

## Relics of History, Paper Certificates almost Scrapped

If the process was so cumbersome in the financially and technologically sophisticated West, imagine what it was like in a place like India. No need, for Jon Thorn, Manager of the **Indian Smaller Companies Fund**, remembers it well.

“Now this is a story made for India” he said when the topic was broached.

“It used to be that almost every trade was settled in quantities of paper share certificates of 100 shares, plus attached transfer deed. So let’s say you bought 1 million shares of X - you now have 10,000 pieces of paper plus another piece of paper attached to that piece of paper to be transferred from one owner to another, and all of those will have to be stamped, assuming all is OK.

“But with paper you can have thefts, forgeries, even some corporate registrars who will be crooked or incompetent and then there are the paper-eating rats, because the certificates must be stored somewhere.”

Lately though, the rats have had to look elsewhere for dinner because “things have improved a lot,” Mr Thorn said. “The process of dematerialization is now 50% complete for the top 50 companies.

“Paper certificates used to cost us a lot of time and money to rectify problems, and some for a few hundred shares have never been rectified and never will be, as the amount is tiny but the cost of rectifying the problems is much larger”.