

National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/60014	Date: December 28, 2023
Circular Ref. No: 111/2023	

To All Trading Members,

Sub: Settlement of Running Account of Client's Funds lying with Trading Member (TM)

SEBI has issued Circular No. SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2023/197 dated December 28, 2023, on the subject "Settlement of Running Account of Client's Funds lying with Trading Member (TM)". A copy of the said SEBI circular is enclosed as **Annexure 1** for reference.

All Members are advised to take note of the contents of the aforesaid SEBI Circular.

For and on behalf of
National Stock Exchange of India Limited

Chirag Shah
Senior Manager – Inspection

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

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CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2023/197

December 28, 2023

To,

All recognized Stock Exchanges

Dear Sir/Madam,

Subject: Settlement of Running Account of Client's Funds lying with Trading Member (TM)

1. In order to safeguard the interests of investors, SEBI in 2018 had mandated settlement of running account of client's funds on first Friday of the quarter/month. This has been incorporated as clause 47 of "Master Circular on Stock Brokers" issued on May 17, 2023.
2. Broker's Industry Standards Forum (ISF) had represented various problems faced by brokers due to single day of settlement viz. hectic activities on the day of settlement leading to chances of errors, missing out on payment timings of banks due to late finalization, delayed instructions, etc. They have recommended that TMs may be allowed to settle the running account of clients on Friday and/or Saturday to address these operational difficulties.
3. After due consideration, SEBI has decided to accept the recommendation to settle the running account of clients on Friday and/or Saturday, which streamlines the process of settlement and ensures ease of doing business for various stakeholders viz. stock brokers and banks, while at the same time safeguarding the interests of the investors by ensuring error free settlement. In view of this the following changes are made in the Master circular dated May 17, 2023 :

3.1. Clause 47.1.1 stands modified as follows:

"47.1.1 The TM, after considering the End of the Day (EOD) obligation of funds across all the Exchanges, shall settle the running accounts at the

choice of the clients on quarterly and monthly basis, on the dates stipulated by the Stock Exchanges.”

3.2. To ensure uniformity and clarity on dates of such monthly and quarterly settlement of client accounts, clause 47.1.2 is modified as follows:

“47.1.2 Stock exchanges shall, jointly, issue the annual calendar for the settlement of running account (quarterly and monthly) at the beginning of the financial year.”

3.3. Further, to safeguard against any possibility of misuse of one client’s funds to settle another clients’ running account, it is stipulated that any funds received from clients shall remain in the upstreaming account. To incorporate this safeguard, clause 47.1.3 is inserted as follows:

“47.1.3 TM shall ensure that funds, if any, received from clients, whose running account has been settled, remain in the “Up Streaming Client Nodal Bank Account” and no such funds shall be used for settlement of running account of other clients. Stock Exchanges shall evolve a monitoring mechanism for this purpose.”

4. The provisions of this circular shall be applicable with effect from the quarterly settlement of Jan-Mar 2024 and monthly settlement of January 2024.

5. All other provisions under Clause 47 of the circular dated May 17, 2023 shall continue to remain applicable.

6. Stock Exchanges shall:

6.1. bring the provisions of this Circular to the notice of their members and also disseminate the same on their websites;

6.2. make amendments to the relevant Bye-laws, Rules and Regulations ,as may be necessary;

6.3. issue the calendar for settlement of the client accounts for the financial year

- 6.4. issue operational guidelines to their members in this regard;
 - 6.5. continue online monitoring of timely settlement of running account for funds of client and to verify that excess clients' funds are not retained by the TM as on the date of settlement of running account;
 - 6.6. put in place an appropriate reporting requirement by TM to enforce the above system; and
 - 6.7. communicate the status of the implementation of the provisions of this Circular in their monthly development report to SEBI.
7. 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.

Yours faithfully

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