

CIRCULAR

SEBI/HO/MIRSD/DOP/P/CIR/2022/101

July 27, 2022

To,

All recognized Stock Exchanges

Dear Sir/Madam,

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

SEBI, vide circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009 and SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, issued the guideline for settlement of running account of client's funds / securities. As specified by SEBI, the actual settlement of funds and securities shall be done by the member depending on the mandate of the client and there must be a gap of maximum 90 / 30 days (as per the choice of client viz. Quarterly / Monthly) between two settlements of running account.

2. Vide SEBI circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, settlement of running account for securities has been discontinued and therefore, SEBI circulars dated December 03, 2009 and September 26, 2016, are now applicable for settlement of running account of client's "funds" only.

3. Further, vide SEBI circular no. SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021, the aforementioned SEBI circulars dated December 03, 2009 and September 26, 2016 on settlement of running account were partially modified.

4. Pursuant to extensive consultation with Stock Exchanges, in partial modification to the aforementioned circular dated June 16, 2021 and to ensure uniformity in settlement of running account, following has been decided:

4.1. The settlement of running account of funds of the client shall be done by the TM after considering the End of the day (EOD) obligation of funds as on the

date of settlement across all the Exchanges on first Friday of the Quarter (i.e., Apr-Jun, Jul-Sep, Oct-Dec, Jan-Mar) for all the clients i.e., the running account of funds shall be settled on first Friday of October 2022, January 2023, April 2023, July 2023 and so on for all the clients. If first Friday is a trading holiday, then such settlement shall happen on the previous trading day.

4.2. For clients, who have opted for Monthly settlement, running account shall be settled on first Friday of every month. If first Friday is a trading holiday, then such settlement shall happen on the previous trading day.

4.3. Clause 5.1 of the circular dated June 16, 2021 is modified to this extent.

5. All other provisions in the circular dated June 16, 2021 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 operational guidelines to their members in this regard;

6.4. 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;

6.5. put in place an appropriate reporting requirement by TM to enforce the above system; and

6.6. communicate the status of the implementation of the provisions of this Circular in their monthly development report to SEBI.

7. The provisions of this circular shall be applicable with effect from October 1, 2022.

8. 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

Aradhana Verma
Deputy General Manager
Tel. No: 022 26449633
aradhanad@sebi.gov.in