



Step by Step guide for Account Opening

Trading Account – Meaning and Importance

A trading account is an essential facility that enables an investor or trader to buy and sell securities in the stock market. Anyone who wishes to participate in stock market transactions must first open a trading account.

In India, the process of opening and operating a trading account is regulated by the Securities and Exchange Board of India to ensure investor protection and fair market practices.

A trading account essentially acts as the interface through which investors place orders to buy or sell securities. While the Demat account holds the securities in electronic form and the bank account handles the movement of funds, the trading account connects these two and facilitates the actual execution of trades.

In addition, many brokers provide features such as collateral margin, where investors can pledge their existing securities to obtain additional trading limits without depositing extra cash.

Key Takeaways

- A trading account is required to execute buying and selling of securities in the stock market.
- It acts as a link between the investor's Demat account and bank account.
- Investors can open a trading account either online or offline through a SEBI-registered broker.
- Selecting a trustworthy broker helps ensure smooth and secure trading operations.

What is a Trading Account?

A trading account is a platform that allows investors to place orders for buying and selling securities in the stock market. While securities are stored in a Demat account, the trading account is used to carry out the transaction itself.

For example, shares allotted through an IPO are credited to the investor's Demat account. However, if the investor later decides to sell those shares in the secondary market, the order must be placed through the trading account.

Some investors also utilise features such as collateral margin, which allows them to use their existing shareholdings as collateral to obtain additional trading capacity.

Opening a trading account involves a structured onboarding process to ensure regulatory compliance and proper client verification. The process generally includes the following steps:

1. Initiation of Relationship

The account opening process begins when a prospective client initiates contact with the Relationship Manager of the Stock Broker. This may be done by:

- Visiting the office, or

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- Contacting the Relationship Manager through the website, email, or phone.

The Relationship Manager provides an overview of the services and guides the client through the onboarding process.

2. Form Filling and Submission of Documents

The client is required to complete the account opening forms and submit the necessary documents.

The documentation process can be completed through either of the following routes:

- **Physical Route:** Submission of signed physical forms and supporting documents such as PAN, Aadhaar, Bank details, income details, valid proof of address and proof of identity.
- **Digital Sign Route:** Completion of documentation using digital or e-signature platforms.

3. Verification and Negative Screening

Once the documents are submitted, verification checks are carried out, including:

- PAN verification through the Income Tax database
- KYC verification through KRA/CKYC records
- Compliance and negative screening as per regulatory requirements

4. Account Activation

After successful verification and completion of compliance checks, the account is activated and the client is notified accordingly.

Account Opening Flow

