

National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/60283	Date: January 16, 2024
Circular Ref. No: 09/2024	

To All Members,

Sub: Discontinuation of Submission of data towards Monitoring of client funds under Enhanced Supervision

This is with reference to SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/03 dated January 12, 2024 on Subject "Ease of doing business-Changes in reporting". A copy of the said circular is enclosed as **Annexure A** for your reference.

Further, in accordance with the said SEBI circular, weekly reporting requirement of data towards Monitoring of Clients' Funds lying with the Stock Broker under Enhanced Supervision as prescribed under Exchange Circular No. NSE/INSP/37395 dated April 02, 2018 is discontinued with immediate effect, i.e. trading members are not required to submit the aforementioned data for the week ended January 12, 2024 and onwards. Accordingly, period of the last applicable submission is week ended January 05, 2024, due date of which was January 10, 2024.

Members are advised to take note of the above and comply.

For and on behalf of
National Stock Exchange of India Limited

Naresh Sawana
Chief Manager – Inspection

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

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CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/03

January 12, 2024

To,
All recognized Stock Exchanges and Clearing Corporations

Dear Sir/Madam,

Ease of doing business- Changes in reporting

1. SEBI has taken various measures to safeguard investors' collateral lying with the stock brokers. Clause 15 of SEBI master circular on stock brokers ("master circular") dated May 17, 2023 safeguards against misutilisation of clients' funds. Clause 42 safeguards against the use of one clients' collateral for another. Stock Exchanges and Clearing Corporations draw various reports from the stock brokers for this purpose.
2. SEBI received representations from various stakeholders citing inefficiencies due to duplication of monitoring mechanisms and difficulties in uploading data to exchanges. In order to address the issue, SEBI advised the industry associations to consult with MIIIs under the aegis of Broker's Industry Standards Forum (ISF) and submit a proposal to SEBI. The ISF has recommended that some of the reports can be discontinued.
3. These recommendations have been considered by SEBI and as the changes in reports shall continue to allow the stock exchanges and clearing corporations to retain the supervision over client collateral, in order to bring in efficiencies in reporting and a step towards ease of doing business, certain reports are being discontinued. Based on the above decision the following clauses of the master circular stand modified:-
 - 3.1. Clause 15.5.2 stands deleted.
 - 3.2. Clause 15.5.3 stands modified whereby G principle is reiterated as follows:

15.5.3 Stock exchanges shall put in place a mechanism for monitoring of clients' funds ('G' principle) lying with the stock brokers on the principle enumerated below:

G Principle: The total available funds i.e. cash and cash equivalent with the stock broker and with the clearing corporation/clearing member should always be equal to or greater than clients' funds as per the ledger balance.

3.3. Table 5, 6 and Table 7 stands deleted.

4. The provisions of this circular shall come into force with immediate effect.
5. The stock exchanges are directed to:
 - a. bring the provisions of this circular to the notice of stock brokers, and also disseminate the same on their websites;
 - b. jointly issue the following within 15 days from the date of issuance of this circular
 - i. operational guidelines in consultation with relevant stakeholders; and
 - ii. an SOP for monitoring the implementation of provisions of this circular
 - c. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above provisions; and
 - d. communicate to SEBI, the status of the implementation of the provisions of this circular in their monthly development report.
6. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 30 of SEBI (Stock Brokers) Regulations, 1992 and Regulation 51 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully,

Aradhana Verma
General Manager
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