Circular No.: NSDL/POLICY/2016/0101 Date: December 16, 2016

Subject: Enhanced Supervision of Stock Brokers.

Attention of Participants is invited to Circular No. NSDL/POLICY/2016/0083 dated October 4, 2016 regarding SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 with respect to implementation of recommendations of the SEBI constituted Committee on "Enhanced Supervision of Stock Brokers/Depository Participants".

In this context, all Participants are hereby requested to take note of the following:

Tagging of account of stock broker

1. A facility will be provided to appropriately tag various accounts of stock brokers opened for different purposes by using separate sub-types. The list of such sub-types along with the purpose for which the account can be used is given below:

Sr. no.	Account opened in the name of	Account Type	Category/ Type Description	Sub-Type Description	Purpose of Account
1.	Stock Broker	Pool Account	Clearing Member	NA	For settlement of market trades.
2.	Stock Broker	Client Account	Body corporate	Stock Broker – Client	For holding client's securities
			Resident	Stock Broker – Client	
3.	Stock Broker	Proprietary Account	Body corporate	Stock Broker - Proprietary	For holding own securities of the stock broker entity
			Resident	Stock Broker - Proprietary	
4.	Stock Broker	Collateral Account	Body corporate	Stock Broker – Collateral	For depositing securities in respect of collateral with the clearing corporation
			Resident	Stock Broker – Collateral	

2. No changes are required for tagging of existing Clearing Member accounts opened by stock broker for the purpose of settlement of market trades.

3. The nomenclature of all existing accounts opened under sub-type 'Margin' will be converted to sub-type 'Stock Broker - Client' by NSDL. [*Please refer to point no. 2 of Annexure 1*]. Participants are **not** required to obtain any modification request from stock broker for such updation to be carried out by NSDL.

4. For those Participants who are maintaining collateral accounts of stock brokers for depositing securities in respect of collateral with the clearing corporation, a separate communication will be sent to them for the procedure for conversion of existing accounts to the sub-type 'stock broker – collateral'.

5. For stock brokers who are maintaining accounts with Participants in sub-type other than 'margin', a facility will be provided to Participants to modify the existing demat account of stock broker based on the modification request received from stock broker to new sub-type 'Stock Broker-Client', 'Stock Broker – Proprietary' and 'Stock Broker-Collateral' (*Please refer Annexure 1 for screen based modification facility*). The procedure for the same is given below:

   a. Participants are requested to obtain request from stock broker in the enclosed format [*Ref. Annexure 2*] in physical or electronic form (*through email ID registered in DPM system*).

   b. Participants are also requested to update the PAN of stock broker in its CM account as per request received from stock broker [Ref. point no. 2 of Annexure 2].

   c. This screen based facility will be available to accounts opened in non-individual category.

   d. For accounts of stock brokers opened in individual category (i..e Resident type) , Participant may send the request to NSDL on email Participant-Interface@nsdl.co.in for necessary modification and provide the copy of request received from stock broker alongwith the following information in excel format:

Sr. No.	***Account Number***		***New Sub-type (any one from the below list)***	***Reason for change***
	DP ID	*Client ID*	- *Stock Broker – Proprietary* - *Stock Broker - Client* - *Stock Broker – Collateral*	

6. Participant should note that as advised by SEBI vide aforesaid Circular dated September 26, 2016, after the sub-type of the account is changed to 'stock broker – proprietary', 'stock broker – client' and 'stock broker – collateral', no further changes in the type/sub-type will be permitted.

7. For the Stock Broker-Client account and Stock Broker-Collateral account where tagging is carried out by NSDL, NSDL will facilitate further modification based on the request received from stock broker through its Participants till Friday, December 23, 2016. Participant may send the request to NSDL on email Participant-Interface@nsdl.co.in for necessary modification and provide the copy of request received from stock broker alongwith the following information in excel format:

Sr. No.	***Account Number***		***New Sub-type (any one from the below list)***	***Reason for change***
	DP ID	*Client ID*	- *Stock Broker – Proprietary* - *Stock Broker - Client* - *Stock Broker – Collateral*	

8. Participant should note that the appropriate nomenclature as mentioned in the aforesaid SEBI Circular dated September 26, 2016 are facilitated by separate type and sub-type of account to implement the guidelines mentioned in SEBI Circular. Therefore, there is no need to do any change in the name of account holder.

