

CHAPTER 1: TRADING

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1. BULK DEALS AND BLOCK DEALS

1.1. Bulk Deal¹

A “bulk” deal constitutes all transactions in a scrip (on an exchange) where the total quantity of shares bought/sold is more than 0.5% of the number of equity shares of the company listed on the exchange. The quantitative limit of 0.5% can be reached through one or more transactions executed during the day in the normal market segment.

Disclosures

- 1.1.1. The disclosure shall be made with respect to all transactions in a scrip where total quantity of shares bought/sold is more than 0.5% of the number of equity shares of the company listed on the stock exchange.
- 1.1.2. The brokers shall disclose to the stock exchange the name of the scrip, name of the client, quantity of shares bought/sold and the traded price.
- 1.1.3. The disclosure shall be made by the brokers immediately upon execution of the trade.
- 1.1.4. The Stock exchanges shall disseminate the aforesaid information on the same day after market hours to the general public.

1.2. Block Deal²

Block deal is execution of large trades through a single transaction without putting either the buyer or seller in a disadvantageous position. For this purpose, stock exchanges are permitted to provide a separate trading window.

Block deal will be subject to the following conditions³:

- 1.2.1. Morning Block Deal Window: This window shall operate between 08:45 AM to 09:00 AM. The reference price for execution of block deals in this window shall be the previous day closing price of the stock. The stock exchanges shall set their trading hours between 08:45AM to 5:00 PM with a stipulation that between 08:45AM and 09:00AM, the stock

¹ Circular No. SEBI/MRD/SE/Cir-7 /2004 dated January 14, 2004

² Circular No. MRD/DoP/SE/Cir- 19 /05 dated September 2, 2005

³ Circular No. CIR/MRD/DP/118/2017 dated October 26, 2017

exchanges shall operate only for executing trades in the block deal window.

- 1.2.2. Afternoon Block Deal Window: This window shall operate between 02:05 PM to 2:20 PM. The reference price for block deals in this window shall be the volume weighted average market price (VWAP) of the trades executed in the stock in the cash segment between 01:45 PM to 02:00 PM. Between the period 02:00 pm to 02:05 pm, the stock exchanges shall calculate and disseminate necessary information regarding the VWAP applicable for the execution of block deals in the Afternoon block deal window.
- 1.2.3. The orders placed shall be within $\pm 1\%$ of the applicable reference price in the respective windows as stated above.
- 1.2.4. The minimum order size for execution of trades in the Block deal window shall be Rs. 10 Crore. Every trade executed in this block deal windows must result in delivery and shall not be squared off or reversed.
- 1.2.5. The stock exchanges shall disseminate the information on block deals such as the name of the scrip, name of the client, quantity of shares bought/sold, traded price, etc. to the general public on the same day, after the market hours.
- 1.2.6. The stock exchanges shall ensure that all appropriate trading and settlement practices as well as surveillance and risk containment measures, etc., as applicable to the normal trading segment, shall be applicable and implemented in respect of Block deal windows also.

2. Circuit Breaker/ Price Bands

2.1. Index based Market wide circuit breaker⁴

2.1.1. These circuit breakers are used to stop extreme movements either way. The circuit breakers are applied at three stages of the index movement either way at 10%, 15% and 20%. The market wide circuit breakers would be triggered by movement of either BSE Sensex or the NSE Nifty 50 whichever is breached earlier.

- 2.1.1.1. In case of a 10% movement of either of these indices, there would be a 1 hour market halt if the movement takes place before 1 PM. In case the movement takes place at or after 1 PM but before 2:30 PM there will be a trading halt for $\frac{1}{2}$ hour. In case the movement takes place at or after

⁴ Circular No. SMDRPD/Policy/Cir-37 /2001 dated June 28, 2001

2:30 PM there will be no trading halt at the 10% level and the market will continue trading.

- 2.1.1.2. In case of a 15% movement of either index, there will be a 2 hour halt if the movement takes place before 1 PM. If the 15% trigger is reached on or after 1 PM but before 2 PM, there will be a 1 hour halt. If the 15% trigger is reached on or after 2 PM the trading will halt for the remainder of the day.
- 2.1.1.3. In case of a 20% movement of the index, the trading will be halted for the remainder of the day.

2.1.2. The stock exchange on a daily basis shall translate the 10%, 15% and 20% circuit breaker limits of market-wide index variation based on the previous day's closing level of the index.⁵

2.2. Index based market-wide circuit breaker mechanism⁶

- 2.2.1. Stock exchanges shall compute their market-wide index (NIFTY 50 and SENSEX respectively) after every trade in the index constituent stocks and shall check for breach of market-wide circuit breaker limits after every such computation of the market-wide index.
- 2.2.2. In the event of breach of market-wide circuit breaker limit, stock exchange shall stop matching of orders in order to bring about a trading halt as mandated above. All unmatched orders present in the system shall thereupon be purged by the stock exchange.
- 2.2.3. Stock Exchanges shall implement suitable mechanism to ensure that all messages related to market-wide index circuit breakers are given higher priority over other messages. Further, the systems (including the network) for computation of market-wide index, checking for breach of circuit breaker limits and initiating message to stop matching of executable order and acceptance of fresh orders, shall not be used for any other purposes.
- 2.2.4. Stock Exchanges shall include in the scope of their annual system audit a review of their index based market-wide circuit breaker mechanism, wherever applicable, with the view to identify improvements.

2.3. Scrip wise price bands⁷

⁵ Amended vide Circular No. CIR/MRD/DP/25/2013 dated September 03, 2013

⁶ Circular No. CIR/MRD/DP/02/2015 dated January 12, 2015

⁷ Circular No. CIR/MRD/DP/04/2014 dated February 06, 2014



2.3.1. In addition to the market wide index based circuit breakers, there are individual scrip wise price bands up to 20% either way, for all scrips in the rolling settlement except for the scrips on which derivatives products are available.

2.4. Resumption of trading after the halt with a pre-open call auction session⁸

2.4.1. Post-observation of the trading halt, stock exchanges shall resume trading in the Cash Market with a fifteen minutes pre-open call auction session.

2.4.2. Such pre-open call auction session shall be governed as per the provisions mentioned at paragraph 17 of this Master Circular.

2.4.3. In order to accommodate such pre-open call auction session, the extant duration of the market halt shall be suitably reduced by fifteen minutes.

2.5. Dynamic Price Bands (Operating Range)⁹

2.5.1. For scrips excluded from the requirement of price bands, stock exchanges have implemented a mechanism of dynamic price bands (operating range) which prevents acceptance of orders for execution that are placed beyond the price limits set by the stock exchanges. Such dynamic price bands are relaxed by the stock exchanges as and when a market-wide trend is observed in either direction.

2.5.2. Stock exchange shall set the dynamic price bands at 10% of the previous day's¹⁰ closing price for the following securities:

2.5.2.1. Stocks on which derivatives products are available,

2.5.2.2. Index futures,

2.5.2.3. Stock futures.

2.5.3. As scrip price keeps trending in one direction, it is required to provide adequate time to market participants to assimilate any company / market specific news flow thereby resulting in orderly price movement while reducing strain on settlement systems on account of extreme price movements in one direction. Accordingly, the dynamic price bands may

⁸ Amended vide Circular No. CIR/MRD/DP/25/2013 dated September 03, 2013

⁹ Circular No. CIR/MRD/DP/34/2012 dated December 13, 2012

¹⁰ Amended vide Circular No. CIR/MRD/DP/25/2013 dated September 03, 2013

be relaxed by Stock Exchanges in a calibrated manner along with higher cooling off period after each instance of meeting the criteria specified by Stock Exchanges for flexing of the price bands. The details of the same is given below:¹¹

- 2.5.3.1. For the first two instances of flexing, the price band would be flexed by 5% of yesterday's closing price after the cooling off period. This cooling off period would be 15 minutes if conditions for flexing are satisfied before last half an hour of trading and 5 minutes if conditions for flexing are satisfied in the last half an hour of trading.
- 2.5.3.2. For subsequent two instances of flexing, price band would be flexed by 3% of yesterday's closing price after the cooling off period of 30 minutes.
- 2.5.3.3. For subsequent instances of flexing, price band would be flexed by 2% of yesterday's closing price after the cooling off period of 60 minutes.

2.6. Trade controls in Normal Trading Session for Initial Public Offering (IPO) and Re-listed scrips¹²

2.6.1. Trade Timing

The normal trading session for IPO and Re-listed scrips on their first day of trading shall commence only subsequent to conclusion of the Call Auction session for such scrip on stock exchanges. The duration of the Call Auction session is as mentioned at paragraph 17 of this Master Circular .

2.6.2. Eligible scrip

2.6.2.1. IPO scrips

2.6.2.1.1 Price Bands

2.6.2.1.1.1 For issue size up to Rs. 250 crore, the applicable price bands for the first day shall be:

2.6.2.1.1.1.1 In case equilibrium price is discovered in the Call Auction, the price band in the normal trading session shall be 5% of the equilibrium price.

¹¹ Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2024/58 dated May 24, 2024

¹² Circular No. CIR/MRD/DP/02/2012 dated January 20, 2012



- 2.6.2.1.1.1.2 In case equilibrium price is not discovered in the Call Auction, the price band in the normal trading session shall be 5% of the issue price.
- 2.6.2.1.1.1.3 On Stock exchanges, not eligible to offer Call Auction, the reference price for price bands for the first day shall be:
- 2.6.2.1.1.1.3.1 In case equilibrium price is discovered in the Call Auction at BSE/NSE, the price band in the normal trading session shall be 5% discovered equilibrium price. In case of multiple equilibrium prices, the discovered equilibrium price closer to the issue price shall be taken as the reference price for price band on the first day.
- 2.6.2.1.1.1.3.2 In case equilibrium price is not discovered in the Call Auction, the price in the normal trading session band shall be 5% of the issue price.
- 2.6.2.1.1.1.4 Additionally, the trading shall take place in Trade-for-Trade (TFT) segment for first 10 days from commencement of trading.
- 2.6.2.1.1.2 For issue size greater than Rs. 250 crore, the applicable price bands for the first day shall be:
- 2.6.2.1.1.2.1 In case equilibrium price is discovered in the Call Auction, the price band in the normal trading session shall be 20% of the equilibrium price.
- 2.6.2.1.1.2.2 In case equilibrium price is not discovered in the Call Auction, the price band in the normal trading session shall be 20% of the issue price.
- 2.6.2.1.1.2.3 On Stock exchanges, not eligible to offer Call Auction, the reference price for price bands for the first day shall be -
- 2.6.2.1.1.2.3.1 In case equilibrium price is discovered in the Call Auction at BSE/NSE, the price band in the normal trading session shall be 20% discovered equilibrium price. In case of multiple equilibrium prices, the discovered equilibrium price closer to the issue price shall be taken as the reference price for price band on the first day.
- 2.6.2.1.1.2.3.2 In case equilibrium price is not discovered in the Call Auction, the price band in the normal trading session shall be 20% of the issue price.



2.6.2.2. Re-listed scrips

2.6.2.2.1 Price Bands

Trading shall take place in the TFT segment for the first 10 days with applicable price bands, wherein for the first day:

- 2.6.2.2.1.1 In case equilibrium price is discovered in the Call Auction, the price band in the normal trading session shall be 5 % of the discovered price.
- 2.6.2.2.1.2 In case equilibrium price is not discovered in the Call Auction, the scrip shall continue to trade in call auction sessions until price is determined.

2.6.2.3 As aforesaid Call Auction sessions are conducted on multiple stock exchanges, for IPO and re-listed scrips, the discovered price / equilibrium price pursuant to such Call Auction sessions could be different on each exchange. If the difference in these discovered prices is significant, there could be a situation wherein price bands on individual exchanges are far apart from each other, giving an incorrect picture of price band to investors. Accordingly, the following has been decided for trading on first day pursuant to IPO or re-listing (including re-listing on account of scheme of arrangement but excluding scrips for which derivative contracts are available):¹³

- 2.6.2.3.1 Call Auction session would continue to be conducted separately on individual exchanges and orders would be matched by respective exchanges after computation of equilibrium price.
- 2.6.2.3.2 If difference in the equilibrium price between exchanges in percentage terms (i.e. absolute difference/minimum of equilibrium prices, expressed as %) is more than the applicable price band for the scrip, a Common Equilibrium Price (CEP) would be computed by exchanges. The CEP shall be volume weighted average of equilibrium prices on individual exchanges as determined by the Call Auction.
- 2.6.2.3.3 The exchanges shall set the aforesaid CEP in their trading systems and apply uniform price bands based on the CEP, as applicable.

¹³ Circular No. SEBI/HO/MRD-TPD1/CIR/P/2023/55 dated April 11, 2023

2.6.2.3.4 Only unexecuted pending orders from Call Auction session within the aforesaid price band shall be carried forward to the normal market segment.

Illustration of the aforesaid is provided below:

Consider the following details for a scrip after completion of Call Auction session on two exchanges with applicable price band as 5% for the day:

Exchange 1				Exchange 2			
Equilibrium Price	Qty	Lowest bid/ask price	Highest bid/ask price	Equilibrium Price	Qty	Lowest bid/ask price	Highest bid/ask price
120	300	100	140	100	500	80	130

As percentage difference in the two equilibrium prices (i.e. 100 and 120) is more than the applicable price band (i.e. 20% against 5%), CEP would be calculated viz. $(120 \times 300 + 100 \times 500) / 800 = ? 107.50$. Further, the lower and upper price band on both exchanges would be 5% around the aforesaid price of ? 107.50 and the unexecuted pending orders of the Call Auction session, lying within this price band, would be carried to normal session.

3. Implementation of Uniform Security Specific Action in Stock Exchanges

3.1. Uniform security specific measure¹⁴

3.1.1. All stock exchanges in order to maintain safety and integrity in the market shall implement the security specific decisions taken by BSE/NSE, such as transferring of scrips from rolling settlement to trade for trade segment and vice-versa, imposition of margins, suspension of trading, etc., in cases where such securities are also listed and traded on those stock exchanges. For this purpose, all the stock exchanges shall obtain the necessary information regularly from the website(s) of BSE/NSE and concurrently implement the security specific decisions taken by BSE/NSE.

