

# National Stock Exchange of India Limited

## Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/51056	Date: January 18, 2022
Circular Ref. No: 06/2022	

To All Members,

**Sub: Enhanced supervision - Monitoring of Clients' Funds lying with the Stock Brokers**

This has reference to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, Exchange circulars NSE/INSP/35412 dated July 20, 2017, NSE/INSP/37580 dated April 20, 2018, NSE/INSP/44459 dated May 26, 2020 and NSE/INSP/50012 dated October 19, 2021 on Enhanced Supervision of Stock Brokers, which requires that the clients' funds lying with the clearing corporation/clearing member should be less than or equal to the sum of credit clients' margin obligations and free collateral deposits available with the clearing corporation/clearing member.

Further, SEBI vide it's circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020, has provided a framework on "Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System". The said circular also states that, for the purpose of providing collateral in the form of securities as margin, a client shall pledge securities with Trading Member, and Trading Member shall re-pledge the same with Clearing Member and Clearing Member, in turn, shall re-pledge the same to Clearing Corporation (CC).

Exchange has been initiating disciplinary action in instances where funds of the clients having credit balance have been used towards the margin obligation of the clients having debit balance. Some of the instances include members holding client securities as margin pledge but have not re-pledged securities with the Clearing member/Clearing corporation as per the guidelines mentioned above for giving exposure limit to the respective clients and have instead utilised funds of the other clients having a credit balance.

All members are advised to take note of the above and ensure strict compliance.

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## National Stock Exchange of India Limited

**For and on behalf of  
National Stock Exchange of India Limited**

**Harinatha Reddy M  
Senior Manager - Inspection**

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

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