9. **DPM System Version 6.3** for aforesaid features [Please refer Annexure 1] will be released with effect from EOD of Friday, **December 16, 2016**. Further, the Local DPM Version release will made available to Participants on Monday, **December 19, 2016** and NSDL helpdesk will send Local DPM release schedule to Participants separately.

Transfer between 'Stock Broker-Client' to 'Stock Broker-Proprietary'

10. As per aforesaid SEBI Circular dated September 26, 2016, transfer of securities from 'Stock Broker-Client' account to 'Stock Broker-Proprietary' account is permitted only for legitimate purpose such as implementation of any Government / Regulatory directions or orders, in case of reversal of erroneous transfers pertaining to Client's securities, for meeting legitimate dues of the stock broker. Accordingly, additional reasons codes are added for off market and inter depository transfers. The details of the same is given below:

    a. The list of new reason codes is given below:

Reason code	**Reasons / purpose to be selected**
96	Govt. / Regulatory directions or orders
97	Reversal of Erroneous Transfers
98	Legitimate Dues of the stock broker

b. The aforesaid reason codes 96 and 97 will be made applicable for all off-market and inter-depository transfers.

c. For off market transfers, reason code '98' i.e. 'Legitimate Dues of the stock broker' will be available only in case of transfer of securities from 'Stock Broker-Client' account to 'Stock Broker-Proprietary' account.

d. For inter depository transfer, reason code '98' i.e. 'Legitimate Dues of the stock broker' will be available only if sub-type of source account is 'Stock Broker-Client'.

e. Participants are requested to inform their stock broker Clients to mention appropriate reason code in the DIS as specified above.

f. System validation for the same will be implemented with effect from BOD of Saturday, **December 24, 2016**

Transfer of securities by stock broker on the basis of Power of Attorney (POA)

11. For POA based transfers where POA is in favor of stock broker, in addition to Clearing Member Account, Margin Account [*New nomenclature of sub-type is Stock Broker-Client*] and accounts opened with other depository, DPM system will also facilitate mapping of Stock Broker-collateral account as target account in POA in favor of stock broker with effect from Wednesday, **February 1, 2017.** Participants may note that such mapping of accounts can be done only if the POA authorizes the same. However, if there is any existing account of stock brokers under 'margin' sub-type which is converted to stock broker-collateral and already mapped under POA ID, it will continue to be mapped.

SPICE facility

12. For debiting the Client account (i.e. beneficial owner account of the client) and crediting the stock broker-collateral account by Clearing Member (CM) using SPICE facility, CM has to register its stock broker-collateral account for SPICE facility. This facility for registration of stock broker-collateral account in SPICE will be available with effect from Monday, **December 19, 2016**.

For and on behalf of
National Securities Depository Limited

Ravindra Sahu
Senior Manager

Enclosed: Two

FORTHCOMING COMPLIANCE			
Particulars	**Deadline**	**Manner of sending**	**Reference**
Investor Grievance Report (Monthly)	By 10th of the following month.	Through e-PASS	1. Circular No. NSDL/POLICY/2015/0096 dated October 29, 2015
Compliance Certificate (July - December)	January 31st every year.	Digitally signed compliance certificate by email at nsdl-bp-inspection@nsdl.co.in Alternatively, by hard copy to Inspection Department.	Circular No. NSDL/ POLICY/2006/0023 dated July 6, 2006 and Circular No. NSDL/POLICY/2010/0017 dated February 22, 2010.

Digitally signed by
Name : Ravindra Sahu
Date : 12/16/2016 7:25:29 PM
Reason : Authentication