भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 **June 22, 2017**

To,

The Managing Directors of all Recognized Stock Exchanges and Depositories

Dear Sir/Madam,

Sub: Clarification to Enhanced Supervision Circular

1. SEBI vide circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, has issued guidelines covering broad areas for enhanced supervision based on the recommendation of the committee constituted by SEBI. Following representations from Exchanges as well as market participants, SEBI vide Circular no SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/138 dated December 20, 2016 made the aforesaid Circular effective from April 1, 2017 and accordingly the various timelines mentioned in the circular for different activities was consequently postponed.

2. SEBI has received further representations from the market participants regarding certain provisions of the aforesaid circular. Based on the discussions with different stakeholders, following clarifications are made:

   a. Clause 1.2.2 and 1.2.4 stands deleted; accordingly naming proprietary bank/demat accounts of the stock broker as 'Stock Broker- Proprietary Account' is voluntary. It is however clarified that bank/demat account which do not fall under the Clauses 1.2.1,1.2.3, 1.2.5 , 1.2.6 and 1.2.7 would be deemed to be proprietary.

   b. After Clause 2.1, Clause 2.1.1 is inserted as, "*Stock Broker which is also Bank, may be required to report to the Stock Exchanges only those bank accounts that are used for their stock broking activities"*.

   c. Clause 2.5 stand modified as follows: "*As per existing norms, 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. Pledge of such securities is permitted, only if, the same is done through Depository system in compliance with*

Regulation 58 of the SEBI (Depositories and Participants) Regulations,1996. To strengthen the existing mechanism, the stock brokers shall ensure the following:"

d. Clause 2.6 stands modified as, "*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 the fifth trading day, as reckoned from 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."* This clause would be effective from August 1, 2017.

e. Clause 3.2 stands clarified that, Stock broker shall upload the data as envisaged in the Clause 3.2 on monthly basis instead of weekly basis till March 31, 2018. Accordingly, till March 31, 2018, stock broker shall submit the data as on the last trading day of every month to the Stock Exchanges on or before the next trading day. Thereafter, the uploading of that data by the stock broker to the Stock Exchanges shall be on weekly basis i.e. stock brokers shall submit the data as on last trading day of every week on or before the next trading day.

f. Further, it is also clarified that the provisions of this enhanced supervision circular is not applicable to Regional Commodity Exchanges till further notice.

3. You are advised to take necessary steps to ensure compliance with the above.

4. The Stock Exchanges/Depositories are directed to bring the contents of this circular to the notice of the Stock Brokers/Depository 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 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

6. This Circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework".

Yours faithfully,

Debashis Bandyopadhyay
General Manager