

**CIRCULAR**

CIR/HO/MIRSD/DOP/CIR/P/2019/75

June 20, 2019

To

All Recognized Stock Exchanges

All Recognized Clearing Corporations

All Depositories

All Trading Members/Clearing Members through Stock Exchanges/Clearing Corporations

All Depository Participants through Depositories

Madam / Sir,

**Sub: Handling of Clients' Securities by Trading Members/Clearing Members**

1. In order to protect clients' funds and securities, The Securities Contracts (Regulation) Act, 1956 and Securities and Exchange Board of India (Stock-Brokers) Regulations, 1992 specifies that the stock broker shall segregate securities or moneys of the client or clients or shall not use the securities or moneys of a client or clients for self or for any other client.
2. Further, the following circulars were issued by SEBI from time to time detailing the operational modalities with respect to handling of client's funds and securities by stock broker (hereinafter referred to as 'Trading Member /Clearing Member' or TM/CM):

a) Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993:

*In terms of clause 2 of the circular SEBI had inter alia specified that "it shall be compulsory for all member brokers to keep separate accounts for client's securities and to keep such books of accounts, as may be necessary, to distinguish such securities from his/their own securities. Such accounts for client's securities shall, inter-alia provide for the following:-*

- i. Securities fully paid for, pending delivery to clients;*
- ii. Fully paid for client's securities registered in the name of Member, if any, towards margin requirements etc.*

b) SEBI Circular No. MRD/DOP/SE/Cir – 11/2008 dated April 17, 2008:

*In the said circular, SEBI had inter-alia specified that 'brokers should have adequate systems and procedures in place to ensure that client collateral is not*

*used for any purposes other than meeting the respective client's margin requirements / pay-ins. Brokers should also maintain records to ensure proper audit trail of use of client collateral.*

- c) Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and Circular no. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017:

*In the said circulars, SEBI had specified that "stock brokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond fifth trading day, as reckoned from the date of pay-in, except in accordance with the margin trading facility provided vide SEBI circular CIR/MRD/DP/54/2017 dated June 13, 2017 or as may be issued from time to time"*

- d) Circular No. SEBI/HO/MRD/DP/CIR/P/2016/13 dated December 16, 2016:

*In the said circular, SEBI had specified that "the member shall transfer securities from pool account to the respective beneficiary account of their client within 1 working day after the pay-out day. The securities lying in the pool account beyond the stipulated 1 working day shall attract a penalty at the rate of 6 basis point per week on the value of securities."*

Therefore, in terms of the above provisions, all TM/CM are required to transfer the clients securities received in pay-out to clients demat account within one working day. In case the client does not pay for such securities received in pay-out, then the TM/CM shall be entitled to retain those securities up to five trading days after pay-out. Further, where the client fails to meet its funds pay-in obligation within five trading days from pay-out day, the TM/CM shall liquidate the securities in the market to recover its dues. Under no circumstances, shall the securities of the clients received in pay-out be retained by the TM/CM beyond five trading days and be used for any other purpose.

3. As per the provisions of the following circulars, TM/CM are permitted to provide running account for securities and create a lien on the client securities to the extent of the clients' indebtedness to the TM/CM.

- a) As per clause 12 of the SEBI circular on 'Dealings between a client and a Stock Broker' dated December 03, 2009 a client may specifically authorize the stock broker to maintain a running account of 'funds' and 'securities' subject to the specified conditions.
- b) As per clause 2.5 of SEBI circular on 'Enhanced Supervision of Stock Brokers/ Depository Participants' dated September 26, 2016 read with clause 2 (c) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017, "*a stock broker is entitled to have a lien on client's securities to the extent of the client's indebtedness to the stock broker and the stock broker may pledge those securities.*"

Referencing the above stated provisions, the TM/CM are transferring client's securities into their own account by way of title transfer and then placing such securities as a collateral to Banks/NBFCs and/or fulfilling securities shortages of other clients/proprietary trades which is not contemplated in the provisions of the SEBI circulars referred to in paragraph 2.

4. In order to provide clarity with respect to a TM/CM maintaining a running account for client securities and pledging the client securities with Banks/NBFCs, after discussions with the Exchanges, Depositories and Clearing Corporations, the following advice is issued:-

4.1 The securities received in pay-out against which payment has been made by clients, shall be transferred to the demat account of the respective clients within one working day of the pay-out. Such securities shall be transferred directly from the pool account of the TM/CM to the demat account of the respective client.