3.1.2. In the event of any stock exchange not able to implement the decisions taken by BSE/NSE with regard to particular scrip, such stock

¹⁴ Circular No. SEBI/MRD/SE/Cir- 12/2004 dated February 26, 2004



exchange(s) shall not make available trading in such scrip in the normal rolling settlement.

4. MARGIN TRADING

4.1. Margin trading¹⁵

4.1.1. The stock brokers may provide Margin Trading Facility to their clients. Stock Brokers shall adhere to the framework as provided below for providing this facility to their investors :

4.2. Securities eligible for margin trading

4.2.1. Equity Shares and units of Equity ETFs¹³ that are classified as 'Group I security' as mentioned at paragraph-1.1.3 of Chapter 4 on "Liquidity Categorization of Securities" in this Master Circular .

4.3. Margin Requirement

4.3.1. In order to avail margin trading facility, initial margin required shall be as under;

Category of Stock	Applicable margin
Group I stocks available for trading in the F & O Segment	VaR + 3 times of applicable ELM*
Group I stocks other than F&O stocks and units of Equity ETFs	VaR + 5 times of applicable ELM*

*For aforesaid purpose the applicable VaR and ELM shall be as in the cash segment for a particular stock.

4.3.2. The initial margin payable by the client to the Stock Broker shall be in the form of cash, cash equivalent, or equity shares¹⁶, with appropriate hair cut as specified in paragraph 1.1.2 of Chapter 4 on "Liquid Assets" in SEBI Master Circular for Comprehensive Risk Management Framework for Cash Market and Debt Segment.

4.3.3. The Stock brokers shall be required to comply with the following conditions:

¹⁵ Circular No. CIR/MRD/DP/54/2017 dated June 13, 2017

¹⁶ Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/65 dated May 29, 2024

- 4.3.3.1. The stocks or units of Equity ETFs deposited as collateral with the stock broker for availing margin trading facility (Collaterals) and the stocks or units of Equity ETFs ¹⁷purchased under the margin trading facility ('Funded stocks') shall be identifiable separately and no comingling shall be permitted for the purpose of computing funding amount. Further, if the broker has collected cash collateral from the client in form of margin for availing margin trading facility and the Trading Member has given the said cash collateral to the Clearing Corporation (CC) towards settlement obligation of the said client, then same can be considered as maintenance margin to the extent of securities received from CC against such cash collateral given to CC and such shares are pledged in favour of Trading Member in form of funded stock.¹⁸
- 4.3.3.2. Collateral and Funded stocks shall be marked to market on a daily basis;
- 4.3.3.3. In case of increase in the value of Collaterals, stock brokers may have the option of granting further exposure to their clients subject to applicable haircuts;
- 4.3.3.4. However, no such exposure shall be permitted on the increased value of funded stocks.
- 4.3.3.5. In case the funded stock is considered towards maintenance margin to the extent of cash collateral provided by the client, The Trading Member shall ensure that the funded stock considered is under Group 1 securities. The applicable margin shall be VaR + 5 times of Extreme Loss Margin, irrespective of whether the funded stock is available in F&O segment or not. ¹⁸
- 4.3.4. Stock brokers shall ensure maintenance of the aforesaid margin at all times during the period that the margin trading facility is being availed by the client. In case of short fall, stock broker shall make necessary margin calls.
- 4.3.5. The exchange/stock broker, based on the risk assessment, shall have the discretion to impose/collect higher margin than the margin specified in para-4.3.4 above.

4.4. **Liquidation of Securities by the Stock Broker in Case of Default by the Client**

¹⁷ Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2022/166 dated November 30, 2022

¹⁸ Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/118 dated September 11, 2024



4.4.1. The stock broker shall list out situations/conditions in which the securities may be liquidated and such situations/conditions shall be included in the "Rights and Obligations Document". The broker shall liquidate the securities, if the client fails to meet the margin call to comply with the conditions as mentioned in this circular or specified in the "Rights and Obligations Document" specified by exchange.

4.4.2. However, the broker shall not liquidate or use in any manner the securities of the client in any situation other than the conditions stipulated at 4.4.1 above.

4.5. Eligibility requirements for Stock brokers to provide margin trading facility to clients

4.5.1. Only corporate brokers with a "net worth" of at least Rs.3.00 crore shall be eligible to offer margin trading facility to their clients.

4.5.2. The term "net worth" for the purpose of margin trading facility shall be as specified in SEBI (Stock Brokers) Regulations, 1992.

4.5.3. The broker shall submit to the stock exchange a half-yearly certificate, as on 31st March and 30th September of each year, from an auditor confirming the net worth. Such a certificate shall be submitted not later than 30th April and 31st October of every year.

4.6. Source of Funds¹⁹

4.6.1. Stock brokers may use own funds or borrow funds from scheduled commercial banks and/or NBFCs regulated by RBI, borrow funds by way of issuance of Commercial Papers (CPs) and by way of unsecured long term loans from their promoters and directors. The borrowing by way of issuance of CPs shall be subject to compliance with appropriate RBI Guidelines. The borrowing by way of unsecured long term loans from the promoters and directors shall be subject to the appropriate provisions of Companies Act, 2013.

4.6.2. The broker shall not use the funds of any client for providing the margin trading facility to another client, even if the same is authorized by the first client.

4.7. Leverage and Exposure Limits

¹⁹ Circular No. CIR/MRD/DP/86/2017 dated August 01, 2017

4.7.1. At any point of time, the total indebtedness of a broker for the purpose of margin trading shall not exceed 5 times of his net worth, calculated as per the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992.

4.7.2. The maximum allowable exposure of the broker towards the margin trading facility shall be within the self-imposed prudential limits and shall not, in any case, exceed the borrowed funds and 50% of his “net worth”.

4.7.3. While providing the margin trading facility, the broker shall ensure that:

4.7.3.1. Exposure to any single client at any point of time shall not exceed 10% of the broker’s maximum allowable exposure, as specified in para 4.7.2 above.

4.7.3.2. Exposure towards stocks and/or units of Equity ETFs purchased under margin trading facility and collateral kept in the form of stocks and/or units of Equity ETFs are well diversified. Stock brokers shall have appropriate Board approved policy in this regard.

4.7.3.3. For the purpose of applicable haircuts for units of Equity ETFs as collateral for MTF, it is clarified that the haircuts applicable to Liquid (Group I) Equity Shares as sp Chapter 4 on “Liquid Assets” in SEBI Master Circular for Comprehensive Risk Management Framework for Cash Market and Debt Segment.

4.8. Disclosure Requirement

4.8.1. The stock broker shall disclose to the stock exchanges details on gross exposure towards margin trading facility including name of the client, Category of holding (Promoter/promoter group or Non-promoter), clients' Permanent Account Number ("PAN"), name of the scrips (Collateral stocks including units of Equity ETFs and Funded stocks) and if the stock broker has borrowed funds for the purpose of providing margin trading facility, name of the lender and amount borrowed, on or before 6 pm²⁰ on T+1 day. The format for this disclosure by the stock broker to the stock exchange is enclosed at Annexure 1

4.8.2. The stock exchange/s shall disclose the scrip wise and Equity ETF wise gross outstanding in margin accounts with all brokers to the market. Such disclosure regarding margin trading done on any day shall be made

²⁰ Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/118 dated September 11, 2024

available after the trading hours on the following day, through its website. The formats for such disclosure by the stock exchange is enclosed at Annexure 2

- 4.8.3. The stock exchanges shall also put in place a suitable mechanism to capture and maintain all relevant details including member-wise, client-wise, scrip-wise information regarding outstanding positions in margin trading facility and also source of funds of the stock brokers, on the exchanges both on daily as well as on cumulative basis.

4.9. Rights and Obligations for Margin Trading

4.9.1. The stock exchanges shall frame a Rights and Obligations document laying down the rights and obligations of stock brokers and clients for the purpose of margin trading facility. The Rights and Obligations document shall be mandatory and binding on the Broker/Trading Member and the clients for executing trade in the Margin Trading framework.

4.9.2. The broker/exchange may modify the Rights and Obligations document only for stipulating any additional or more stringent conditions, provided that no such modification shall have the effect of diluting any of the conditions laid down in the circular or in the Rights and Obligations document.

4.10. Maintenance of Records

4.10.1. The stock broker shall maintain separate client-wise ledgers for funds and securities of clients availing margin trading facility

4.10.2. The stock broker shall maintain a separate record of details of the funds used and sources of funds for the purpose of margin trading.

4.10.3. The books of accounts, maintained by the broker, with respect to the margin trading facility offered by it, shall be audited on a half yearly basis. The stock broker shall submit an auditor's certificate to the exchange, within one month from the date of the half year ending 31st March and 30th September of a year certifying, inter alia, the extent of compliance with the conditions of margin trading facility. The certificate is in addition to the certificate on net worth specified in para 4.5.23 above.

4.11. Other Conditions



- 4.11.1. A broker shall take adequate care and exercise due diligence before providing margin trading facility to any client.
- 4.11.2. Any disputes arising between the client and the stock broker in connection with the margin trading facility shall have the same treatment as normal trades and should be covered under the investor grievance redressal mechanism, arbitration mechanism of the stock exchange.
- 4.11.3. SGF and IPF shall be available for transactions done on the exchange, whether through normal or margin trading facility. However, any losses suffered in connection with the margin trading facility availed by the client from the stock broker shall not be covered under IPF.
- 4.11.4. The stock brokers wishing to extend margin trading facility to their clients shall be required to obtain prior permission from the exchange where the margin trading facility is proposed to be offered. The exchange shall have right to withdraw this permission at a later date, after giving reasons for the same.

5. Market Maker

5.1. Guidelines for Market Maker²¹

5.1.1. The Market Maker shall operate under the regulatory framework as envisaged and laid out herewith in these guidelines. The Exchange would act as a Self-Regulatory Organisation (“SRO”) for the purposes of monitoring and effective operations of the Market Makers. The Exchanges have been accorded flexibility to make modifications to the scheme to make it more attractive to the Market Maker to take up commitments under this scheme, however, the terms of selection of scrips, the capital adequacy norms and the risk containment measures such as the price bands and margins would not be altered from those stipulated in these guidelines.

5.1.2. Criterion for selection of scrips for Market Making

5.1.2.1. The stock exchanges shall formulate its own benchmarks for selecting the scrips for market making, however, the shares satisfying any of the following criteria would not be eligible for market making:

- 5.1.2.1.1 Shares included in the BSE Sensex of the Stock Exchange, Mumbai and the Nifty 50 of the NSE;

²¹ Circular No. SMDRP/POLICY/CIR-04/2000 dated January 20, 2000.

5.1.2.1.2 Share where the average number of trades is more than 50;

5.1.2.1.3 Shares where the value of trades on a daily basis is more than Rs.10,00,000/-;

5.1.2.1.4 Shares where the company is not in operation and the Net worth erosion is beyond 50%.

5.1.2.2. The list of scrips eligible for market making shall be reviewed by the exchanges so as to shift the scrips from one category to the other, after an observation period of two-three months to ensure permanence in the trend.

5.1.2.3. The market making would be on a voluntary basis for these shares. But, if Market Maker is not available for such shares, the share will continue to be traded under the existing system.

5.1.3. Exclusivity of Market Makers

5.1.3.1. If a share is eligible for market making and Market Makers are available, then, the share would trade only under a quote driven system and all orders must flow through Market Makers.

5.1.4. Number of Market Makers for each share

5.1.4.1. There would not be more than five Market Makers in any of the eligible shares on an exchange who will be selected on the basis of objective criteria to be evolved by the Exchange which would include capital adequacy, net worth, infrastructure, minimum volume of business etc.

5.1.5. Qualifications for a registered Market Maker

5.1.5.1. Any member of the Exchange would be eligible to act as Market Maker provided he meets the criteria laid down by the exchange. The member brokers desirous of acting as Market Maker in the eligible scrips shall apply to the concerned stock exchange for registration as Market Makers.

5.1.6. The obligations and responsibilities of Market Makers

5.1.6.1. The Market Maker shall fulfil the following conditions to provide depth and continuity in trading the shares:

- 5.1.6.1.1. The Market Maker shall be required to provide a 2-way quote on a continuous basis;
- 5.1.6.1.2. The minimum depth of the quote shall be Rs. 5,000/- or one market lot whichever is higher (in case of demat shares, for which there is no market lot, the same market lot as existed in the physical segment would be applicable for this purpose.)
- 5.1.6.1.3. The quote shall be provided in such a way that the quotes are not absent from the screen for more than 30 minutes at a time;
- 5.1.6.1.4. Execution of the order on a continuous basis at the quoted price and quantity must be guaranteed by the Market Maker;
- 5.1.6.1.5. the Market Maker must give commitment to buy and sell shares up to a certain quantity in which they make markets;
- 5.1.6.1.6. The Market Maker will be eligible to change quotes even if no transaction has been executed at the displayed quote. In any case the obligation of the Market Maker will end at 1% less than the circuit filter limits;
- 5.1.6.1.7. The Market Maker may compete with other Market Makers for better quotes to the investors;
- 5.1.6.1.8. Once registered as a Market Maker, he has to start providing quotes within 5 trading days of registration and shall be subject to the guidelines laid down for market making by the exchange.
- 5.1.6.1.9. Once registered as a Market Maker, he has to mandatorily act in that capacity for a minimum period of three months.

5.1.7. Rights of the Market Maker

5.1.7.1. The Market Maker has the right to information about the share, in which he is making the market including the availability of trading and financial information, performance of the company in the last three years, etc. on a continuous basis.

5.1.8. Voluntary De-registration

5.1.8.1. The Market Makers may be allowed to de-register voluntarily from a particular share(s) provided it has fulfilled its obligations for a minimum period of three months and a one-month notice is given to the exchange.

5.1.9. Compulsory De-registration

5.1.9.1. If a Market Maker fails to fulfil his obligations as a Market Maker for more than three consecutive trading days, he will automatically stand de-registered from that share and may not be permitted to act as a Market Maker for any other security for a minimum period of three months.

