

DEPARTMENT: COMMODITY DERIVATIVES SEGMENT

Download Ref No: NCL/CMPT/ 57057

Date: June 12th 2023

Circular Ref. No: 0202/2023

All Members/Custodians/PCM

Sub: Discontinuation of acceptance of securities as collateral through approved custodians

NSE Clearing (NCL) accepts equity securities/government securities/units of mutual funds/corporate bonds (approved securities) in demat form as collaterals towards margin and security deposit requirement of clearing member.

SEBI vide its circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020, has provided a framework for margin obligations to be given by way of pledge / Re-pledge in Depository System.

NCL (vide its circular dated 03rd July 2020 on Margin Obligations to be given by way of Pledge/ Re-pledge) has prescribed the procedure to accept securities as collateral wherein Clearing Member can pledge their own securities towards membership /margin deposits through:

1. The existing facility of approved custodians
2. Direct pledge in favour of NCL
3. Pledge -re-pledge mechanism provided by NSDL and CDSL

It is observed that with the client collateral segregation and other provisions related to maintaining of client /stock-broker account, clearing members have been majorly using the direct pledge / margin pledge re-pledge mechanism for providing securities as collateral.

In view of the above, it is proposed to discontinue the services of approved custodians for the purpose of pledging securities as collateral with NCL towards security or margin deposits. Accordingly,

- No fresh securities shall be permitted to be pledged to NCL accounts towards security /margin deposit in any segment through custodian with effect from July 01st , 2023.
- The existing securities already pledged through custodians shall be revalued daily and release of the pledge shall be permitted as per the existing process.
- Members having existing pledge through custodians shall need to release the same latest by September 30th, 2023.
- Clearing Member can continue to pledge their own securities towards membership /margin deposits through direct pledge in favour of NCL or through pledge -re-pledge mechanism provided by NSDL and CDSL

**For and on behalf of
NSE Clearing Limited**

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