4.2 With regard to securities that have not been paid for in full by the clients (unpaid securities), a separate client account titled – “client unpaid securities account” shall be opened by the TM/CM. Unpaid securities shall be transferred to such “client unpaid securities account” from the pool account of the concerned TM/CM.

4.3 The securities kept in the ‘client unpaid securities account’ shall either be transferred to the demat account of the respective client upon fulfilment of client's funds obligation or shall be disposed off in the market by TM/CM within five trading days after the pay-out. The unpaid securities shall be sold from the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.

4.4 In case the clients' securities are kept in the ‘client unpaid securities account’ beyond seven trading days after the pay-out, the depositories shall under their bye-laws levy appropriate penalties upon such TM/CM which shall not be permitted to be recovered from the client.

4.5 SEBI circular (on Comprehensive Review of Margin Trading Facility) dated June 13, 2017 specifies that TM/CM shall maintain separate client wise ledger for funds and securities of clients availing margin trading facility. Accordingly, the securities that are bought under Margin Trading Facility, shall be kept in a separate account titled as – ‘Client Margin Trading Securities Account’.

4.6 Further said circular on Comprehensive Review of Margin Trading Facility also specifies that:

- a) *For the purpose of providing the margin trading facility, a stock broker may use own funds or borrow funds from scheduled commercial banks and/or NBFCs regulated by RBI. A stock broker shall not be permitted to borrow funds from any other source.*

- b) *The stock broker shall not use the funds of any client for providing the margin trading facility to another client, even if the same is authorized by the first client.*

Also, SEBI vide Circular No. MRD/DOP/SE/Cir – 11/2008 dated April 17, 2008 had specified that client collateral/securities shall not be used for the purposes other than meeting client's margin requirements/pay-in.

Referencing the above stated provisions, TMs/CMs are pledging collateral/securities of the clients with the Banks/NBFCs to borrow funds to meet the margin requirement of the clients/proprietary obligation which is not contemplated in the provisions of the aforesaid SEBI circular. In this regard, it is reiterated that the client securities received as collateral shall be used only for meeting the respective client's margin requirement by way of depositing the same with Stock Exchange/ Clearing Corporation/ Clearing House.

4.7 With effect from September 01, 2019, clients' securities lying with the TM/CM in "client collateral account", "Client Margin Trading Securities account" and "client unpaid securities account" cannot be pledged to the Banks/NBFCs for raising funds, even with authorization by client as the same would amount to fund based activity by TM/CM which is in contravention of Rule 8(1)(f) & 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.

4.8 Further, the client's securities already pledged in terms of clause 2.5 of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and clause 2 (c) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017 shall, by August 31, 2019, either be unpledged and returned to the clients upon fulfilment of pay-in obligation or disposed off after giving notice of 5 days to the client.

4.9 Accordingly, the clause 2.5 of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and clause 2 (c) of SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017 stands deleted with effect from June 30, 2019.

## **5. Opening and reporting of Demat Accounts by TM/CM:**

In order to implement the above, the following course of action shall be taken by TM/CM:

- a) All the existing client securities accounts opened by the TM/CM other than 'Pool account' (including 'Early Pay-in'), 'Client Margin Trading Securities account' and 'Client collateral account' shall be wound up on or before August 31, 2019. The TM/CM shall within one week of closure of existing client accounts, inform the Stock Exchange/s the details in the following format:

Name of DP	Account Number/ Client ID	DP ID	Name of Account	PAN	Date of Closing

- b) TM/CM shall open the unpaid securities account latest by August 31, 2019 and inform the details of the same to the respective Stock Exchanges / Clearing Corporations within one week of opening of the unpaid securities account in the following format:

Name of DP	Account Number/ Client ID	DP ID	Name of Account	PAN	Date of Opening

- c) Any non-compliance/non reporting in this regard by the TM/CM shall attract penal action as per the bye-laws of Stock Exchanges.

