

<b>Department: Inspection</b>	<b>Segment: All</b>
<b>Circular No: MSE/INSP/11399/2022</b>	<b>Date : January 20, 2022</b>

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

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To All Trading Members,

This has reference to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, Exchange circulars MSE/INSP/5382/2017 dated July 28, 2017, MSE/INSP/9052/2020 dated May 28, 2020 and MSE/INSP/11018/2021 dated October 20, 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 its 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 strictly comply.

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

**Mahendra Choudhari  
AVP – Inspection and Membership Department**

In case of any query kindly contact Inspection Department on 6112 9000 or mail on [compliancemsx@msei.in](mailto:compliancemsx@msei.in)

**Metropolitan Stock Exchange of India Limited**