Demat Account Charges

Meta Description: Do you know there are charges for operating a demat account? In this blog, we will tell you all the various charges levied while maintaining a demat account.

Demat accounts are already easy enough to open these days and hardly takes any time. But these conveniences and ease of trading in securities come with their own cost. There are charges levied at different levels, so, before deciding on a DP, the necessary step is to check on the various charges levied on the opening and operating of a demat account with multiple depository participants, since all DP's levy different charges.

The Fees and charges levied with opening a demat account

TradeSmart offers one of the most competitive and attractive services among many different depository participants today. The charges of TradeSmart to open a demat account is not only competitive and affordable but are also transparent to ensure the trust of the customer is intact when opening an account. Below is a table summary of the charges.

Particulars	Charges
Account opening charges	Rs. 400
Annual Maintenance Charges (AMC)	Rs. 0 (for the first year)
Dematerialization of share certificates (per certificate)	Rs. 500
Rematerialization of share certificates	Rs. 500 (CDSL Charges + 500 per certificate of 100 shares or 5% of value whichever is higher)
Conversion of Mutual Fund units	Rs. 0
Destatementization	Rs. 0
Reconversion of Mutual Fund units into Statement of Account	Rs. 0
Redemption/Restatementization	Rs. 0
Postal charges (for offline demat accounts)	Rs. 25 per document

If the particulars of the table are still unclear to you, we've broken them down and explained them in detail below to give you a better understanding.

Account Opening Charges

The first and foremost cost that comes on is the expense associated with opening a demat account and the formalities that come herewith. This is a one time fee which is a nominal amount charged by the DP in the beginning, and it varies based on the kind of DP (private financial firm, government or commercial bank etc.) you have chosen. In some cases the DP also waives any charges for the first year to encourage trading and charge for the next year.

TradeSmart charges a fee of Rs. 400 only to open a demat account. You can have a look and open one here. Certain Stock Holding Corporations offer refundable lifetime charges to open and hold an account for a longer term.

Custodian Charges
Some DP's charge a fee for safekeeping of your shares that may be one-time, monthly or annual. The number of securities determine the custodian charges levied per account, in addition to safety fees for the holdings. The charges are within the ranges of 50 paise to 1 rupee per attached ISIN. Certain DP's do not levy any custodian fees in case a one-time fee has already been paid to the depository.

Annual Maintenance Charges
The annual account maintenance costs, also known as the Folio maintenance charges, have to be paid in advance, at the beginning of each financial year, and these charges again vary from one DP to another. Generally, this charge ranges between 300 to 900 rupees, and sometimes, many agencies propose a zero maintenance fee for the first year to compete in the market with a higher hold of customers. In such a case, the clients are billed for the annual charges from the second year onwards for their demat accounts. TradeSmart also does not charge any AMC for the first year but from the second year onwards there is annual fee of Rs. 300.

One way to save money on the maintenance charges front, is to, one, open a savings account in combination with a demat trading account, as this helps to lower the maintenance charges by quite a margin. Or a demat account with one bank that's attached to a savings account in another, since having both with the same bank or firm can lead to a higher annual fee.

Things to note:

- Annual maintenance charges are valid for inactive, and frozen demat accounts as well
- A DP can freeze a demat account if it remains inactive for longer than the stipulated time, and still levy annual charges on the same
- Though multiple demat accounts are allowed for any individual, it also turns up the combined costs for each account opening and maintenance, both monthly and annually
- An efficient way to manage your trading portfolio, in accordance with the charges levied, is to have two accounts, a trading account, and one that will hold the long term investments
- Safekeeping of shares is not a concern with the DP, hence stays unaffected by the costs since the management of demat accounts is done either by CDSL or the NSDL. This keeps the quality of services provided by the DP unaltered, even if the custodian and maintenance charges are lower than its competitors.