## **6. Monitoring with respect to handling of clients securities:**

Stock Exchanges, Clearing Corporations and Depositories shall put in place a mechanism for monitoring of the following:

- a) Handling of unpaid clients' securities by the TM/CM – Mechanism of matching of transfer of securities with the securities obligation as obtained from the clearing corporation with respect to the following:
  - i. Securities transferred from the client unpaid securities account to the pool account
  - ii. Securities transferred from the client unpaid securities account to the concerned client account,
  - iii. Securities transferred from pool account to the concerned client account
- b) All the DP accounts tagged as "Stock Broker – Client Account" are wound up before August 31, 2019.
- c) Securities lying with TM/CM in client collateral account, client margin trading securities account and client unpaid securities account shall not be permitted to be pledged/transferred to Banks/NBFCs for raising funds by TM/CM.

7. Accordingly, the provisions with regard to running account settlement of clients' funds and securities specified in SEBI Circulars MIRSD/ SE /Cir-19/2009 dated December 03, 2009 and SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 shall stand modified to the extent as stated hereinabove and the said circulars shall be applicable only as guidelines for running account settlement of clients' "funds" only.
8. Unless otherwise specified in the circular the provisions of this circular shall come into effect on September 01, 2019. Any non-compliance of the provisions issued under this

circular shall attract the penalty and other enforcement action as may be laid down by Exchanges, Clearing Corporations, Depositories and SEBI.

9. The Stock Exchanges, Clearing Corporations and Depositories are advised to:

- a. Bring the provisions of this circular to the notice of all TM/CM, Depository Participants along with illustration as required and also disseminate the same on their respective websites.
- b. Make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of this circular in co-ordination with one another to achieve uniformity in approach.
- c. communicate to SEBI, the status of the implementation of the provisions of this circular in their Monthly Development Reports.

10. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

11. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories "Legal Framework".

Yours faithfully,

**Rajesh Kumar Dangeti**  
**General Manager**

**CIRCULAR**

**SEBI/HO/MIRSD/DOP/CIR/P/2019/95**

**August 29, 2019**

**To**

**All Recognized Stock Exchanges**

**All Recognized Clearing Corporations**

**All Depositories**

**All Trading Members / Clearing Members through Stock Exchanges / Clearing Corporations**

**All Depository Participants through Depositories**

Madam / Sir,

**Sub: Handling of Clients' Securities by Trading Members / Clearing Members**

1. Please refer to SEBI Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 regarding the captioned subject. Following representations from Stock Exchanges as well as market participants, it has been decided that effective deadline for implementation of guidelines prescribed in clause 5 and clause 8 of the aforesaid SEBI circular shall be extended by one month.
2. Consequently, the date 'August 31, 2019' in clause 5 of the circular shall be substituted as 'September 30, 2019' and the date 'September 01, 2019' in clause 8 of the circular shall be substituted as 'October 01, 2019'.
3. The Stock Exchanges, Clearing Corporations and Depositories are advised to bring the provisions of this circular to the notice of all TM / CM, Depository Participants and also disseminate the same on their respective websites.
4. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
5. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories "Legal Framework".

Yours faithfully,

**Rajesh Kumar Dangeti**  
**General Manager**

**National Stock Exchange Of India Limited****Department :**

Download Ref No: NSE/INSP/42229

Date : September 27, 2019

Circular Ref. No: 31/2019

To All Members,

**Sub: FAQ on Handling of Clients' Securities by Trading Members/Clearing Members**

Based on representations received from Members, an updated frequently asked questions (FAQs) is being issued on the SEBI circular on Handling of Clients' Securities by Trading Members/Clearing Members. Hence, our earlier FAQs issued vide Circular NSE/INSP/42052 dated September 04, 2019 on the subject matter stands superseded.

The updated FAQs are enclosed as **Annexure-A** for your reference.

All members are advised to take note and comply with the same.

**For and on behalf of****National Stock Exchange of India Limited****Srijith Menon****Chief Manager-Inspection**

In case of any clarifications, Members may contact our below offices:

<b>Regional Office</b>	<b>CONTACT NO.</b>	<b>E MAIL ID</b>
Ahmedabad (ARO)	079-49008632	inspectionahm@nse.co.in
Chennai (CRO)	044- 66309915/17	inspection_cro@nse.co.in
Delhi (DRO)	011-23459127 / 38 / 46	delhi_inspection@nse.co.in
Kolkata (KRO)	033-40400411 / 06	inspection_kolkata@nse.co.in
Mumbai(WRO)	022-25045264/259/224	compliance_wro@nse.co.in
Central Help Desk	compliance_assistance@nse.co.in	



