

Department: Inspection	Segment: All
Circular No: MSE/INSP/15164/2024	Date : April 08, 2024

Subject: Operational Guidelines and SOP for Monitoring of client funds under Enhanced Supervision

To All Members,

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".

In accordance with point number 5(b) of aforesaid SEBI circular, Operational guidelines and SOP for monitoring the implementation of provisions of aforesaid circular framed by Broker's Industry Standards Forum (ISF) and relevant stakeholders in consultation with SEBI are enclosed herewith as **Annexure A**.

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

For and on behalf of
Metropolitan Stock Exchange of India Limited

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In case of any query kindly contact Inspection Department on (022) 6112 9000 or mail on compliancemsx@msei.in.

Metropolitan Stock Exchange of India Limited

Operational Guidelines for computation of 'G' Principle

1. 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 at all times equal to or greater than clients' funds/payable as per the ledger balance.
2. The updated guidelines for each of the data-points required for computation of aforesaid G principle are as under:

Sr. No.	Particulars	Remarks
1	Total of day end balance in Bank Accounts	<p>Clients' funds lying in USCNBA/DSCNBA/Settlement account only as per bank statement to the extent of permissible justifications as stipulated by Exchange/CC from time to time under upstreaming framework of client funds.</p> <p>Note:-</p> <ul style="list-style-type: none"> • Balances in OD/LAS (Loan against shares) accounts shall not be considered. • Any FDR that has been created out of the client funds by member and lying with member shall not be considered towards availability of client funds payable.
2	Collateral deposited with clearing corporations/clearing member in form of Cash and Cash Equivalents	<p>Aggregate value of collateral deposited with all clearing corporations/clearing member in form of Cash & Cash Equivalents as mentioned below (Cash, FD and Mutual Fund Overnight Schemes i.e. MFOS).</p> <ul style="list-style-type: none"> • Cash • FDRs created out of clients' funds lien marked to CCs fulfilling conditions stipulated by Exchange/CC from time to time under upstreaming framework of clients' funds • MFOS created out of clients' funds and pledged with Clearing corporation fulfilling conditions stipulated by Exchange/CC from time to time under upstreaming framework of clients' funds <p>Note:-</p> <p>Early pay in of funds to CC to be considered, if it is debited from settlement bank account and same is not included in any of collateral report of clearing corporations.</p> <p>For NSE Clearing deposits, the amount of Cash and FDRs can be taken from the COLLDTLS file downloaded to the members.</p>



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		<p>For ICCL deposits, members may refer to the “Collateral Margin Report” or “Holding Statement” of each segment for deriving the amount of collateral in the form of Cash, FD & MFOS.</p> <p>For NCCL deposits, the amount of Cash and FDRs can be taken from the CL0102 file.</p> <p>For MCXCCL deposits, members may refer 1.68. Collateral File to Members (nomenclature: MCX_CD_<CM ID>_<YYYYMMDD>.csv and MCX_CD_<TM ID>_<YYYYMMDD>.csv).</p>
3	Total Credit Balance of all clients	<p>Aggregate value of clear Credit Balances of all clients as obtained from trial balance across stock exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations if posted in the client ledger if any). Open bills also contain ‘value of credit entry posted in client ledger in lieu of successful EPI of securities to CC. Debit balance of client in MTF will not be adjusted against the credit balance of same client in non-MTF.</p>

Standard Operating Procedures for Monitoring of G Principle

1. For the purpose of monitoring of 'G' Principle by Exchanges, Clearing Corporations (CCs) shall share following information on daily basis:
 - The Client Collateral Segregation Report as submitted by the members to CCs.
 - The details of collateral of trading members lying with CCs or their Clearing Members.
2. Depositories shall share member wise client wise details of pledged MFOS with Exchanges and CCs.
3. Exchanges will seek bank balance details of trading members from banks directly based on authorization and undertaking given by members to Exchanges. However, it shall be the responsibility of members to ensure that banks provide details of their bank accounts as sought by Exchanges on daily basis.
4. Compliance with respect to provisions of monitoring of clients' funds as stipulated by SEBI/Exchanges/CCs shall also be part of internal audit checklist, which shall be verified by auditors every half year.