimum balance**.

3 Role of a depository

- Keeps securities in electronic form and maintains ownership records.
- Transfers securities from seller to buyer during **settlement**.
- Credits **bonus and rights** shares and helps pass on dividends and other corporate benefits.
- Handles **dematerialisation** and **rematerialisation** (electronic back to paper).
- Allows **pledging** of shares for loans and **nomination**.

4 DP, ISIN and custodian

Term	Meaning
Depository participant (DP)	Agent of the depository that opens and services demat accounts, e.g. banks and stock brokers; registered with SEBI
ISIN	**International Securities Identification Number** – a unique **12-character** code for each security; Indian ISINs begin with **IN**
Custodian	SEBI-registered firm (often a big bank) that keeps securities safe for **large investors** such as mutual funds and foreign investors

Role of custodians: safe custody of securities; settling their trades; collecting dividends, interest, bonus and rights; keeping records and sending reports to the client.

5 Benefits of holding securities in demat form

- **No risk** of loss, theft, forgery or damage of certificates.
- **Immediate transfer** of securities.
- **No stamp duty** on transfer of demat securities.
- **Lower transaction cost** and less paperwork.
- **No odd-lot problem** – even one share can be sold.
- **Easy nomination**; change of address done once with the DP.
- **Automatic credit** of bonus and rights shares; easy pledging for loans.

6 Dematerialisation – the steps

> **Dematerialisation (demat):** converting paper share certificates into electronic holdings in a demat account.

1. Open a **demat account** with a DP
2. Fill the **Demat Request Form (DRF)**; mark certificates 'Surrendered for Dematerialisation'
3. DP sends the request **electronically** to the depository and the certificates to the company's **registrar (RTA)**
4. Registrar **verifies** them and confirms to the depository
5. Depository **credits** the shares to the investor's demat account; paper certificates are cancelled

The reverse process is **rematerialisation**, using a Remat Request Form (RRF).

Key terms

14 terms

Depository: holds securities in electronic form

NSDL: National Securities Depository Limited, 1996

CDSL: Central Depository Services (India) Limited, 1999

Depository participant (DP): agent who opens demat accounts

Demat account: account holding securities electronically

Dematerialisation: paper certificates to electronic form

Rematerialisation: electronic holdings back to paper

DRF: Demat Request Form

RRF: Remat Request Form

ISIN: 12-character code of a security

Custodian: keeps securities safe for large investors

Registrar (RTA): keeps the company's shareholder records

Odd lot: fewer shares than the normal trading unit

Pledge: giving shares as security for a loan

Common mistakes and exam tips

AVOID THESE

- Depository holds **securities**; bank holds **money**. Investors deal through a **DP**, not the depository directly.
- India's two depositories: **NSDL** and **CDSL**.
- ISIN is **12 characters** and starts with **IN** for Indian securities.
- Custodians serve **big institutional** investors.
- Demat form: **DRF**. Remat form: **RRF**.

PART A · 1 MARK EACH

A Objective Questions

14 questions: MCQs, assertion–reason, fill in the blanks and true/false, like Q2–Q5 of the board paper. Answers in Part E.

ASSERTION–REASON: HOW TO ANSWER

(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

A1. NSDL stands for: [1]

(a) National Stock Dealing Limited
(b) National Securities Depository Limited
(c) New Share Deposit Ledger
(d) National Savings Deposit Limited

A2. An investor opens a demat account with a: [1]

(a) Depository participant
(b) Registrar
(c) Stock exchange
(d) SEBI office

A3. A depository is most like a: [1]

(a) Post office
(b) Bank
(c) Library
(d) Court

A4. ISIN is a code of: [1]

(a) 8 digits
(b) 10 letters
(c) 12 characters
(d) 16 digits

A5. The form used to convert physical shares into electronic form is the: [1]

(a) RRF
(b) DRF
(c) KYC form
(d) Contract note

A6. Which is NOT a benefit of demat holding? [1]

(a) No risk of forged certificates
(b) Immediate transfer
(c) Guaranteed profit on shares
(d) Easy nomination

A7. A firm that keeps securities safe for mutual funds and foreign investors is a: [1]

(a) Custodian
(b) Broker
(c) Underwriter
(d) Auditor

A8. Arrange the demat steps: [1]
P. Registrar verifies Q. Open demat account R. Shares credited S. Submit DRF with certificates

(a) Q, S, P, R
(b) S, Q, R, P
(c) Q, P, S, R
(d) P, Q, S, R

A9. ASSERTION–REASON [1]

Assertion (A): Demat shares cannot be stolen or torn like paper certificates.

Reason (R): They are held as electronic records in the depository.

(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

A10. ASSERTION–REASON [1]

Assertion (A): An investor deals directly with NSDL to open a demat account.

Reason (R): Depository participants are registered with SEBI.

(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

A11. FILL IN THE BLANK [1]

Converting electronic holdings back into paper certificates is called _____.

A12. FILL IN THE BLANK [1]

India's second depository, set up in 1999, is _____.

A13. TRUE OR FALSE [1]

A demat account needs a minimum balance of shares.

A14. TRUE OR FALSE [1]

Bonus shares are credited automatically to the demat account.

B — Short Answer Questions

PART B · 2 MARKS EACH

Answer in 20–30 words: two clear points. Model answers in Part E.