5.1.10. Dissemination of Information

- 5.1.10.1. The exchange should disseminate a list of Market Makers in a share to the public
- 5.1.10.2. Exchange should disseminate the price and volume of turnover in shares eligible for market making.

5.1.11. Number of Shares per Market Maker

- 5.1.11.1. The number of companies in whose shares a Market Maker would make market should be linked to his capital adequacy.

5.1.12. Risk Containment Measures and monitoring for Market Makers

5.1.12.1. Margins

- 5.1.12.1.1. All applicable margins should be levied and collected without any waiver/exemption.

5.1.12.2. Capital Adequacy

- 5.1.12.2.1. The exchanges would prescribe the capital adequacy requirement for its members commensurate with a number of companies in which Market Maker proposes to make market, the type of shares, and keeping in mind that the Market Maker works against the market and thus bear the brunt of the adverse trend. The monitoring of this requirement would be done by the exchange and any violation of this requirement would be liable for punitive action to be taken by the Regulatory Oversight Committee ("ROC") of the Exchange, which may also include monetary penalty apart from the trade restriction as decided by the ROC. An exchange may lay down additional criteria also for Market Makers as risk containment measures.



5.1.12.3. Price Band and Spreads

5.1.12.3.1. There would be no change to the circuit filters or price bands, which are imposed by SEBI from time to time for the shares in which market making is available. The spreads between the bid and ask price would be as follows:

Share priced at	Spread
Up to Rs. 10	No limits on spread
> Rs. 10 and up to Rs. 20	10% maximum spread
> Rs. 20 and up to Rs. 50	5% maximum spread
> Rs. 50 and up to Rs. 100	4% maximum spread
> Rs. 100	3% maximum spread

5.2. Guidelines for Market Maker on Small and Medium Enterprise (SME) Exchange/ Separate Platform for of existing exchange having nationwide terminal²²

SEBI has put in a framework for setting up of a new exchange or a separate platform in an existing stock exchange having nationwide terminals for SME (hereinafter referred to as the 'Exchange/ SME Exchange'). As per the framework, market making has been made mandatory in respect of all scrips listed and traded on SME exchange. The following guidelines shall be applicable to the Market Makers on this exchange.

5.2.1. Applicability

These guidelines are applicable to all the registered Market makers for making market in all scrips listed and traded on SME exchange.

5.2.2. Registration of the Market Maker

Any member of the Exchange shall be eligible to act as Market Maker provided the criteria laid down by the exchange are met. The member brokers desirous of acting as Market Maker in this exchange shall apply to the concerned stock exchange for registration as Market Makers unless already registered as a Market Maker.

5.2.3. The obligations and responsibilities of Market Makers

²²Circular No. MRD/DP/14/2010 dated April 26, 2010

The Market Maker shall fulfil the following conditions to provide depth and continuity on this exchange:

- 5.2.3.1. The Market Maker shall be required to provide a 2-way quote for 75% of the time in a day. The same shall be monitored by the stock exchange. Further, the Market Maker shall inform the exchange in advance for each and every black out period when the quotes are not being offered by the Market Maker.
- 5.2.3.2. The minimum depth of the quote shall be Rs. 1,00,000. However, the investors with holdings of value less than Rs. 1,00,000 shall be allowed to offer their holding to the Market Maker in that scrip provided that he sells his entire holding in that scrip in one lot along with a declaration to the effect to the selling broker.
- 5.2.3.3. Execution of the order at the quoted price and quantity must be guaranteed by the Market Maker, for the quotes given by him.
- 5.2.3.4. There shall not be more than five Market Makers for a scrip. These shall be selected on the basis of objective criteria to be evolved by the Exchange which would include capital adequacy, net worth, infrastructure, minimum volume of business etc.
- 5.2.3.5. The Market Maker may compete with other Market Makers for better quotes to the investors;
- 5.2.3.6. Once registered as a Market Maker, they have to start providing quotes from the day of the listing / the day when designated as the Market Maker for the respective scrip and shall be subject to the guidelines laid down for market making by the exchange.
- 5.2.3.7. Once registered as a Market Maker, they have to act in that capacity for a period as mutually decided between the Merchant Banker and the market maker.
- 5.2.3.8. Further, the Market Maker shall be allowed to deregister by giving one month notice to the exchange, subject to (g) above.

5.2.4. Dissemination of Information

The exchange should disseminate the list of Market Makers for the respective scrip to the public.

5.2.5. Number of Shares per Market Maker

The number of companies in whose shares a Market Maker would make market should be linked to his capital adequacy as decided by the exchange.

5.2.6. Risk Containment Measures and monitoring for Market Makers

All applicable margins should be levied and collected without any waiver/exemption.

5.2.6.1. Capital Adequacy

5.2.6.1.1. The exchanges would prescribe the capital adequacy requirement for its members to commensurate with the number of companies which Market Maker proposes to make market. Further, the stock exchange may lay down additional criteria also for Market Makers as risk containment measures. The same shall be monitored by the stock exchange.

5.2.6.2. Monitoring

5.2.6.2.1. All the requirements with regard to market making shall be monitored by the stock exchange and any violation of these requirements would be liable for punitive action to be taken by the ROC of the Exchange, which may also include monetary penalty apart from the trade restriction as decided by the ROC under intimation to the Merchant Banker.

5.2.6.3. Price Band and Spreads

The exchanges shall prescribe the maximum spread between bid and ask price. The exchange, may at its discretion also prescribe the price bands for the same. Further, in case of new issue the spread shall also be specified in the offer document with the prior approval of the exchange

5.3. Inventory Management for Market Makers of SME Exchange/ Platform²³

²³ Circular No. MRD/DSA/31/2012 dated November 27, 2012

5.3.1. The following limits will be applicable to market makers on the upper side during market making process taking into consideration the issue size in the following manner

Issue Size	Buy quote exemption threshold (<i>including mandatory initial inventory of 5% of issue size</i>)	Re-entry threshold for buy quotes (<i>including mandatory initial inventory of 5% of issue size</i>)
Up to 20 Crore	25%	24%
20 Crore to 50 Crore	20%	19%
50 Crore to 80 Crore	15%	14%
Above 80 Crore	12%	11%

Further, the following shall apply to market makers while managing their inventory during the process of market making:

- 5.3.1.1. The exemption from threshold shall not be applicable for the first three months of market making and the market maker shall be required to provide two way quotes during this period irrespective of the level of holding.
- 5.3.1.2. Threshold for market making as prescribed will be inclusive of mandatory inventory of 5% of issue size at the time of allotment in the issue.
- 5.3.1.3. Any initial holdings over and above such 5% of issue size would not be counted towards the inventory levels prescribed.
- 5.3.1.4. Apart from the above mandatory inventory, only those shares which have been acquired on the platform of the exchange during market making process shall be counted towards the Market Maker's threshold.
- 5.3.1.5. Threshold limit will take into consideration, the inventory level across market makers.
- 5.3.1.6. The market maker shall give two way quotes till he reaches the upper limit threshold, thereafter he has the option to give only sell quotes.
- 5.3.1.7. Two way quotes shall be resumed the moment inventory reaches the prescribed re-entry threshold.
- 5.3.1.8. In view of the market maker obligation, there shall be no exemption/threshold on downside. However, in the event the market maker exhausts his inventory through market making process on the

platform of the exchange, the concerned stock exchange may intimate the same to SEBI after due verification.

6. LIQUIDITY ENHANCEMENT SCHEMES FOR ILLIQUID SECURITIES IN EQUITY CASH MARKET²⁴

6.1. Liquidity Enhancement Schemes in the Equity Cash and Equity Derivatives Segment

6.1.1. The stock exchange may introduce market making / liquidity enhancement schemes in cash market and equity derivatives segment subject to the following:

- 6.1.1.1. The Scheme shall have prior approval of the Governing Board of the Stock Exchange which will be valid for one year. The Governing Board of the Stock Exchange may give yearly approval till the time the scheme is in operation. Further, its implementation and outcome shall be monitored by the Governing Board at quarterly intervals²⁵.
- 6.1.1.2. The scheme shall be objective, transparent, non-discretionary and non-discriminatory.
- 6.1.1.3. The scheme shall specify the incentives available to the market makers / liquidity providers and such incentives may include discount in fees, adjustment in fees in other segments, cash payment or issue of shares, including options and warrants.
- 6.1.1.4. The scheme shall not compromise market integrity or risk management.
- 6.1.1.5. The effectiveness of the scheme shall be reviewed by the stock exchange every six months and the stock exchange shall submit half-yearly reports to SEBI.
- 6.1.1.6. The scheme, including any modification therein or its discontinuation, shall be disclosed to the market at least 15 days in advance.
- 6.1.1.7. Outcome of the scheme (incentives granted and volume achieved – market maker wise and security wise) shall be disseminated monthly.
- 6.1.1.8. The scheme shall comply with all the relevant laws.

²⁴ Circular No. CIR/MRD/DP/14/2014 dated April 23, 2014

²⁵ Circular No.: SEBI/HO/MRD/DSA/CIR/P/2021/623 dated September 01, 2021



6.1.2. Securities eligible for liquidity enhancement schemes - The stock exchange shall formulate its own benchmarks for selecting the securities for liquidity enhancement with the broad objective of enhancing liquidity in illiquid securities.

6.1.2.1. The Stock Exchange shall introduce liquidity enhancement schemes on any security. Once the scheme is discontinued, the scheme can be re-introduced on the same security²⁶.

6.1.2.2. Further, a stock exchange may introduce liquidity enhancement schemes in securities where liquidity enhancement scheme has been introduced in another stock exchange. Such schemes cannot be continued beyond the period of liquidity enhancement schemes of the initiating stock exchange.

6.1.2.3. The list of securities eligible for liquidity enhancement shall be disseminated to the market.

6.1.3. The incentives under liquidity enhancement schemes shall be transparent and measurable, and may take either of the following two forms:

6.1.3.1. Discount in fees, adjustment in fees in other segments or cash payment
- The incentives during a financial year shall not exceed 25% of the net profits or 25% of the free reserves of the stock exchange, whichever is higher, as per the audited financial statements of the preceding financial year.

6.1.3.2. Shares, including options and warrants, of the stock exchange - The shares that may accrue on exercise of warrants or options, given as incentives under all liquidity enhancement scheme, during a financial year, shall not exceed 25% of the issued and outstanding shares of the stock exchange as on the last day of the preceding financial year. Further, the stock exchange shall ensure that this is in compliance with the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 at all times.

6.1.4. Market integrity - The stock exchange shall ensure the following:

6.1.4.1. The stock exchange shall have systems and defined procedures in place to monitor collusion between stock brokers indulging in trades

²⁶ Circular No.: SEBI/HO/MRD/DSA/CIR/P/2021/623 dated September 01, 2021

solely for seeking incentives and prevent payment of incentives in such cases.

6.1.4.2. Incentives shall not be provided for the trades where the counterparty is self, i.e., same Unique Client Code (UCC) is on both sides of the transaction.

6.1.4.3. Any violations of clauses in this para shall be viewed most seriously.

6.1.5. Market maker / liquidity enhancer - The exchange shall prescribe and monitor the obligations of liquidity enhancers (liquidity provider, market-maker, maker-taker or by whatever name called)

6.1.5.1. All market maker / liquidity enhancer orders / trades should be identifiable by the stock exchange.

6.1.5.2. A conflict of interest framework shall be put in place by the stock exchange for the liquidity enhancement scheme. Such a framework shall provide for obligation on the part of the market maker / liquidity enhancer to disclose any conflict of interest while participating in the scheme. The same shall be disclosed by the stock exchange on their website.

This section shall not be applicable to securities listed on SME Platform or SME Exchange.

7. NEGOTIATED DEALS

7.1. Negotiated Deals²⁷

7.1.1. Negotiated deals (including cross deals) shall not be permitted except for those which are executed on the screens of the exchanges in the price and order matching mechanism of the exchanges just like any other normal trade.

Provided, however, that Foreign Portfolio Investors (FPIs) can avail of the provisions of the special bargains on the exchanges in accordance with their bye-laws or obtain suitable exemptions from exchanges for purchases or sales between FPIs in such companies where the ceiling of FPI investment of 24% or 30 % as the case may be, has been reached.

7.1.2. Negotiated deals in listed corporate debt securities shall not be permitted and all such trades will have to be executed on the price and

²⁷ Circular No. SMDRP/POLICY/CIR-32/99 dated September 14, 1999

order matching mechanism of the stock exchanges as in the case of equities.

- 7.1.3. Government debt securities and money market instruments are under the regulatory jurisdiction of RBI and do not fall within the purview of SEBI. Therefore, the aforesaid decision will not apply to such securities.
- 7.1.4. Exemptions from the above provisions may be provided for dis-investment of Public Sector Enterprises by SEBI on a case to case basis.²⁸
- 7.1.5. No Exchange shall allow the 'All or None' or 'Minimum Fill' order facility in their trading system.²⁹

8. PERMANENT ACCOUNT NUMBER (PAN)

8.1. Mandatory PAN requirement for transaction in Cash Market³⁰

8.1.1. Permanent Account Number ("PAN") allotted by the Income Tax Department shall be mandatory for all entities/ persons who are desirous of transacting in the securities market. The Stock exchanges shall ensure that the members of their exchanges shall:

- 8.1.1.1. Collect copies of PAN cards issued to their existing as well as new clients by the Income Tax Department and maintain the same in their record after verifying with the original.
- 8.1.1.2. Cross-check the aforesaid details collected from their clients with the details on the website of the Income Tax Department.
- 8.1.1.3. Upload details of PAN so collected to the Exchanges as part of unique client Code.

8.2. PAN as a sole identification number for all transactions in the securities market³¹

PAN would be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction.