**CLARIFICATION ON HANDLING OF CLIENT SECURITIES**

**1. How many type of beneficiary accounts are required to be maintained after October 1, 2019?**

There will be primarily 7 types of DEMAT accounts that shall be maintained by Members post October 1, 2019:

1. Pool account (TM/CM - Pool account)
2. Own Beneficiary Account (Stock Broker-Proprietary Account)
3. Client Unpaid Securities Account
4. Client Margin Trading Securities account (In case of Margin trading)
5. Early Pay-in Account (In case of CDSL)
6. Client collateral Account (for holding client securities for margin purpose and onward transfer to Collateral Account for pledging with Clearing Corporations ("CC") or transfer to Clearing Member ("CM")).
7. Collateral account (for pledging own & client securities with CCs or transfer to Clearing Member ("CM"))

**2. Whether client securities can be kept in the client collateral account without pledging to Clearing Corporation?**

In addition to the existing "Collateral Account", Members shall open a separate "Client Collateral Account" for the purpose of holding client securities for margin purpose or onward transfer to Collateral Account or for transferring to Clearing Members. Such securities shall be transferred to the "Collateral Account" for pledging with the Clearing Corporation or transfer to CM. Members shall obtain authorisation from the respective clients before pledging their securities with the Clearing Corporation or transferring it to CM.

Excess client securities can be kept in the "Client collateral account" without pledging to CC or transferring to CM. It should however be ensured that collateral of one client is not utilised for meeting the obligation of any other client or for proprietary obligation. It should also be ensured that securities are not transferred to "Client collateral account" directly from "TM/CM -pool account" or "Client unpaid securities account".

It shall be ensured that excess securities, so held in "Client Collateral/Collateral" account are released to clients along with their funds' settlement (i.e. once in every 30/90 days) after making necessary retention in accordance with NSE circular

NSE/INSP/36889 dated 02-Feb-2018. In case there are no fund payables to clients, securities shall be settled to the client in the same periodicity as consented by the client for the settlement of fund. Further, where the client has not opted for running account settlement of funds, then securities, in excess of the margin obligation, if any, shall be immediately be released to the client.

### **3. Can Member transfer the securities to the client in the event of non-payment?**

Member may transfer the unpaid client securities from pool/unpaid securities demat account to client's demat account in accordance with its Risk Management (RMS) Policy.

Such policy shall be duly approved by its Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) as the case may be and informed to the clients.

In case the RMS policy does not permit transfer of securities to clients in the event of non-payment, then such securities shall be disposed-off within 5 trading days from the date of pay-out, in proportion to the amount not received and after taking into account any amount lying to the credit of the client. The balance securities shall be transferred to the respective client's demat account.

### **4. In case of partial payment, can a Member retain full value of securities?**

In case of partial payment, a Member can retain full value of securities till the 5th trading day from the pay-out date. Member shall however, within such 5 days and based in its RMS policy, transfer the unpaid client securities to client's demat account or dispose-off the securities in proportion to the amount not received.

In case the RMS policy does not permit transfer of securities to clients in the event of non-payment, Member shall, on a demand made by the client, be required to release the securities to the client to the extent of the amount received.

### **5. As per the circular the existing client securities accounts (TM/CM -Client Accounts) have to be wound up on or before Sep 30, 2019?**

- **What is to be done in case the Member is unable to transfer the securities to the client by Sep 30, 2019 due to any legitimate reasons?**
- **Can the securities be transferred directly to the Client collateral /collateral Account from existing client beneficiary account?**

All securities lying in the existing TM/CM -Client Accounts shall be either returned to the clients upon fulfilment of pay-in obligation or disposed-off after giving notice of 5 days to the client, on or before Sep 30, 2019.

No securities shall be transferred from TM/CM –Client Accounts directly to the Client collateral /collateral account except for the purpose of meeting any existing margin obligation of the respective client or on account of circumstances specified in point no. 20

In case any security lying in any demat account cannot be sold or transferred, for any reason including litigation or court orders or other enforcement orders, such accounts can be frozen/suspended for credits except on account of any corporate actions.

- In CDSL such account can be marked for closure allowing only debits and prohibiting fresh credits except on account of corporate actions. Said account by default will be closed during the EOD of the day when balance becomes NIL.
- In case of NSDL, the standing instructions for credit in such account can be disabled which will restrict credits (except on account of corporate action) in such accounts

In case, Member is unable to transfer the securities to client's BO account due to any legitimate reasons, Member may proceed to liquidate the securities lying in all demat accounts, and transfer the funds to the bank account of the client. In case Member is unable to transfer the funds due to client's bank account becoming dormant & client is not contactable, Member shall set aside such funds till the client is contactable and correct bank account details are obtained. Member shall keep adequate trail to sufficiently prove that the clients were untraceable and sufficient follow ups have been made.

