

**CIRCULAR**

**SEBI/HO/MIRSD/DOP/CIR/P/2020/143**

**July 29, 2020**

To,

- 1. All Recognised Stock Exchanges**
- 2. All Recognised Clearing Corporations**
- 3. All Depositories**

Madam / Sir,

**Subject: Implementation of SEBI circular on 'Margin obligations to be given by way of Pledge / Re-pledge in the Depository System'**

1. SEBI, vide circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020, specified mechanism with regard to Margin obligations to be given by way of Pledge / Re-pledge in the Depository System. The provisions of this circular were initially to come into effect from June 01, 2020. The implementation date of the circular was extended till August 01, 2020 vide SEBI circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/88 dated May 25, 2020 read with SEBI circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/90 dated May 29, 2020 in view of disruptions on account of COVID-19 pandemic including restrictions in movement of people.
2. In view of the prevailing situation due to Covid-19 pandemic, partial lockdowns in various areas of the country, representations received from the stock brokers and stock broker associations and that the changes to the systems and software development still under progress, it has been decided that
  - 2.1. The mechanism of pledge / re-pledge issued vide circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020 shall be implemented with effect from August 01, 2020. Trading member (TM) / Clearing member (CM) shall endeavor to align their systems and accept client collateral and margin funded stocks by way of creation of pledge / re-pledge in the Depository system.
  - 2.2. The TM / CM shall also be allowed to accept client securities as collateral by way of title transfer into the Client Collateral Account as per the present system. The system of parallel acceptance of the client securities by way of title transfer shall be available only upto August 31, 2020 and no further extension shall be granted.
  - 2.3. Funded stocks held by the TM / CM under the margin trading facility shall preferably be held by the TM / CM by way of pledge with effect from August 01, 2020. TM / CM may continue to hold funded stocks in respect of margin funding in 'Client Margin

Trading Securities Account' till August 31, 2020 by which date all such accounts shall be closed.

3. It is reiterated that, in terms of paragraph 12 of the circular dated February 25, 2020, the TM / CM shall be required to close all existing demat accounts tagged as 'Client Margin / Collateral' by August 31, 2020.
4. Stock Exchanges, Clearing Corporations and Depositories are directed to bring the provisions of this circular to the notice of their members / participants and also disseminate the same on their websites.
5. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, and Section 19 of the Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully

**Narendra Rawat**  
**General Manager**  
**Market Intermediaries Regulation and Supervision Department**