8.3. In case of Central and State Govt., and officials appointed by courts³²

²⁸ Circular No. SMDRP/Policy/Cir-41/2000 dated September 11, 2000

²⁹ Circular No. SMDRP/POLICY CIR-2/99 dated January 14, 1999

³⁰ Circular No. MRD/DoP/SE/Cir- 8 /2006 dated July 13, 2006

³¹ Circular No. MRD/DoP/Cir-05/2007 dated April 27, 2007

³² Circular No. MRD/DoP/Cir-20/2008 dated June 30, 2008

In view of Rule 114 B of Income Tax Rules, PAN may not be insisted in the case of securities market transactions undertaken on behalf of Central Government and State Government, **and by the officials appointed by the courts, e.g., Official liquidator, Court receiver etc. (under the category of Government).**

8.4. Exemptions for Investors in Sikkim³³

In the light of the observations of the Hon'ble High Court of Sikkim in its Order dated March 31, 2006 as forwarded by the Sikkim Chamber of Commerce vide their letter No. See/52/06-07 dated May 11, 2006, the investors residing in the State of Sikkim are exempted from the mandatory requirement of PAN for:

- (a) Depository Participant ("DP")
- (b) Broker
- (c) Mutual Fund ("MF")

However, this would be subject to the DP/ Broker/ MF verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address in such manner as specified by SEBI through circular(s) issued from time to time.

8.5. In case of FPIs/ Institutional Clients³⁴

8.5.1. The custodians shall verify the PAN details of the institutional clients with the original PAN card and provide copy of such verified PAN details to the brokers duly certified. This would be applicable in respect of institutional clients, namely, Foreign Portfolio Investors (FPIs), Mutual Funds (MFs), Venture Capital Funds (VCFs), Foreign Venture Capital Investors (FVCIs), Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with IRDAI and Public Financial Institution as defined under section 2 (72) of the Companies Act, 2013.

8.5.2. As regards proof of address of FPIs, a copy of the Power of Attorney ("POA") given by the FPIs to the Custodians (which are duly notarized and/or apostilled or consularised) that gives the registered address of the FPIs can be accepted as proof of address.

³³ Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006

³⁴ Circular No. MRD/DoP/Dep/SE/Cir-13/06 dated September 26, 2006 and Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006

8.6. In case of UN entities and multilateral agencies which are exempted from paying taxes/ filling tax returns in India³⁵

8.6.1. UN entities/ multilateral agencies which are exempt from paying taxes/filling tax returns in India are exempt from the mandatory requirement of PAN, subject to the DPs collecting documentary evidence in support of such claim of investors.

8.7. In case of Hindu Undivided Family (HUF), Association of Persons (AoP), Partnership Firm, unregistered Trust, Registered Trust, Corporate Bodies, minors, etc.³⁶

8.7.1. The BO account would be in the name of natural persons, PAN of the respective HUF, AoP, Partnership Firm, Unregistered Trust, etc. shall be obtained.

8.7.2. As regards Registered Trust, Corporate Bodies and minors, PAN of the respective entities shall be obtained when accounts are opened in their respective names.

8.8. In case of Slight mismatch in PAN card details as well as difference in maiden name and current name (predominantly in the case of married women) of the investors³⁷

8.8.1. DPs can collect the PAN card proof as submitted by the account holder. However, this would be subject to the DPs verifying the veracity of the claim of such investors by collecting sufficient documentary evidence in support of the identity of the investors in such manner as specified by SEBI through circular(s) issued from time to time

8.9. In case of NRI/ PIOs³⁸

8.9.1. The Directorate of Income Tax (Systems), has issued guidelines, facilitating the citizens of India residing outside India, Foreign citizens and other persons (like companies/ trusts/ firms) having no office of their own in India to obtain PAN based on the copy of their passport as

³⁵ Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006

³⁶ Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006

³⁷ Circular No. MRD/DoP/Dep/SE/Cir -09/06 dated July 20, 2006

³⁸ Circular No. MRD/DoP/Dep/SE/Cir -17/06 dated October 27, 2006

ID proof and a copy of passport/ bank account in the country of residence as address proof.

- 8.9.2. In the light of the above, the facility of opening a “limited purpose BO/ Trading account” by them without PAN has been withdrawn.

9. PROPRIETARY TRADING

9.1. Disclosure of Proprietary Trading by Broker to Client³⁹

9.1.1. With a view to increase the transparency in the dealings between the broker and the client, every broker shall disclose to his client whether he does client based business or proprietary trading as well.

9.1.2. Further, the broker shall disclose this information upfront to his new clients at the time of entering into the Know Your Client agreement.

9.1.3. In case of a broker who at present does not trade on proprietary account, chooses to do so at a later date, he shall be required to disclose this to his clients before carrying out any proprietary trading.

9.2. Pro-account Trading Terminal⁴⁰

9.2.1. Pro-account should be used by the broker to place orders of member of the broking firm. It has been observed that certain members are putting large number of orders on pro-account from various locations rather than using “pro-account” at the terminals located at the corporate office from where the owner/ directors normally function. It has further been observed that these trades executed from various locations under “pro-account” are, many a time, transferred subsequently to the respective clients in the back office of the members. This practice is in clear violation of the requirement of putting the orders of clients under the appropriate client code through trading terminals.

9.2.2. In order to prevent any misuse if this facility, if any, stock exchanges should ensure the following:

³⁹ Circular no. SEBI/MRD/SE/Cir- 42 /2003 dated November 19, 2003.

⁴⁰ Circular no. SEBI/MRD/SE/Cir- 32/2003/27/08 dated August 27, 2003.

- 9.2.2.1. Facility of placing orders on “pro-account” through trading terminals shall be extended only at one location of the members as specified/ required by the members
- 9.2.2.2. Trading terminals located at places other than the above location shall have a facility to place orders only for and on behalf of a client by entering client code details as required/ specified by the Exchange/ SEBI.
- 9.2.2.3. In case any member requires the facility of using “pro-account” through trading terminals from more than one location, such member shall be required to submit an undertaking to the stock exchange stating the reason for using the “pro-account” at multiple locations and the stock exchange may, on case to case basis after due diligence, consider extending the facility of allowing use of “pro-account” from more than one location.

10. SHORT SELLING AND SECURITIES LENDING AND BORROWING SCHEME

10.1. Broad Framework for Short Selling and Securities Lending and Borrowing⁴¹

- 10.1.1. In order to provide a mechanism for borrowing of securities to enable settlement of securities sold short, it has also been decided to put in place a full-fledged securities lending and borrowing (SLB) scheme for all market participants in the Indian securities market under the over-all framework of “Securities Lending Scheme, 1997” of SEBI. The Securities Lending Scheme was notified by SEBI on February 06, 1997. The guidelines for this facility of short selling and framework for securities lending and borrowing are specified in *Annexure 3 and 4*.
- 10.1.2. To enable the mechanism of short selling, the facility of securities lending and borrowing (SLB) scheme, was put in place for all market participants, under the overall framework of “Securities Lending Scheme, 1997” of SEBI.

⁴¹ Circular No. MRD/DoP/SE/Dep/Cir- 14 /2007 dated December 20, 2007.



11. SECURITIES TRANSACTION TAX

11.1. Implementation of Securities Transaction Tax⁴²

11.1.1. Securities Transaction Tax (“STT”) shall be levied on all transactions done on the stock exchange.

11.1.2. The stock exchanges have been entrusted with the responsibility of levying, collection and remittance of the STT on all transactions from the date of notification by the Government of India. The stock exchanges and clearing corporations shall ensure that the necessary systems and procedures are in place for proper implementation as per extant STT Rules notified by the Government of India.

11.1.3. No stock exchange shall permit trading activity unless it implements necessary software and procedures for the levy, collection and remittance of STT and that the MDs/EDs/Administrators of the respective exchanges certify to the effect that necessary systems and procedures are in place for the said purpose.

12. TIME STAMPING OF ORDERS

12.1. Time Stamping of Orders⁴³

12.1.1. Broker member(s) have to maintain record of time when the client places the order and reflect the same in contract note along with the time of execution of the order.

13. TRADING IN GOVERNMENT SECURITIES

13.1. Government Securities⁴⁴

13.1.1. Trading in government securities can be done in demat using Subsidiary General ledger (“SGL”), by entities who have an account with the RBI. These entities are allowed to open Constituent Subsidiary General Ledger (“CSGL”) accounts on behalf of their client in order to facilitate trading of government securities in the demat form. RBI has

⁴² Circular No. MRD/DoP/SE/Cir-28/2004 dated August 23, 2004

⁴³ Circular No. SMD/POLICY/IECG/ 1 - 97 dated February 11, 1997

⁴⁴ Circular No. SMDRP/POLICY/CIR-14/2002 dated June 25, 2002

mentioned in detail steps for eliminating trading of government securities in the physical form.

13.1.2. The Reserve Bank of India (“RBI”) has been encouraging holding of government securities in the dematerialized mode in the following ways:

13.1.2.1. All entities having SGL account with RBI are allowed to open CSGL accounts on behalf of their clients.

13.1.2.2. Although being non-banks, depositories (NSDL/CDSL) and organisations such as SHCIL have been provided an additional SGL account to open CSGL accounts on behalf of their clients.

13.1.2.3. The cost of postage incurred by the depositories on remitting interest and redemption proceeds is being reimbursed by RBI so as to encourage dematerialized holding and retail participation in Gilts.

13.1.2.4. Guidelines have been issued to the banks prescribing the safeguards to be adopted for maintenance of CSGL accounts.

13.1.3. To impart transparency in government securities traded by clients (through CSGL accounts), a special feature has been incorporated in the Negotiated Dealing System (“NDS”) for reporting and settlement of such trades. Provision has also been made in the NDS for giving quotes on behalf of clients, i.e., CSGL account holders.

14. UNIQUE CLIENT CODE

14.1. Unique Client Code⁴⁵

14.1.1. It shall be mandatory for the broker to use unique client code for all clients. For this purpose the broker shall collect and maintain in their back office the Permanent Account Number (“PAN”) allotted by the Income Tax Department for all their clients.

14.1.2. In case of other entities:

14.1.2.1. Brokers shall verify the documents with respect to the unique code and retain a copy of the document.

14.1.2.2. The brokers shall also be required to furnish the above particulars of their clients to the stock exchanges/ clearing corporations and the same would be updated on a monthly basis. Such information for a

⁴⁵ Circular No. SMDRP/Policy/CIR-39/2001 dated July 18, 2001

specific month should reach the exchange within 7 working days of the following month.

- 14.1.2.3. The stock exchanges shall be required to maintain a database of client details submitted by brokers. Historical records of all quarterly submissions shall be maintained for a period of 7 years by the exchanges.

14.2. Unique Client Code for Mutual Funds and FPIs⁴⁶

- 14.2.1. MFs and the FPIs shall enter the unique client codes pertaining to the parent MF and parent FPI at the order entry level and do allocation to the individual schemes of the MFs and the FPIs in the post-closing session.

14.3. Modification of Client Codes of Non-institutional Trades Executed on Stock Exchanges (All Segments)⁴⁷

14.3.1. Modification of Client Codes

- 14.3.1.1. Stock Exchanges may allow modifications of client codes of non-institutional trades only to rectify a genuine error in entry of client code at the time of placing/ modifying the related order in all segments (derivatives as well as cash).

- 14.3.1.2. The following shall be classified as genuine errors for the purpose of client code modification:

14.3.1.2.1. Error due to communication and/or punching or typing such that the original client code/name and the modified client code/name are similar to each other.

14.3.1.2.2. Modification within relatives ('Relative' for this purpose would mean as defined under Companies Act, 2013).

- 14.3.1.3. If a Stock Exchange wishes to allow trading members to modify client codes of non-institutional trades, it shall:

⁴⁶ Circular No. SEBI/SMD/SE/11/2003/31/03 dated March 31, 2003 Circular No. MRD/DoP/SE/Cir- 35/2004 dated October 26, 2004 and Circular No. SEBI/HO/CDMRD/DMP/CIR/P/2016/73 dated August 19, 2016.

⁴⁷ SEBI Circular No. CIR/DNPD/6/2011 and SEBI Circular No. SEBI/HO/CDMRD/DMP/CIR/P/2016/73 dated August 19, 2016

14.3.1.3.1. Set up a mechanism to monitor that the trading members modify client codes only to rectify a genuine error.

14.3.1.3.2. Ensure that modification of client codes is covered in the internal audit of trading members prescribed by SEBI through its circular No. MRD/DMSCir-29/2008 dated October 21, 200848.

14.3.2. Penalty Structure

14.3.2.1. The Stock Exchanges shall levy a penalty from trading members and credit the same to its Investor Protection Fund as under:

'a' as % of 'b'	Penalty as % of 'a'
≤ 5	1
> 5	2

Where,

a = Value (turnover) of non-institutional trades where client codes have been modified by a trading member in a segment during a month.

b = Value (turnover) of non-institutional trades of the trading member in the segment during the month.

14.3.2.2. The Stock Exchange shall conduct a special inspection of the trading member to ascertain whether the modifications of client codes are being carried out only to rectify genuine errors as mentioned above, if 'a' as a % of 'b', as defined above, exceeds 1% during a month and take appropriate disciplinary action, if any deficiency is observed.

14.3.3. Error Account

14.3.3.1. Shifting of trades to the error account of broker would not be treated as modification of client code, provided the trades in error account are subsequently liquidated in the market and not shifted to some other code.

Further, brokers shall disclose the codes of accounts which are classified as 'error accounts' to the Exchanges. Each broker should have a well-documented error policy approved by the management of

⁴⁸ Circular No. CIR/DNPD/6/2011 dated July 5, 2011

the broker. Exchanges shall periodically review the trades flowing to the error accounts of the brokers.

14.3.4. Waiver of Penalty⁴⁹

- 14.3.4.1. Stock exchanges may waive penalty for a client code modification where stock broker is able to produce evidence to the satisfaction of the stock exchange to establish that the modification was on account of a genuine error.
- 14.3.4.2. Not more than one such waiver per quarter may be given to a stock broker for modification in a client code. Explanation: If penalty waiver has been given with regard to a genuine client code modification from client code AB to client code BA, no more penalty waivers shall be allowed to the stock broker in the quarter for modifications related to client codes AB and BA.
- 14.3.4.3. Proprietary trades shall not be allowed to be modified as client trade and vice versa.
- 14.3.4.4. Stock exchanges shall submit a report to SEBI every quarter regarding all such client code modifications where penalties have been waived.
- 14.3.4.5. Stock exchanges shall undertake stringent disciplinary actions against stock brokers who undertake frequent client code modifications.