**6. What is to be done in case the Member is unable to sell the unpaid securities within the 5th day from the pay-out date due to reasons such as inactive/suspended shares, lower circuit, Regulatory enforcement/court directions?**

In case any security is lying in the "Client unpaid securities account" beyond 7 trading days after the pay out, Depositories shall be levying the penalty as per the SEBI circular.

In case the securities cannot be transferred out of the Client unpaid securities account for any legitimate reasons such as the ISIN is suspended, the unpaid securities account is frozen due to a court or regulatory order, lower circuit trading restrictions like GSM or any other reason specified from time to time, the penalty imposed may be reversed till such restriction continues upon an application being made to the Depository. The penalty imposed cannot be reversed for any other reason.

**7. Can client securities be transferred to Clearing member?**

Yes. Client securities shall be received in the Client collateral/Collateral account and can be transferred to Clearing Member.

Members shall, further, ensure that correct holding details are uploaded to Exchange weekly for the securities given to the Clearing Member. While reporting, Members shall specify Clearing Member's demat account number and mandatorily classify such demat accounts as CM Collateral and mention "CM COLL" under 'Member Account Type' field. Quantity of such securities, if any shall be populated in "Pledged Balance (Qty.)" field.

**8. Can securities be transferred from "Client collateral/collateral Account" to Pool account or from "Client unpaid securities account" to Pool/collateral account upon full payment?**

Securities can be transferred from "Client collateral/collateral Account" to Pool account for the purpose of making pay-in for settlement of the respective client.

As per circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 securities kept in the 'client unpaid securities account' shall either be transferred to the demat account of the respective client upon fulfilment of client's funds obligation or shall be disposed-off in the market by TM/CM within five trading days after the pay-out.

Accordingly, transfer from "Client Unpaid securities account" to "Pool account" is permitted. However, securities cannot be transferred from "Client unpaid securities account" directly to the "Client Collateral account" or "Collateral account".

**9. Will the Member be required to take pre-order confirmation from clients while disposing the securities by 5th day from the date of pay-in?**

As the SEBI circular mandates liquidation of securities in case of non-payment within 5 days from the pay-out date, no pre-order confirmation is required.

However, as a best practice, Members are advised to issue margin calls and reminders to clients for making payments within 5 days. Such margin calls / reminders should also inform the clients about the disposal of the securities in case of non-payment.

**10. Can the securities kept in “Client unpaid securities account” be considered towards reporting of client’s margin obligation in the derivative segment?**

“Securities kept in “Unpaid securities account” can be considered towards reporting of client’s margin obligation in the derivative segment after adjusting any debit balances in such client ledger, across all segments and Exchanges (including Commodities but excluding balances in the client’s Margin Trading (MTF) account)

**11. What are changes to be required in existing KYC, POA?**

The Running account authorisation will undergo change and clauses applicable to the settlement of securities shall deemed to be deleted. The relevant policy and procedure documents of the Member shall also be updated appropriately w.r.t provisions of the circular including return of excess securities, securities running account deletion, compulsory liquidation, payment terms etc. and shall be communicated to the clients.

The POA shall also undergo change if the details of the DP accounts of the Member are revised. Member shall create an addendum to the existing POA for this purpose and inform the client accordingly in line with SEBI circular CIR/MRD/DMS/28/2010 dated August 31, 2010.

**12. Can Member open segment-wise collateral/client collateral accounts?**

Yes.

**13. In case of a Trading Member, how will the pay-out of securities, received by its Clearing Member, be dealt with in case of CM segment or F&O segment (under physical settlement)?**

In such a scenario, securities shall be transferred by the CM to the pool account of the TM. In case of non-receipt of payment from client to TM, the concerned client securities shall be transferred from TM’s pool account to the “Client unpaid Securities Account”.

**14. As per circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 all existing client securities accounts with the Member shall be wound on or before Sep 30, 2019. Hence, can Member change the type of existing demat Account to ‘Client’s Unpaid Securities Account’ /Collateral Account instead of opening a separate account?**

Member will not be permitted to change the type (client sub-type in depository system) of the existing demat accounts to “Client’s Unpaid Securities Account”.