B1. State any four benefits of holding shares in demat form. MUST DO [2]

B2. Give two similarities between a bank and a depository. [2]

B3. What is a depository participant? Give an example. [2]

B4. What is ISIN? [2]

B5. Who is a custodian? State one role. [2]

C — Long Answer Questions

PART C · 4 MARKS EACH

Answer in 50–80 words: four points, or two points with an example each. Model answers in Part E.

C1. Explain the steps of dematerialisation. MUST DO [4]

C2. Explain four roles of a depository. [4]

C3. Compare a bank and a depository on four points. [4]

PART D · CASE AND COMPETENCY BASED

D Case-Based Questions

Read the situation, then answer from it and from the unit. These are the 4-mark board questions that test application.

D1. Case-Based · Mrs Sharma's old certificates [4]

Mrs Sharma bought 100 shares of a listed company in 1995 and still keeps the paper certificates in a cupboard. Some are faded and the edges are torn. She wants to sell them, but her broker says she must first hold them in electronic form.

(i) What must Mrs Sharma open first, and with whom? [1]

(ii) Which form will she fill? [1]

(iii) Give two benefits she will get after dematerialisation. [2]

E

PART E · ANSWERS IN CBSE MARKING-SCHEME STYLE

Answers

Objective key with a reason, then model answers: numbered value points, key word first, the mark for each point in orange, and the word count under each answer. Any other correct, relevant point also earns the mark.

Objective questions – answer key

Part A

Write the option letter **and** the answer, as the marking scheme does.

Q	Answer	Why (one line)
A1	**(b) National Securities Depository Limited**	India's first depository.
A2	**(a) Depository participant**	DP is the depository's agent.
A3	**(b) Bank**	Bank holds money; depository holds securities.
A4	**(c) 12 characters**	Indian ones start with IN.
A5	**(b) DRF**	Demat Request Form.
A6	**(c) Guaranteed profit on shares**	Demat does not guarantee returns.
A7	**(a) Custodian**	Serves institutional investors.
A8	**(a) Q, S, P, R**	Account → DRF → verify → credit.
A9	**(a) Both true; R explains A**	R explains A.
A10	**(d) A false, R true**	A false (account is opened with a DP); R true.
A11	**rematerialisation**	Uses the RRF.
A12	**CDSL (Central Depository Services (India) Limited)**	NSDL was first, 1996.
A13	**False**	Correct: no minimum balance is needed; it can even be zero.
A14	**True**	A benefit of demat.

Short answers

Part B · 2 marks

B1. State any four benefits of holding shares in demat form. [2]

1. **Safety:** no loss, theft or forgery. ½
2. **Quick transfer:** securities move at once. ½
3. **Lower cost:** no stamp duty on transfer. ½
4. **Nomination:** easy nomination and address change. ½

25 words · CBSE asks 20–30 words | Marking: ½ + ½ + ½ + ½ = 2 | 4 × ½ = 2 | MUST DO

B2. Give two similarities between a bank and a depository. [2]

1. **Safekeeping:** bank keeps money, depository keeps securities. 1
2. **Transfer:** both transfer without physical cash or certificates. 1

15 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1

B3. What is a depository participant? Give an example. [2]

1. **Meaning:** SEBI-registered agent of a depository that opens and services demat accounts. 1
2. **Example:** a bank or stock broker. 1

18 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1

B4. What is ISIN? [2]

1. **Full form:** International Securities Identification Number. 1
2. **Meaning:** unique 12-character code for each security; Indian ones start with IN. 1

18 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1

B5. Who is a custodian? State one role. [2]

1. **Meaning:** SEBI-registered firm keeping securities safe for large investors. 1
2. **Role:** settles their trades and collects dividends. 1

16 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1

Long answers

Part C · 4 marks

C1. Explain the steps of dematerialisation. [4]

1. **Account:** open a demat account with a DP. 1
2. **DRF:** submit the DRF with defaced certificates. 1
3. **Forwarding:** DP sends request to depository and certificates to registrar. 1
4. **Credit:** registrar verifies; depository credits shares. 1

31 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | 1 mark each | MUST DO

C2. Explain four roles of a depository. [4]

1. **Records:** holds securities electronically and keeps ownership records. 1
2. **Settlement:** transfers securities from seller to buyer. 1
3. **Corporate benefits:** credits bonus and rights shares. 1
4. **Services:** demat, remat, pledging and nomination. 1

28 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | 1 mark each

C3. Compare a bank and a depository on four points. [4]

1. **Holds:** money vs securities. 1
2. **Account:** savings account vs demat account. 1
3. **Statement:** passbook vs holding statement. 1
4. **Balance:** minimum balance may be needed vs none needed. 1

24 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | 1 mark each

Case-based answers

Part D

D1. Case-Based · Mrs Sharma's old certificates (passage printed in Part D) **[4]**

(i) What must Mrs Sharma open first, and with whom? [1]

A **demat account** with a **depository participant** (a bank or broker).

(ii) Which form will she fill? [1]

The **Demat Request Form (DRF)**.

(iii) Give two benefits she will get after dematerialisation. [2]

Any two: no risk of **loss, theft or damage**; **quick transfer** when she sells; **easy nomination**; no stamp duty on transfer.

Marking: 1 + 1 + 2 = 4 | 1 + 1 + 2