15. TRANSACTION CHARGES

15.1. Charges levied by Market Infrastructure Institutions - True to label⁵⁰

- 15.1.1. Market Infrastructure Institutions (MIIs) being public utility institutions act as first level Regulator and are entrusted with the responsibility of providing equal, unrestricted, transparent and fair access to all market participants. The principle of equal, fair and transparent access by MIIs is highlighted in Regulation 39 (3) of Securities Contracts (Regulations) (Stock Exchange and Clearing Corporations) Regulations, 2018 and Regulation 82 of SEBI (Depositories and Participants) Regulations, 2018.
- 15.1.2. Upon examination of existing processes related to charges levied by MIIs on their members (i.e. stock brokers, depository participants, clearing members), it was observed that a volume based slab-wise charge structure is followed by some MIIs. These charges are levied in lieu of various services offered by MIIs and are recovered from the end clients by members. It has also been observed that members generally recover

⁴⁹ Circular no. CIR/MRD/DP/29/2014 dated October 21, 2014

⁵⁰ Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2024/92 dated July 01, 2024

such charges from the end clients on daily basis whereas MIIs receive aggregate charges from the members on monthly basis.

15.1.3. The aforesaid process can result in a situation wherein the aggregated charges collected by the members from the end clients is higher than the end of month charges paid to the MII (due to slab benefit). This can also result in an incorrect or misleading disclosure to the end client about the charges levied by MIIs.

15.1.4. The aforesaid matter was deliberated with the Secondary Market Advisory Committee (SMAC) of SEBI, wherein it was observed that in addition to impacting transparency, the existing slab-wise charge structure of MIIs can also create a hindrance for the MIIs in ensuring equal and fair access to all market participants by impacting level playing field between members owing to their size differentials.

15.1.5. In view of the aforesaid concerns and as per deliberations with SMAC, it has been decided that the MIIs would comply with following additional principles while designing the processes for charges levied on their members which are to be recovered from the end clients:

15.1.5.1. The MII charges which are to be recovered from the end client should be True to Label i.e. if certain MII charge is levied on the end client by members (i.e. stock brokers, depository participants, clearing members), it should be ensured by MIIs that the same amount is received by them.

15.1.5.2. The charge structure of the MII should be uniform and equal for all its members instead of slab-wise viz. dependent on volume/activity of members.

15.1.5.3. To begin with, the new charge structure designed by MIIs should give due consideration to the existing per unit charges realized by MIIs so that the end clients are benefitted with the reduction of charges.

15.2. **Revision of transaction charges by the Stock Exchanges⁵¹**

15.2.1. Transaction charges are being levied by the stock exchange on the trades executed on their trading platform.

15.2.2. Stock exchanges, while revising such transaction charges, are advised to ensure that:

⁵¹ Circular No. MRD/DoP/SE/Cir-14/2009 dated October 14, 2009

- 15.2.2.1. The stock exchange system is capable of handling additional load.
- 15.2.2.2. It does not affect the existing risk management system.
- 15.2.2.3. It does not favour selective trades or selective category of investor.
- 15.2.2.4. It does not encourage generation of artificial demand.
- 15.2.2.5. It does not result in any market irregularities.
- 15.2.2.6. It is uniformly applied to trades of similar nature.
- 15.2.2.7. It is imposed in fair and transparent manner.

16. PRESERVATION OF RECORDS⁵²

Enforcement agencies like CBI, Police, Crime Branch etc. collect copies of various records/documents during the course of their investigation. If a copy is taken by any such enforcement agency either from physical or electronic record then the respective original is to be maintained by the stock exchanges and clearing corporations and their respective members till the trial or investigation proceedings have concluded.

17. CALL AUCTION

17.1. Call Auction in Pre-Open Session⁵³

- 17.1.1 With effect from April 1, 2013 pre-open call auction session shall be applicable to all exchanges with active trading and for all scrips that are not classified as illiquid as per para 18.3 (1.2).⁵⁴
- 17.1.2 The pre-open session shall be for a duration of 15 minutes, i.e., from 9:00 AM to 9:15 AM, out of which 8 minutes shall be allowed for order entry, order modification and order cancellation, 4 minutes for order matching and trade confirmation and the remaining 3 minutes shall be the buffer period to facilitate the transition from pre-open session to the normal market.
- 17.1.3 The session shall close randomly during last one minute of order entry, i.e., anytime between 7th and 8th minute of the order entry. Such random closure shall be system driven.
- 17.1.4 Limit orders and market orders shall be entered during the pre-open session and both shall be reckoned for computation of equilibrium

⁵² Circular No MRD/DoP/SE/Cir- 21 /2009 dated December 9, 2009

⁵³ Circular No. CIR/MRD/DP/21/2010 dated July 15, 2010

⁵⁴ Circular No. CIR/MRD/DP/ 6/2013 dated February 14, 2013

price. No iceberg order will be allowed, i.e., orders shall be disclosed in full quantity.

- 17.1.5. Margins shall be checked for sufficiency at the order level itself before considering the same eligible for inclusion in pre-open session
- 17.1.6. Price bands in pre-open session shall be as applicable in the normal market.
- 17.1.7. In case the index breaches the prescribed threshold limit upon the closure of pre-open session, the procedure as specified in paragraph 2.0 of this Master Circular shall be applicable from the time continuous normal market opens.
- 17.1.8. The equilibrium price shall be the price at which the maximum volume is executable. In case more than one price meets the said criteria, the equilibrium price shall be the price at which there is minimum order imbalance quantity (unmatched order quantity). The absolute value of the minimum order imbalance quantity shall be taken into consideration.
- 17.1.8.1. Further, in case more than one price has same minimum order imbalance quantity, the equilibrium price shall be the price closest to the previous day's closing price. In case the previous day's closing price is the mid-value of a pair of prices which are closest to it, then the previous day's closing price itself shall be taken as the equilibrium price. In case of corporate action, previous day's closing price shall be the adjustable closing price or the base price.

17.1.8.2. Explanation: A scenario may arise, wherein; more than one price may have same minimum imbalance quantity. Example on the same is given hereunder:

Price	Buy (Qty)	Cum. Buy Qty	Sell (Qty)	Cum. Sell Qty	Unmatched Quantity	Vol. tradable
106		0	3000	8000	-8000	0
103	2000	2000	3000	5000	-3000	2000
96	3000	5000	1000	2000	3000	2000
94	1500	6500	1000	1000	5500	1000
92	2000	8500		0	8500	0
90	1000	9500		0	9500	0

17.1.8.3. In the said example 103 and 96 are the prices wherein, the volume tradable and unmatched quantity is the same. To derive the equilibrium price, the said prices i.e. 103 and 96 which is closest to the previous day's closing price shall be considered. In case the previous day's closing price is 95, then, 96 may be considered as the

equilibrium price. In case the previous day's closing price is 105, then, 103 may be considered as the equilibrium price. In case the previous day's closing price is 99.5 which is the mid-value of 103 and 96, then the equilibrium price shall be the previous day's closing price i.e. 99.5.

17.1.9. Pursuant to the discovery of price in the pre-open session, at the time of order execution, limit orders shall be given priority over market orders. The sequence for executing orders is given below:

17.1.9.1. Eligible Limit orders shall be matched with eligible limit orders.

17.1.9.2. Residual eligible limit orders shall be matched with market orders.

17.1.9.3. Market orders to be matched with market orders.

17.1.10. In case of pending unmatched orders in pre-open session, they shall be shifted to the order book of the normal market following time priority. Unmatched market orders will shift to the normal market order book as limit orders at a price as discovered in the pre-open session.

17.1.11. In case the equilibrium price is not discovered in the pre-open session⁵⁵:

17.1.11.1. Wherein, there are only market orders, the market orders shall be matched at previous day's close price and all unmatched market orders shall be shifted to the order book of the normal market at previous day's close price following time priority. Previous day's close price shall be the opening price.

17.1.11.2. Wherein, there are no market orders to be matched, all unmatched market orders (at previous day's close price) and limit orders shall be shifted to the order book of the normal market following price time priority.

17.1.12. The current risk management system for cash market shall be applicable to pre-open session.

17.1.13. All orders shall be checked for margin sufficiency at order level for inclusion in pre-open session.

⁵⁵ Circular No. CIR/MRD/DP/32/2010 dated September 17, 2010



17.1.14. The following information shall be disseminated during pre-open session:

- 17.1.14.1. Indicative equilibrium price of the scrip
- 17.1.14.2. Indicative cumulative buy and sell quantity of the scrip
- 17.1.14.3. Indicative Index

17.1.15. The Stock Exchanges shall issue the necessary guidelines in this regard and shall put in place the necessary systems to ensure the operationalization of the above.

17.2. Call Auction in Pre-open session for Initial Public Offering (IPO) and Re-listed scrips⁵⁶

17.2.1. Duration of Session

17.2.1.1. The session shall be for a duration of 60 minutes i.e. from 9:00 a.m. to 10:00 a.m., out of which 45 minutes shall be allowed for order entry, order modification and order cancellation, 10 minutes for order matching and trade confirmation and the remaining 5 minutes shall be the buffer period to facilitate the transition from pre-open session to the normal trading session.

17.2.1.2. The session shall close randomly during last ten minutes of order entry i.e. anytime between 35th and 45th minute of the order entry. Such random closure shall be system driven.

17.2.2. Eligible Scrips

17.2.2.1. IPO scrips on the first day of trading

17.2.2.1.1. Price Bands: There shall be no price bands in the pre-open session.

17.2.2.1.2. Market Orders: Market orders shall not be accepted in pre-open session.

17.2.2.1.3. Matched Orders: For matched orders the provisions of SEBI circulars and letter mentioned at para 17.1.9 above shall apply.

17.2.2.1.4. Un-matched orders: All outstanding orders will be moved to the normal trading session at their Limit price.

⁵⁶ Circular No. CIR/MRD/DP/01/2012 dated January 20, 2012 and Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/85 dated June 20, 2024

17.2.2.2. Re-listed Scrips

17.2.2.2.1. Price Bands: There shall be no price bands for re-listed scrips during pre-open session.

17.2.2.2.2. Market Orders: Market orders shall not be accepted in the pre-open session.

17.2.2.2.3. Matched Orders: For matched orders the provisions of SEBI circulars and letter mentioned at para 17.1.9 above shall apply.

17.2.2.2.4. Un-matched orders

17.2.2.4.1. In case equilibrium price is discovered, all outstanding orders shall be moved to the normal trading session at their limit price.

17.2.2.4.2. In case equilibrium price is not discovered, all orders shall be cancelled and the scrip shall continue to trade in call auction mechanism until price is determined.

17.2.3. Risk Management: For IPO scrips with an issue size greater than Rs. 250 crore the risk management provisions as prescribed at para 17.1.13 and 17.1.14 shall remain applicable for pre-open session. For IPO scrips with issue size up to Rs. 250 crore and Re-listed scrips it is advised that margins shall be checked and blocked for 100% of the order value at the order level itself before considering the order eligible for inclusion in pre-open session.

17.2.4. The date of commencement of pre-open session for all eligible scrips shall be uniform between both the stock exchanges.

17.2.5. Surveillance Mechanisms:

17.2.5.1. Stock exchanges shall have adequate surveillance mechanisms for pre-open call auction session for IPO or relisted scrips to avoid any kind of manipulation.

17.2.5.2. In addition to the surveillance mechanisms, the stock exchanges shall generate alerts based on the following indicative parameters:

- 17.2.5.2.1. cancelled quantity for a particular client exceeds 5% of total cancelled quantity across the market during the pre-open session.
- 17.2.5.2.2. value of cancelled quantity for a particular client exceeds 5% of total value of cancelled quantity across the market during the pre-open session.
- 17.2.5.2.3. cancelled quantity for a particular client exceeds 50% of total quantity placed by that client during the pre-open session.
- 17.2.5.2.4. value of cancelled quantity for a particular client exceeds 50% of total value of quantity placed by that client during the pre-open session.
- 17.2.5.2.5. Modification of prices significantly away from previously placed order(s).
- 17.2.5.2.6. Stock exchanges can have additional parameters for generating alerts.
- 17.2.5.3. For the alerts generated based on the above parameters, stock exchanges shall provide a report to SEBI by End of Day (EOD). Further, based on analysis, stock exchanges shall seek explanation from the clients for the cancellations or modifications done by them during the pre-open session.
- 17.2.5.4. To enhance transparency in pre-open call auction session, details of number and quantity of cancelled orders shall also be displayed on the website of stock exchange and terminals of Trading Members on a real time basis for investors to take informed decision on the pricing of such stocks.
- 17.3. **Formulation of Price Bands pursuant to Call auction at multiple stock exchanges pursuant to Initial Public Offering (IPO), re-listing etc. in normal trading session**
- 17.3.1. As aforesaid Call Auction sessions are conducted on multiple stock exchanges, the discovered price / equilibrium price pursuant to such Call Auction sessions could be different on each exchange. If the difference in these discovered prices is significant, there could be a situation wherein price bands on individual exchanges are far apart from each other, giving an incorrect picture of price band to investors.



17.3.2. Accordingly, the following has been decided for trading on first day pursuant to IPO or re-listing (including re-listing on account of scheme of arrangement but excluding scrips for which derivative contracts are available):

- 17.3.2.1. Call Auction session would continue to be conducted separately on individual exchanges and orders would be matched by respective exchanges after computation of equilibrium price.
- 17.3.2.2. If difference in the equilibrium price between exchanges in percentage terms (i.e. absolute difference/minimum of equilibrium prices, expressed as %) is more than the applicable price band for the scrip, a Common Equilibrium Price (CEP) would be computed by exchanges. The CEP shall be volume weighted average of equilibrium prices on individual exchanges as determined by the Call Auction.
- 17.3.2.3. The exchanges shall set the aforesaid CEP in their trading systems and apply uniform price bands based on the CEP, as applicable.
- 17.3.2.4. Only unexecuted pending orders from Call Auction session within the aforesaid price band shall be carried forward to the normal market segment.