Dematerialization of Shares
The process of converting the physical shares into electronic form that can be stored in a demat account is called dematerialization. If you still hold physical shares of the company you invested in and want to convert it into electronic mode then DP/brokers can do it. Normally they charge a nominal fee per share or some DPs charge a flat rate based on the

total value of the securities. TradeSmart also dematerialises shares at a fee of Rs.500 per share. The Dematerialization charges of Rs.500+GST per certificate are for listed stocks only. The Dematerialization charges shall be Rs.500+GST per lot of 100 quantities of unlisted stocks.

Rematerializtion of shares
The process of converting electronic shares into physical shares is called rematerialization. The conversion process attracts a small fee as well but this practice is usually not followed today as everything is done electronically.

Destatementization
This is the process of converting mutual funds units from its physical form to electronic dematerialized form. DPs do charge a nominal fee for this as well but there is no fixed price for this.

Restatementization
The process of converting the mutual funds units kept in the demat account into its physical form is called restatementization. The mutual fund units are represented in the physical form through a Statement of Account (SOA) and the process to get this done may or may not be chargeable.

Redemption Charges
This is the process of selling back the mutual funds units to the company you purchased them from. The amount will be credited to your account based on the valuation of the funds on the particular date you filed for redemption.

Postal Charges
In the case of offline demat accounts, the physically transferring of documents and statements of accounts to the postal address of the trader incurs a certain which is known as postal charges. If you have an electronic demat account then these charges won't apply to you.

Cheaque Dishonour charges
Cheaque is a negotiable instrument and serves as a mode of payment for many even today. However, there are cases where the cheaque submitted bounces which can lead to problems and legal action can also be taken which can lead to imprisonment. To discourage cheaque bouncing by customers, TradeSmart charges Rs. 200 every time a cheaque bounces or gets dishonoured.

Transaction Charges
Next comes the transaction costs. Now different depository participants charge differently for movement of securities in each account. These charges might be only on credit, only debit or on both. This charge can be a consolidated monthly fee or a per transaction deduction with the transaction cost being a flat fee or a fixed percentage of each transaction, pre-determined by the bank. Additionally, some DP’s impose additional transactional charges for failed transactions, mailing costs, service taxes, non-periodic account statements, and other government services tariffs.

TradeSmart charges extremely competitive and affordable prices and to encourage traders they have two options, **TradeSmart Power Plan** for large size trades and **TradeSmart Value Plan** for small size trades. Below are the transaction charges offered by both.

TradeSmart Power Plan

Category	Fee
Monthly Fee (fixed)	Rs. 0
Equity delivery	Rs. 15 per order
Equity Intraday	Rs. 15 per order
Equity Futures	Rs. 15 per order
Equity Options	Rs. 15 per order
Currency Futures	Rs. 15 per order
Currency Options	Rs. 15 per order
Commodity Futures	Rs. 15 per order
Commodity Options	Rs. 15 per order

TradeSmart Value Plan

Category	Fee
Monthly Fee (fixed)	Rs. 0
Equity delivery	0.07%
Equity Intraday	0.007%
Equity Futures	0.007%
Equity Options	Rs. 7 per lot
Currency Futures	0.007%
Currency Options	Rs. 7 per lot
Commodity Futures	0.007%
Commodity Options	Rs. 7 per lot

There are a plethora of DP's available in the market, offering a wide gamut of services and multifarious competitive charges. Demat accounts have upturned the world of investments and trading accessible and easy to understand, but investors need to be aware of the internal disguised costs and the other given charges before delving into it.

FAQ's-

1. **Which account charge should I be most concerned about?**
   The two charges to be mindful about while picking a DP are the annual maintenance charges and the transaction charges, since these directly affect your earning and the accumulations can turn out to be financially draining.

2. **Should I be worried about the account charges?**

There's no cause for worry, even though varying, these are nominal charges levied by every DP that help for a smoother operation and service of the account by the DP for your convenience.

3. **What are account opening charges?**

These are charged by the DP while opening a demat account. The fee is a one time payment and is usually affordable.

4. **Are there charges levied on demat accounts that are dormant?**

Yes. Even if you're not a regular trader and your account becomes dormant, then you are still liable to pay the charges levied by the DP.