NATIONAL COMMODITY CLEARING LIMITED

Circular to all Members of the Clearing Corporation
Circular No. : NCCL/CLEARING-032/2025
Date : June 04, 2025
Subject : Margin obligations to be given by way of Pledge Re-pledge in the Depository system

Securities and Exchange Board of India (SEBI) has issued a circular no. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/82 dated June 03 ,2025 on "Margin obligations to be given by way of Pledge/Re-pledge in the Depository System"

A copy of the referred SEBI circular is enclosed as Annexure.

Members are requested to take note of the same.

For and on behalf of
National Commodity Clearing Limited

Sweedin Satav
Senior Vice President

For further information / clarifications, please contact

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भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/82 **June 03, 2025**

To,

All Recognized Stock Exchanges

All Recognized Clearing Corporations

All Depositories

Madam / Sir,

Sub: Margin obligations to be given by way of Pledge/Re-pledge in the Depository System

1. SEBI, vide circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020 (hereinafter mentioned as 'Circular') and Para 41 of Master Circular for Stock Brokers dated August 09, 2024 (hereinafter mentioned as 'Master Circular'), mandated that the broker shall accept collateral from client in the form of securities only by the way of 'margin pledge'. The operational mechanism for initiation, release and invocation of margin pledge is provided at Annexure A of the circular and para 41.11 of the Master Circular.

2. It has come to notice that after invocation of client's securities pledged in favor of demat account of brokers (i.e. 'Client Securities Margin Pledge Account' or 'Client Securities under Margin Funding Account'), such invoked shares are lying unsold resulting into the accumulation of clients' securities in demat account of the broker. The said accumulation does not serve the purpose for which securities were invoked i.e. realization of moneys.

3. Further, Brokers' Industry Standard Forum (Brokers' ISF) highlighted operational difficulties of brokers where clients sell the pledged securities. In the current process, broker has to first un-pledge the securities sold by the client and thereafter

securities are delivered to Clearing Corporation by broker using physical instruction or electronic instruction or DDPI/POA.

4. Based on the aforesaid observation/representation of Brokers' ISF and with a view to facilitate ease of doing business as well as to safeguard the interest of investors, it has been decided to make the invocation and sale as a combined automated process. For this, the below given clauses are inserted in Annexure A of circular dated February 25, 2020 and Master circular for stock brokers:

a. Point 9 (in Annexure A of the circular dated February 25, 2020) and Para 41.11.9 (Master circular for stock brokers):

In case where client sells the securities, which are pledged in favor of TM/CM as Margin pledged securities (including pledged funded stock) / CUSPA pledge, depositories shall provide a functionality of single instruction in the form of 'Pledge release for early pay in' to TM/CM wherein pledge will be released and early pay in block will be set up immediately in client demat account subject to pay in validation i.e. only to the extent of delivery obligation of that client as provided by CCs to depositories without the need for physical instruction or electronic instruction or DDPI/POA.

b. Point 16 (in Annexure A of the circular dated February 25, 2020) and Para 41.11.16 (Master circular for stock brokers):

In case of invocation of margin pledged securities (including pledged funded stock) of client by Trading member (TM), the invoked securities, other than mutual fund units that are not traded on the exchanges, shall be blocked for early pay-in in the client's demat account with a trail being maintained in TM/CM's 'Client Securities Margin Pledge Account' / 'Client Securities under Margin Funding Account'. The pay in block in client's demat account shall be subject to pay in validation i.e. only to the extent of delivery obligation of that client as provided by CCs to depositories.

In case of invocation of Mutual fund (MF) units that are not traded on the exchange, depositories shall provide a functionality of single instruction in the form of 'invocation cum redemption' wherein invoked MF units will come to the TM/CM's 'Client Securities Margin Pledge Account', and go for auto redemption from the said account.

In scenarios, where client's trading account is frozen or client trading codes are marked as 'Not permitted to trade' or equivalent at the stock exchanges subsequent to creation of pledge, the invoked securities will come to demat account of TM/CM and the same shall be sold by TM/CM under the proprietary code. In order to prevent the accumulation of client securities in the demat account of TM/CM, it must be ensured by TM/CM that pay-in of securities is done on the same day of invocation.

5. Accordingly, Annexure A of SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020 and Para 41 of Master Circular for Stock Brokers dated August 09, 2024 stand amended to the extent of para 4 as detailed above. All other provisions specified in SEBI Circular dated February 25, 2020 and SEBI Master Circular for Stock Brokers dated August 09, 2024 shall continue to remain applicable.

6. The provisions of this circular shall come into force with effect from September 05, 2025.

7. The detailed operating guidelines shall be specified by depositories on or before July 01, 2025.

8. The Stock Exchanges, Clearing corporations and Depositories shall:
   8.1. bring the provisions of this circular to the notice of their members and also disseminate the same on their websites;
   8.2. make necessary amendments to the relevant Bye-laws, Rules and Regulations for the implementation of the above direction;

9. This circular is issued in exercise of powers conferred under Section 11(1) of Chapter IV of the Securities and Exchange Board of India Act, 1992 read with Regulation 30 of Chapter VII of SEBI (Stock Brokers) Regulations, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

10. This circular is available on SEBI website at www.sebi.gov.in under the category: 'Legal → Circulars.

Yours faithfully,
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