1. Illustration of the aforesaid is provided below:

Consider the following details for a scrip after completion of Call Auction session on two exchanges with applicable price band as 5% for the day:

Exchange 1				Exchange 2			
Equilibrium Price	Qty	Lowest bid/ask price	Highest bid/ask price	Equilibrium Price	Qty	Lowest bid/ask price	Highest bid/ask price
120	300	100	140	100	500	80	130

As percentage difference in the two equilibrium prices (i.e. 100 and 120) is more than the applicable price band (i.e. 20% against 5%), CEP would be calculated viz. $(120 \times 300 + 100 \times 500) / 800 = \text{₹} 107.50$.

Further, the lower and upper price band on both exchanges would be 5% around the aforesaid price of ₹ 107.50 and the unexecuted pending orders of the Call Auction session, lying within this price band, would be carried to normal session.



17.4. Periodic Call Auction for Illiquid Scrips⁵⁷

17.4.1. Periodic Call Auction for Illiquid scrips

- 17.4.1.1. Trading in illiquid scrips in the equity market shall be conducted only through periodic call auction sessions.
- 17.4.1.2. Criteria for illiquidity: A scrip which trades in the normal market and is not shifted to trade for trade settlement, shall be classified as illiquid on a stock exchange if the following conditions are met:
- 17.4.1.2.1. Average daily turnover of less than Rs. 2 lakh calculated for previous two quarters and
- 17.4.1.2.2. The scrip is classified as illiquid at all exchanges where it is traded.
- 17.4.1.3. Of the scrips identified as per above criteria, scrips which satisfy any of the following conditions shall be excluded:
- 17.4.1.3.1. Scrips with average market capitalization more than Rs. 10 Crore.
- 17.4.1.3.2. Scrips where company is paying dividend in at least two out of last three years.
- 17.4.1.3.3. Scrips where company is profitable in at least 2 out of last 3 years, and not more than 20% of promoters shareholding is pledged in the latest quarter and book value is 3 times or more than the face value.
- 17.4.1.4. Entry into periodic call auction mechanism – Stock exchanges shall identify illiquid scrips at the beginning of every quarter and move such scrips to periodic call auction
- 17.4.1.5. Exit from periodic call auction mechanism – Stock exchanges shall move scrips from periodic call auction mechanism to normal trading session if the following criteria are met:
- 17.4.1.5.1. The scrip has remained in periodic call auction for at least one quarter.
- 17.4.1.5.2. It is not classified as illiquid as per para 17.4.1.2 and 17.4.1.3.

⁵⁷ Circular No. CIR/MRD/DP/6/2013 dated February 14, 2013 and Circular No. CIR/MRD/DP/38/2013 dated December 19, 2013



- 17.4.1.6. Notice to market - For entry and exit of scrips in the call auction mechanism, a notice of two trading days shall be given to the market.
- 17.4.1.7. Number of auction sessions - Stock Exchange may determine the number of call auction session for illiquid stocks. However in order have minimum trading sessions and uniform closing session, there shall be at least 2 sessions in a trading day with one uniform closing session across the exchanges.
- 17.4.1.8. Session duration - The call auction session duration shall be one hour, of which 45 minutes shall be allowed for order entry, order modification and order cancellation, 8 minutes shall be for order matching and trade confirmation and remaining 7 minutes shall be a buffer period for closing the current session and facilitating the transition to next session. The session shall close randomly during last one minute of order entry between the 44th & 45th minute. Such random closure shall be system driven.
- 17.4.1.9. Order Placement: The orders may remain valid throughout the trading day and un-matched orders remaining at the end of a call auction session may be moved into next call auction session.
- 17.4.1.10. Price band - A maximum price band of 20% shall be applicable on the scrips through the day. Exchanges may reduce the price bands uniformly based on surveillance related concerns.
- 17.4.1.11. If the Market wide Index Circuit Breaker gets triggered at any time during the periodic call auction session, the session shall be cancelled and all orders shall be purged. The periodic call auction session shall be resumed at the nearest half hour after the normal market resumes.
- 17.4.1.12. Penalty for certain trades - In the event where maximum of buy price entered by a client (on PAN basis) is equal to or higher than the minimum sell price entered by that client and if the same results into trades, a penalty shall be imposed on such trades. The penalty shall be calculated and charged by the exchange and collected from trading members on a daily basis. Trading members may recover such penalty from clients. The penalty so collected shall be deposited to Investor Protection Fund. Penalty for each such instance per session will be higher of the following:
- 17.4.1.12.1. 0.50% of the trade value for sale and 0.50% of trade value for the buy, resulting in 1% penalty for the client on PAN basis.

OR

17.4.1.12.2. 2500/- for the buy trade and 2500/- for the sell trade, resulting in penalty of 5000/- for the client on PAN Basis.

17.5. Introduction of Call Auction stocks having derivative contracts prior to undergoing scheme of arrangement / corporate restructuring ⁵⁸

17.5.1. Stock exchanges should conduct one-hour pre-open call auction session, for all stocks in following cases:

17.5.1.1. Corporate Restructuring: Merger, demerger, amalgamation, capital reduction/consolidation, scheme of arrangement, in terms of the Companies Act, 2013 and/or as sanctioned by the Courts/ National Company Law Tribunal (“NCLT”), rehabilitation packages approved by the NCLT under the provisions of Companies Act, 2013 and Insolvency and Bankruptcy Code, 2016 and in cases of Corporate Debt Restructuring (CDR) packages in terms of the CDR Mechanism prescribed by the RBI.

17.5.1.2. Securities that are being admitted to trading from another exchange by way of direct listing/ MOU/ securities admitted for trading under permitted category.

17.5.1.3. Where suspension of trading is being revoked after more than one year.

17.5.2. Accordingly, with regard to stocks on which derivative products are available prior to cases mentioned at para 17.5.1.1 and 17.5.1.2 above, the following shall be ensured:

17.5.2.1. Order-level risk management in the one-hour call auction session shall be as applicable to ‘re-listed scrips’ in terms of para 5 of the SEBI circular

17.5.2.2. All unmatched orders of the 1-hour call auction session that fall within the $\pm 10\%$ (dynamic price band) of discovered price shall be moved to the normal trading session at their limit price. In case equilibrium price is not discovered, all orders shall be cancelled and the stock shall continue to trade in call auction sessions on the first day until price is determined.

⁵⁸ SEBI letter dated September 30, 2015

17.5.2.3. In the normal continuous trading session, such stocks shall be subject to the price band framework as applicable to other stocks on which derivatives contracts are available.

17.5.2.4. The requirement of trading to take place in the TFT segment for the first 10 days shall not apply to aforementioned stocks.

17.5.2.5. Trading of derivatives contracts on such stock shall start at 10:00 a. m. after completion of the one-hour call auction session of the underlying stock in the Cash Market.

17.6. Introduction of a special call auction mechanism for price discovery of scrips of listed Investment Companies (ICs) and listed Investment Holding Companies (IHCs)⁵⁹

17.6.1 It is observed that scrips of a few listed ICs and IHCs are being traded infrequently and at a price which is significantly lower than the book value disclosed by these companies in their latest audited financial statements. Moreover, these companies generally have no day-to-day operations and hold investments in different asset classes including in scrips of other listed companies.

17.6.2 The variance in the market price and book value of such ICs and IHCs is adversely affecting liquidity, fair price discovery and the overall interest of investors in scrips of such companies.

17.6.3 In order to address the above concern, it has been decided to put in place a framework for “special call auction with no price bands” for effective price discovery of scrips of such ICs and IHCs.

17.6.4 The operational guidelines in this regard are as under:

17.6.4.1 Criteria for identification of ICs or IHCs eligible for special call-auction:

- i. The ICs or IHCs shall be identified based on the uniform industry classifications provided by stock exchanges.

⁵⁹ Circular No. SEBI/HO/M RD/MRD-PoD-3/P/CIR/2024/86 dated June 20, 2024

- ii. The scrip of ICs or IHCs should have been listed and available for trading for a period of at least 1 year and the said scrips are not suspended for trading.
- iii. Total assets of the company invested in scrips of other listed companies shall be at least 50%;
- iv. The 6-month Volume Weighted Average Price (VWAP) of the scrip shall be less than 50% of the book value per share of such company based on present value of their investments in shares of other listed companies. In case the scrips of such ICs or IHCs are not traded during the previous 6- months, the 6-months VWAP of the scrip shall be taken as zero.

Illustration:

- a. The book value of the company based on investments in other listed companies is INR 10 Cr. and the total number of issued shares of company is 1 Cr. Thus, per share book value of the company based on the value of listed investments is INR 10.
- b. The 6-month VWAP of the share is INR 3, which is less than 50% of the per share book value based on the value of its investments in listed companies. Thus, the company would meet this eligibility criterion for special call auction.
- v. In case, any of the eligibility criteria is not fulfilled by the company at one of the stock exchange, the scrip would not be eligible for special call auction at any of the stock exchanges.

17.6.4.2 Procedure for Special Call Auction Mechanism:

- i. Stock exchanges shall initiate the process for special call-auction with no price bands for eligible ICs or IHCs with a 14 days' advance notice to the market. In case the company is listed on multiple stock exchanges, stock exchanges shall co-ordinate amongst themselves and the date of special call auction session shall be uniform across the exchanges.
- ii. The notice shall be disclosed by the stock exchanges on their websites and appropriately bring to the knowledge of the investors. It shall include detailed information regarding last traded price, the latest available overall book value of the company, book value based on the investments in scrips of other listed companies, proportion of assets invested in other listed companies, price of latest buy-back or delisting, if any, offered by the company, etc.



- iii. The special call auction session shall be treated as successful, if price discovery is based on orders from at least 5 Permanent Account Number (PAN) based unique buyers and sellers. In case the scrip is listed on multiple stock exchanges and call auction is successful on any one stock exchange, the price discovered at that stock exchange will form the base for trading at other stock exchanges.
- iv. If call auction is not a success on day 1, it shall continue on the next day and till such time the price is discovered.
- v. The special call auction mechanism shall be provided only once in a year.

17.6.4.3 The provisions for other operational details regarding duration of the session, market orders, matched and unmatched orders, equilibrium price, risk management and surveillance mechanisms for the special call auction session will be same as applicable to relisted scrips as mentioned at Paragraph 17.2 above.

17.6.4.4 In order to avoid order spoofing and manipulative activities in the special auction session, stock exchanges shall have adequate risk management and surveillance mechanism in place before conducting such session.

17.6.5 Applicability:

17.6.5.1 To start with, first such special call auction shall be conducted in the month of October 2024 by stock exchanges based on the latest available audited financial statements of such companies.

17.6.5.2 The subsequent special call auctions shall be done as and when the annual audited financial statements are published by the companies.

18. RECONCILIATION OF SHARE CAPITAL AUDIT ⁶⁰

18.1. All the issuer companies shall subject themselves to a "Reconciliation of Share Capital audit"⁶¹ to be undertaken by a qualified Chartered Accountant or a Company Secretary, for the purposes of reconciliation of the total admitted capital with both the depositories and the total issued and listed capital.

18.2. The audit shall cover the following aspects and certify among others:

⁶⁰ Circular No. D&CC/FITTC/CIR - 16/2002 dated December 31, 2002

⁶¹ Circular No. CIR/MRD/DP/30/2010 dated September 6, 2010



- 18.2.1. That the total of the shares held in NSDL, CDSL and in the physical form tally with the issued/ paid-up capital.
- 18.2.2. That the Register of Members (RoM) is updated.
- 18.2.3. That the dematerialisation requests have been confirmed within 21 days and state the shares pending confirmation for more than 21 days from the date of requests and reasons for delay.
- 18.2.4. The details of changes in share capital (due to rights, bonus, preferential issue, IPO, buyback, capital reduction, amalgamation, demerger etc.) during the quarter and certify in case of listed companies whether in-principle approval for listing from all stock exchanges was obtained in respect of all further issues.

The issuer companies shall submit the audit report on a quarterly basis within 30 days from the end of each quarter to the stock exchange/s where they are listed. Any difference observed in the admitted, issued and listed capital shall be immediately brought to the notice of SEBI and both the Depositories by the stock exchanges. This report shall also be placed before the Board of Directors of the issuer company.

18.3. **Submission of Share Capital Audit Report**⁶²

The stock exchanges are advised as under:

- 18.3.1. To draw the attention of the listed companies to the aforesaid provisions and the need for effective compliance with the said provisions. Further, stock exchanges are advised to inform the companies that submission of the audit report is a continuous requirement and accordingly, comply with the same regularly on time.
- 18.3.2. To put in place a system for monitoring the compliance of the aforesaid disclosure requirements by the listed companies.
- 18.3.3. To draw the attention of the companies that failure to comply with the aforesaid provisions would be viewed seriously and penal actions including adjudication proceedings and other actions as specified in SEBI Master Circular for compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by listed entities dated July 11, 2023 may be initiated against the companies.⁶³

⁶² Circular No. SEBI/MRD/Policy/CIR-13/2004 dated March 3, 2004

18.3.4. To take any other suitable steps to ensure compliance by the companies with the audit requirement.

18.3.5. To submit the status reports to SEBI on the extent of compliance with the audit requirement by the listed companies, within 45 days from the end of each quarter.

19. OFFER FOR SALE OF SHARES BY PROMOTERS THROUGH STOCK EXCHANGE MECHANISM⁶⁴

19.1. The comprehensive OFS framework is given as under

19.1.1. Definitions

19.1.1.1. "Floor Price" is the minimum price at which the seller intends to sell the **shares**.

19.1.1.2. "Illiquid Shares" are securities not forming part of "Most liquid shares" and "Liquid shares".

19.1.1.3. "Indicative Price" is the volume weighted average price of all the valid bids.

19.1.1.4. "Liquid Shares" are listed securities forming part of Group I securities (as specified in Chapter 4 of this Master Circular) and having mean impact cost of greater than 0.05 percent and less than or equal to 0.10 percent for a trade of Rupees One Lakh.