However, existing demat account wherein the securities are already lying in pledged status with CCs shall be permitted to change the type as "Collateral Account". For such updations, requisite declaration shall be submitted by the member to respective Depository Participant.

**15. Members are currently allowed to retain 225% of T Day Margin Requirement in Derivatives segment for settlement of client accounts. Can Members retain client securities under the provisions of the SEBI circular?**

Members are permitted to retain the requisite securities/funds in accordance with NSE circular NSE/INSP/36889 dated 02-Feb-2018.

**16. As per the SEBI circular Members have to liquidate the unpaid securities if clear funds are not received within 5 trading days from the date of pay-out. In case the pay-in of such unpaid securities, so sold, cannot be done due to settlement holiday and the securities remain for more than 7 trading days from the date of pay-out, will the Member be subject to any disciplinary action?**

Currently, Depositories exclude settlement holidays for computation of CISA penalty/Pool account penalty, as the case may be, levied as per SEBI circular no. SEBI/MRD/Policy/AT/Cir- 19/2004 dated April 21, 2004. The same logic will be applied for calculation of penalties on unpaid securities remaining unsold beyond 7 trading days after the pay-out.

However, it may be noted that in case of a settlement holiday, transfers from the "Client unpaid securities account" to the pool account will be possible.

**17. Whether client can meet unpaid securities obligation through sale of unutilized and free securities lying in collateral account?**

In case of non-payment, securities lying in "Client unpaid securities account" shall be disposed-off within 5 days from the Pay-out date or returned to the client as per the Member's RMS.

However, sale of securities lying in Client collateral/collateral account, based on client's specific instruction, can be considered towards such unpaid securities provided clear funds are received within such 5 trading days.

**18. In case there are multiple securities in the "Client unpaid securities account" and the Stock Broker wishes to liquidate the same, is there any logic like First in First Out (FIFO) to be followed?**

The Member should have a predefined policy of liquidating the client securities and the policy should be communicated to the clients in an appropriate manner. In absence of such a policy, the FIFO (First in & First Out) policy should be followed.

However, in any case, securities shall not be kept in the “Client unpaid securities account” beyond the deadlines prescribed by the Circular.

**19. The client does not pay the debit balance by 5th day and TM initiates the liquidation process. Simultaneously client takes a buy position on the same scrip and on the same day on which TM liquidates the scrip. Is this allowed?**

Member should not allow the client to initiate the buy trade as further exposure is disallowed if the old debit is not realized. Member shall diligently follow the existing guidelines on client funding as prescribed under para 2 (d) of SEBI circular ref. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017.

**20. In case of securities (where inter-depository transfer is not available) held in a particular Depository (i.e. SGB, G-secs) and the client does not have an account in the said Depository, what is to be done?**

In such exceptional scenario, the client will have to open an account in the relevant Depository. In case the client does not open the required account, the member may transfer the relevant securities to the “Client Collateral Account”, after keeping adequate audit trail. It should however be ensured that they are utilised for meeting the respective client’s obligation only.

**21. Can funded stock in MTF be pledged to the clearing corporation or be transferred to CM?**

As the funded MTF securities are not fully paid by the client, the same, not being free & unencumbered, cannot be used as margin for that client in any other segment.

**22. Can securities held in “Client Unpaid securities Account” be pledged with CCs/or transferred to CM for taking exposure?**

No. Securities held in “Client Unpaid securities Account” cannot be pledged with CCs/or transferred to CM

**23. As per circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, client securities shall be transferred from pool account to respective clients' demat account. Can the securities be transferred from CC to the client's demat account directly under the "Direct Pay-out" facility?**

Yes, the securities can be transferred from CC to the client's demat account directly under the "Direct Pay-out" facility. However, the Member may, based on their RMS policy, not use the said facility in case of non-payment and transfer the security to the "Client Unpaid securities Account".

**24. Which "Account types" are to be used while reporting security balances in "Client Unpaid securities Account", "Client collateral account" and Client Margin Trading Securities Account**

The following "Account Types shall be used for said accounts:

<b>Member Account Type</b>	<b>(Value shall be any of the following)</b>
Client unpaid securities account	CLNT UNPAID
Client collateral account	CLNT COLL
Client Margin Trading Securities Account	CLNTBENE-MTF