19.1.1.5. "Most Liquid Shares" are listed securities forming part of Group I securities (as specified in Chapter 4 of this Master Circular) and having mean impact cost of up to 0.05 percent for a trade of Rupees One Lakh.

19.1.1.6. "Multiple Clearing Prices" are the prices at which the shares are allocated to the successful bidders in a price priority methodology.

19.1.1.7. "Shares" are the listed equity shares of the company.

⁶⁴ SEBI Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/10 dated January 10, 2023

- 19.1.1.8. "Single Clearing Price" is the price at which the shares are allocated to the successful bidders in a proportionate basis methodology.
- 19.1.1.9. "Size of the Offer" is the number of shares offered * floor price.
- 19.1.1.10. "T day" is first day of OFS.
- 19.1.1.11. "Units" are the listed units of Real Estate Investment Trusts (REITs) or Infrastructure Investment Trusts (InvITs).

19.1.2. Eligibility

19.1.2.1. Exchanges

The facility of OFS of shares shall be available on Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and Metropolitan Stock Exchange of India (MSEI).

19.1.2.2. Sellers

- 19.1.2.2.1. All promoter(s) or promoter group entities of such companies that are eligible for trading and are required to increase public shareholding to meet the minimum public shareholding requirements in terms of Rule 19(2)(b) and 19A of Securities Contracts (Regulation) Rules, 1957 (SCRR), read with Regulation 38 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 19.1.2.2.2. OFS mechanism shall also be available to companies with market capitalization of INR 1,000 Cr. and above, with the threshold of market capitalization computed as the average daily market capitalization for six months' period prior to the month in which the OFS opens. Any promoter or promoter group entity or non-promoter shareholder of such companies may offer shares through this mechanism.
- 19.1.2.2.3. In case a non-promoter shareholder offers shares through the OFS mechanism, promoter(s) or promoter group entities

of such companies may participate in the OFS to purchase shares subject to compliance with applicable provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and Regulation 38 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

19.1.2.2.4. Promoters of eligible companies shall be permitted to sell shares within a period of 2 (two) weeks from the OFS transaction to the employees of such companies. The offer to employee shall be considered as a part of the said OFS transaction.

19.1.2.3. **Buyers:**

All investors registered with the brokers of the aforementioned stock exchanges other than the promoter(s) or promoter group entities shall be eligible to buy shares under OFS. In case the offer is by non-promoter shareholder, the promoter(s) or promoter group entities may participate in the OFS, subject to compliance with the provisions of paragraph 19.1.2.2.3 above.

19.1.2.4. **Cooling Off Period**

19.1.2.4.1. The cooling off period for transaction (i.e. purchase or sale prior to and after the offer) in the shares of the company for the promoter(s) or promoter group entities and non-promoter shareholders for offering the shares through OFS mechanism shall be based on the liquidity of the shares on exchanges and are as under:

- i. For most liquid shares: + 2 weeks
 - ii. For liquid shares: +4 weeks and
 - iii. For illiquid shares: +12 weeks

19.1.2.4.2. Notwithstanding the cooling off period mentioned above, the promoter(s) or promoter group entities of companies whose shares are either liquid or illiquid can offer their shares only through OFS or Qualified Institutional Placement (QIP) with a gap of 2 weeks between successive offers.

19.1.2.4.3. In case of under subscription of OFS of a company whose shares are either liquid or illiquid and if the original OFS is made for compliance with Minimum Public Shareholding (MPS) norms, the promoter(s) or promoter group entities are allowed to offer the unsubscribed portion of the OFS only for the purpose of MPS compliance in the open market with a gap of 2 weeks from the closure of OFS, subject to compliance with all other applicable conditions.

19.1.3. Size of OFS of Shares

The size of the offer shall be a minimum of INR 25 Cr. However, size of offer can be less than INR 25 Cr. by promoter(s) or promoter group entities so as to achieve minimum public shareholding in a single tranche.

19.1.4. Advertisement and Offer Expenses

19.1.4.1. Advertisements about the OFS of shares through stock exchange(s), if any, shall be made after the announcement or notice of the OFS of shares to the stock exchanges in accordance with the provisions of this circular and its contents shall be restricted to the contents of the notice as given under paragraph 19.1.5.2 below to the stock exchange.

19.1.4.2. All expenses relating to OFS of shares through stock exchange(s) shall be borne by the seller(s).

19.1.5. Operational Requirements

19.1.5.1. **Appointment of Broker:** The seller(s) will appoint broker(s) for this purpose. The seller's broker(s) may also undertake transactions on behalf of eligible buyers.

19.1.5.2. **Announcement or Notice of the OFS of Shares:** Seller shall announce intention of sale of shares latest by 5 pm on T-1 days (T day being the day of the OFS) to the stock exchange. Stock

exchanges shall inform the market immediately upon receipt of the notice. The stock exchange, however, may allow, on a case to case basis based on the request of the seller, the extension of this time up to 6 pm by recording reasons for granting such extension. Seller(s) shall announce the intention of sale of shares along with the following information:

- 19.1.5.2.1. Name of the seller(s) (promoter(s) or promoter group entities or non-promoter shareholders) and the name of the company whose shares are proposed to be sold.
- 19.1.5.2.2. Name of the stock exchange(s) where the orders shall be placed. In case orders are to be placed on more than one stock exchanges, one of them shall be declared as the Designated Stock Exchange (“DSE”).
- 19.1.5.2.3. Date and time of the opening and closing of the offer.
- 19.1.5.2.4. Allocation methodology i.e. either on a price priority basis (at multiple clearing prices) or on a proportionate basis (at a single clearing price).
- 19.1.5.2.5. Number of shares being offered for sale.
- 19.1.5.2.6. Green Shoe Option: The maximum number of shares that the seller may choose to sell over and above the offer made at paragraph 19.1.5.2.5 above.
- 19.1.5.2.7. The name of the seller broker(s) on behalf of the seller(s).
- 19.1.5.2.8. Conditions, if any, for withdrawal or cancellation of the offer.

19.1.5.3. **Floor Price**

- 19.1.5.3.1. Seller shall disclose the floor price latest by 5 pm (or latest by 6 pm, if extension is granted by stock exchange in terms of paragraph 19.1.5.2 above) on T-1 day to the stock

exchange. Stock exchanges shall ensure that the same is informed to the market immediately.

- 19.1.5.3.2. The promoters may at their discretion offer these shares to employees at the price discovered in the said OFS transaction or at a discount to the price discovered in the said OFS transaction.
- 19.1.5.3.3. The promoters can offer the shares to employees in OFS either outside the stock exchange mechanism or through the Stock Exchange Mechanism.⁶⁵
- 19.1.5.3.4. Promoters shall make necessary disclosures in the OFS notice to the exchange including number of shares offered to employees, both outside the stock exchange mechanism and through the stock exchange mechanism, and discount offered, if any.
- 19.1.5.3.5. Floor price of the retail category shall be disclosed to the participants under the "Employee" category.

19.1.5.4. Discount by Seller

19.1.5.4.1. Seller may offer discount to retail investors. The details of discount and percentage of reservation for retail investors shall be disclosed upfront in the notice of OFS to the exchange.

19.1.5.4.2. Discount to retail investors may be offered as follows:

a) Multiple Clearing Price OFS

- i. Retail investors may be allocated shares at a discount to the cut-off price determined in the retail category, irrespective of the bid price entered by them. Or,
- ii. Retail investors may be allocated shares at a discount to the bid price entered by them.

b) Single Clearing Price OFS

⁶⁵ Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/6 dated January 23, 2024

i. Retail investors shall be allocated shares at a discount to cut off price determined in the retail category.

c) In case of both of the above methodologies, the discounted price which shall be the final allocation price to the retail investors may be below the floor price.

19.1.5.5. Timelines

19.1.5.5.1. The duration of the OFS shall be as per the trading hours of the secondary market.

19.1.5.5.2. On the commencement of OFS on T day only non-retail investors shall be permitted to place their bids. Cut off price shall be determined based on the bids received on T day as per the extant guidelines.

19.1.5.5.3. The retail investors shall bid on T+1 day. The seller shall make appropriate disclosures in this regard in the OFS notice.

19.1.5.5.4. Employees should bid on T+1 day along with the retail category under a new category called as "Employee".

19.1.5.5.5. Orders shall be placed during trading hours.

19.1.5.6. Order Placement

19.1.5.6.1. A separate window for the purpose of sale of shares through OFS shall be created. The following orders shall be valid in the OFS window:

a) Orders with 100% of margin paid upfront by institutional investors and non-institutional investors. Such orders can be modified or cancelled at any time during the trading hours.

b) Orders without paying upfront margin by institutional investors only. Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity.

19.1.5.6.2. Individual retail investors shall have the option to bid in the retail category and the general category (non-retail). However, if the cumulative bid value of such investors exceeds INR 2 lakhs, the bids in the retail category shall become ineligible.

19.1.5.6.3. While bidding, the employee shall select "Employee" category for employee bids. However, the employees can also bid for other categories, as per the applicable limits.

19.1.5.6.4. The maximum bid amount under the employee category shall be INR 5,00,000. Each employee is eligible for allotment of equity shares up to INR 2,00,000 Provided that in the event of under-subscription in the employee portion, the unsubscribed portion may be allotted to such employees whose bid amount is more than INR 2,00,000, on a proportionate basis, for a value in excess of INR 2,00,000, subject to the total allotment to an employee not exceeding INR 5,00,000.

19.1.5.6.5. To make it easier for retail investors to participate in OFS, it would be mandatory for sellers to provide the option to retail investors to place their bids at cut off price in addition to placing price bids. In order to do so, following conditions shall be applicable to the OFS:

- a) Sellers shall mandatorily announce floor price latest by 5 pm (or latest by 6 pm, if extension is granted by stock exchange in terms of paragraph 21.1.5 above) on T-1 day to stock exchange.
- b) Exchanges will decide upon the quantity of shares eligible to be considered as retail bids, based upon the floor price declared by the seller.
- c) There shall be no indicative price for the retail portion of OFS.
- d) Retail investors may enter a price bid or opt for bidding at cut-off price.



- e) Margin for retail bids placed at cut-off price shall be at the cut-off price determined based on the bids received on T Day and for price bids at the value of the bid.
- f) Bidding by retail investors on T+1 Day shall be based on the cut-off price determined in the non-retail category. In case of under subscription in the non-retail category, the retail investors shall be allowed to place their bids at floor price on T+1 day.
- g) Seller may offer discount to retail investors on the cut off price determined based on the bids received on T+1 day.
- h) Retail bids below the cut-off price of T day or the floor price, whichever is applicable, shall be rejected. Retail bids at cut-off price shall be allocated on proportionate basis in case of over subscription.
- i) Any unsubscribed portion of non-retail category after allotment shall be eligible for allocation in the retail category and vice versa.

19.1.5.6.6. Employees shall place bids only at cut-off price of T day. The allotment price shall be based on the Cut-off of the T day, subject to discount, if any.⁶⁶

19.1.5.6.7. Cumulative bid quantity shall be made available online to the market throughout the trading session at specific intervals in respect of orders with 100% upfront margin and separately in respect of orders placed without any upfront margin. Indicative price shall be disclosed to market throughout the trading session for non-retail bids. The indicative price shall be calculated based on all valid bids or orders.

19.1.5.6.8. Bids for "Employee" category shall not be displayed on the stock exchange website.

⁶⁶ Circular No. SEBI/HO/M RD/MRD-PoD-3/P/CIR/2024/82 dated June 14, 2024

19.1.5.6.9. If the shares have a price band in the normal segment, the same shall not apply for the orders placed in the OFS. Stock specific tick size as per the extant practice in normal trading session shall be made applicable for this window.

19.1.5.6.10. In case of shares under OFS, the trading in the normal market shall also continue. However, in case of market closure due to the incidence of breach of 'Market wide index based circuit filter', the OFS shall be halted.

19.1.5.6.11. Non-retail investors shall be allowed to place only limit orders or bids.

19.1.5.6.12. Multiple orders from a single buyer shall be permitted.

19.1.5.6.13. On T Day orders or bids below floor price shall be rejected. On T+1 Day the orders or bids from retail investors below the cut-off price on the non-retail category or the floor price, whichever is applicable, shall be rejected.

19.1.5.6.14. Vide The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ("PIT Regulations") have been amended and Clause 4(3)(b) of Schedule B read with Regulation 9 of PIT Regulations, inter-alia, states that trading window restrictions shall not apply in respect of transactions mentioned therein or transactions undertaken through such other mechanism as may be specified by the Board from time to time. It has been decided that in addition to the transactions mentioned in Clause 4(3)(b) of Schedule B read with Regulation 9 of PIT Regulations, trading window restrictions shall not apply in respect of OFS and Rights Entitlements (RE) transactions carried out in accordance with the framework specified by SEBI from time to time.

19.1.6. Risk Management

19.1.6.1. Clearing Corporation shall collect 100% margin in cash from non-institutional investors. In case of institutional investors who place orders or bids with 100% of margin upfront, custodian confirmation shall be within trading hours. In case of institutional investors who place orders without upfront margin, custodian confirmation shall be as per the existing rules for secondary market transactions. The funds collected shall neither be utilized against any other obligation of the trading member nor commingled with other segments.

19.1.6.2. In respect of bids in the retail and employee category, clearing corporation shall collect margin to the extent of 100% of order value in cash or cash equivalents. Pay-in and pay-out for retail bids shall take place as per normal secondary market transactions.

19.1.6.3. In case of order or bid modification or cancellation, such funds shall be released or collected on a real time basis by the clearing corporation.

19.1.6.4. The seller(s) shall deposit the entire quantity of shares offered for sale including the shares reserved for "Employee" category and additional shares disclosed, in terms of paragraph 19.1.5.2.6 above, as pay-in with the designated clearing corporation under the framework of interoperability of clearing corporations prior to the commencement of the offer. No other margin shall be charged on the seller(s).

19.1.7. Allocation

19.1.7.1. Minimum of 25% of the shares offered shall be reserved for mutual funds and insurance companies, subject to allocation methodology. Any unsubscribed portion thereof shall be available to the other bidders.

19.1.7.2. Minimum 10% of the offer size shall be reserved for retail investors. For this purpose, retail investor shall mean an individual investor who places bids for shares of total value of not more than INR 2 lakhs aggregated across the exchanges. If the

cumulative bid value across exchanges exceeds INR 2 lakhs in the retail category, such bids shall be rejected.

- 19.1.7.3. The cut-off price i.e. the lowest price at which the entire offer gets sold, shall be determined based on all valid bids. The cut off price shall be determined separately for bids received in the retail category and for bids received in the non-retail category.
- 19.1.7.4. The bid book of “Employee” Category shall be segregated from Retail Category book for allotment.
- 19.1.7.5. Allotment under the “Employee” category shall be based on the PAN details of employees shared by the company on T-1 day. The PAN mis-matched bids shall be rejected.
- 19.1.7.6. Upon determining the cut-off price, the offer size reserved for retail investors shall be allocated to eligible bids of retail investors. In case of excess demand in retail category at the cut-off price, allocation shall be on proportionate basis.
- 19.1.7.7. In order to ensure that shares reserved for retail investors do not remain unallocated due to insufficient demand by the retail investors, the bids of non-retail investors shall be allowed to carry forward to T+1 day. Similarly, the unsubscribed portion of the non-retail segment shall be allowed for bidding in the retail segment.
- 19.1.7.8. Unsubscribed portion of the shares reserved for retail investors shall be allocated to non-retail bidders (un-allotted bidders on T day who choose to carry forward their bid on T+1 day) on T+1 day at a price equal to cut off price or higher as per the bids. In this regard, option shall be provided to such non-retail bidders to indicate their willingness to carry forward their bids to T+1 day. If the non-retail bidders choose to carry forward their bids to T+1 day, then, they may be permitted to revise such bids as per conditions prescribed in para 19.1.5.6.1. Settlement for such bids shall take place as per the existing rules for secondary market transactions.

19.1.7.9. The orders shall be cumulated by the DSE immediately on close of the offer. Based on the methodology for allocation to be followed as disclosed in the notice, the DSE shall draw up the allocation, i.e., either on a price priority basis (at multiple prices) or on a proportionate basis (at a single clearing price).

19.1.7.10. No single bidder other than mutual funds and insurance companies shall be allocated more than 25% of the size of OFS.

19.1.7.11. The allocation details shall be shared by the DSE with the other exchanges after the allocation is finalized.

19.1.8. Settlement

19.1.8.1. The allocation and the obligations resulting thereof shall be intimated to the brokers or clearing members on T day.

19.1.8.2. Settlement shall take place on trade for trade basis. For non-institutional orders or bids and for institutional orders with 100% margin, settlement shall take place on T+1 day. In case of orders or bids of institutional investors with no margin, settlement shall be as per the existing rules for secondary market transactions.

19.1.8.3. Settlement for bids received on T+1 day shall be carried out as per the existing rules for secondary market transactions.

19.1.8.4. Funds collected from the bidders who have not been allocated shares shall be released after the download of the obligation.

19.1.8.5. On the day prior to settlement, to the extent of obligation determined, the designated clearing corporation of the seller broker(s) under the framework of interoperability among clearing corporations shall transfer such number of shares to the other interoperable clearing corporations. The other interoperable clearing corporation(s) shall transfer funds consideration to designated clearing corporation on settlement day. Excess shares, if any, shall be returned to seller broker(s). The direct credit of shares shall be given to the demat account of the successful bidder provided such manner of credit is indicated by the broker or bidder.

19.1.9. Handling of Default in Pay-in

19.1.9.1. In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange.

19.1.9.2. The price at which allotments have been made based on the allocation on T day shall not be revised as a result of any default in pay-in.

19.1.9.3. Seller(s) shall have the option to cancel in full or conclude the offer.

19.1.9.4. Allotment details after settlement shall also be disseminated by the exchange.

19.1.9.5. Allocation details after settlement shall be consolidated by the DSE and excess shares, if any, shall be returned by the respective Clearing Corporation to the seller broker(s).

19.1.9.6. Settlement Guarantee Fund shall not be available for OFS through stock exchange mechanism.

19.1.10. Issuance of Contract Notes

The brokers shall be required to issue contract note to the client based on the allotment price and quantity in terms of conditions specified by the exchange.

19.1.11. Withdrawal of Offer

The OFS may be withdrawn prior to its proposed opening. In such a case there will be a cooling off period of 10 trading days from the date of withdrawal before an offer is made once again. The stock exchange(s) shall suitably disseminate details of such withdrawal.

19.1.12. Cancellation of offer

Cancellation of offer shall not be permitted during the bidding period. If the seller(s) fails to get sufficient demand from non-retail investors at or above the floor price in T day, then the seller may choose to cancel the offer, post bidding, in full (both retail and non-retail) on T day and not proceed with offer to retail investors on T+1 day. The stock exchange(s) shall suitably disseminate details of such cancellation.

19.2. OFS Framework for sale of units of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)

OFS for sale of units of REITs and InvITs by sponsor(s) or sponsor group entities, and other unitholders shall be permitted only in publicly issued and listed REITs and InvITs. The OFS framework for REITs and InvITs shall be equivalent to the OFS framework prescribed at paragraph-19.1 above for equity shares of listed companies.

20. INTRODUCTION OF NEW TRADING SEGMENT

20.1. New Trading Segment⁶⁷

20.1.1. Introduction of any new trading segment on the exchanges shall require stock exchanges to seek the prior approval of SEBI.

20.1.2. While applying to SEBI for the approval for the introduction of new segment, the exchange shall provide the information on the parameters for the new segment and also the rationale for introduction of the new segment.

20.2. Trading Guidelines for Dedicated Debt Segment on Stock Exchanges⁶⁸

20.2.1. The market for debt securities differs from equity markets in several ways such as risk, returns, liquidity, type of participants and method of trading. While publicly issued debt securities are listed, traded and settled in a manner similar to equity, privately placed debt is usually traded between institutional investors on 'Over the Counter' ("OTC") basis. Such OTC transactions are mandatorily reported on reporting platforms at Fixed Income Money Market and Derivatives Association of India ("FIMMDA"), BSE and NSE. The settlement for such transactions is different from that in equity markets or publicly issued debt securities.

⁶⁷ Circular No. SEBI/MRD/SE/Cir-38/2003 dated October 8, 2003

⁶⁸ Circular No. CIR/MRD/DP/03/2013 dated January 24, 2013

20.2.2. In order to cater to the unique characteristics of debt markets, it has been decided to provide a dedicated debt segment on the stock exchanges.

20.2.3. The debt segment shall offer separate trading, clearing, settlement, reporting facilities and membership to deal in:

20.2.3.1. "debt securities" as defined in Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;

20.2.3.2. Government Securities, Treasury Bills, State Government loans, SLR and Non-SLR Bonds issued by Financial Institutions, municipal bonds, single bond repos, basket repos and CBLO kind of products subject to RBI approval, where required;

20.2.3.3. Securitized debt instruments as defined in Securities and Exchange Board of India (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008;

20.2.3.4. any other debt instruments as may be specified from time to time by the competent authority.

20.2.4. An existing stock exchange or new stock exchange desirous of setting up debt segment may make an application to SEBI, providing operational, regulatory and any other necessary details.

20.2.5. The broad framework / features for debt segment shall be as under-

20.2.5.1. **Listing:** This segment shall list all the securities and debt instruments mentioned at para 20.2.3 above.

20.2.5.2. **Trading:**

20.2.5.2.1. The debt segment shall offer electronic, screen based trading providing for order matching, request for quote, negotiated trades etc.

20.2.5.2.2. The trading facility may be provided using exchange network including using access methods such as internet trading, mobile trading or any other methods specified by SEBI.

20.2.5.2.3. The debt segment shall provide separate platforms for the markets described below -

20.2.5.2.3.1. Retail market - which shall be a market for listing of and trading in publicly-issued debt instruments and where participation by registered trading members can be on



their own account or for execution of orders placed their clients.

20.2.5.2.3.2. Institutional market - which shall be a market for publicly and⁶⁹ non-publicly-issued debt instruments with a market lot size of minimum Rs 1 crore. For trading in smaller lot sizes of minimum rupees ten lakhs in respect of privately issued debt instruments in the institutional market, a separate odd lot window may be provided.⁷⁰

20.2.5.2.4. In addition to institutional investors, Direct Market Access (DMA) facility shall be extended to other investors to participate in Institutional market of debt segment. In this regard, the relevant provisions as stipulated in SEBI Master Circular and modifications thereto shall be applicable.

20.2.5.2.5. Trading Rules:

20.2.5.2.5.1. The trading hours shall be from 9:00 hours to 17:00 hours to be in alignment with trading hours of government securities as issued by RBI.

20.2.5.2.5.2. The day count convention of Actual/Actual shall be followed for calculating interest rates.

20.2.5.2.5.3. The stock exchange shall facilitate availability of price quotes on clean price, dirty price and yield.

20.2.5.2.5.3.1. There shall be no shut period during which trades/transfers are restricted for payment of interest or part redemptions. For other corporate actions such as redemptions/ put-call options, issuers may choose to specify a shut period.

20.2.5.2.5.3.2. The record date shall be fixed not more than 15 days prior to date of corporate action which shall be displayed on trading terminal by stock exchanges.

20.2.5.2.5.3.3. In case of negotiated trades by members of the debt segment, the trades shall be reported to stock exchange within 30 minutes of the trade.

20.2.5.3. Trade repository: With an objective to have centralised repository for trades in debt instruments, the stock

⁶⁹ Circular No. CIR/MRD/DP/27/2013 dated September 12, 2013

⁷⁰ Circular No. CIR/MRD/DP/27/2013 dated September 12, 2013

exchanges shall report trade information to a common trade repository as may be specified by SEBI.

20.2.5.4. **Membership:**

- 20.2.5.4.1.1. Any entity desirous of becoming trading member, self-clearing member and/or clearing member of debt segment shall seek registration under the Securities and Exchange Board of India (Stock Broker) Regulations, 1992.
- 20.2.5.4.1.2. Institutions such as scheduled commercial banks, primary dealers, pension funds, provident funds, insurance companies, mutual funds and any other investors as may be specified by sectoral regulators from time to time, can trade on the debt segment either as clients of registered trading members or directly as trading member on proprietary basis only (i.e. own-account trades only). Such institutions desirous of trading on own account only shall be given trading membership under the Securities and Exchange Board of India (Stock Broker) Regulations, 1992 as proprietary trading member.
- 20.2.5.4.1.3. The trading member, proprietary trading member, clearing member and self-clearing member of debt segment shall have net worth and deposit as prescribed in the Securities and Exchange Board of India (Stock Broker) Regulations, 1992.
- 20.2.5.4.1.4. The Base Minimum Capital for stock broker/trading member shall be in line with the provisions specified in Chapter 4 of this Master Circular.
- 20.2.5.4.1.5. The stock exchanges and clearing corporation may specify additional membership criteria for trading member/proprietary trading member and clearing member/self-clearing member respectively.

20.2.5.5. **Market Making:** With the view to infuse liquidity in the market, market makers shall be permitted in the debt segment. Market making may be provided by merchant bankers, issuers through brokers or any other entity as may be specified. The rules for market making shall be specified by the stock exchanges with approval of SEBI.

21. ANNULMENT OF TRADES ON STOCK EXCHANGES

21.2. Policy for annulment of trades undertaken on stock exchanges⁷¹

21.2.5. In order to bring about uniformity and transparency in the process of trade annulment, stock exchanges are advised to be guided by the following provisions with regard to the mechanism for annulment (or by whatever named called) of trade(s) resulting from material mistake or erroneous orders:

21.2.5.2. Examination of trade(s) for annulment may be taken up either suo moto by stock exchange or upon receipt of request from a stock broker. Stock exchanges shall define suitable criteria so as to discourage frivolous trade annulment requests from the stock brokers.

21.2.5.3. Stock exchanges shall prescribe the procedure for submission of requests by stock brokers, including mechanism to submit requests in electronic form.

21.2.5.4. Stock brokers shall submit such request to the stock exchange within 30 minutes from execution of trade(s) which is sought to be annulled. However, stock exchange may consider requests received after 30 minutes, but no longer than 60 minutes, only in exceptional cases and after examining and recording reasons for such consideration.

21.2.5.5. Stock exchanges shall suitably and in a time bound manner inform details of such requests to all stock brokers of the stock exchange.

21.2.5.6. Stock exchanges shall expeditiously, not later than start of next trading day, examine and decide upon such requests. While examining such requests, stock exchanges shall consider the potential effect of such annulment on trades of other stock brokers/investors across all segments, including trades that resulted as an outcome of trade(s) under consideration.

21.2.5.7. As an alternate mechanism, stock exchanges may consider resetting the price of trade(s) under consideration to an appropriate price(s), if price reset is deemed to be a less disruptive mechanism as compared to trade annulment.

21.2.5.8. Stock exchanges shall undertake annulment or price reset only in exceptional cases, after recording reasons in writing, in

⁷¹ Circular No. CIR/MRD/DP/15/2015 dated July 16, 2015

the interest of the investors, market integrity, and maintaining sanctity of price discovery mechanism.

- 21.2.5.9. In cases, wherein request for annulment of trade(s) has been submitted to more than one stock exchange by a stock broker, in respect of similar trades, stock exchanges shall jointly take a decision on such requests.
- 21.2.5.10. Stock exchange shall convey its reasoned decision on annulment of trade(s) or price reset to all counterparties to the trade(s) under consideration. Stock exchange shall also publish details of such decision on its website.
- 21.2.5.11. A mechanism to request a review of the decision taken by the stock exchange shall be provided. To this end, the aggrieved party shall submit such request to the stock exchange before the payout deadline of the trades.
- 21.2.5.12. In the event such review request is received by the stock exchange, the matter shall be referred to stock exchange's ROC. The payout relating to the settlement of such trades shall be withheld till such review of stock exchange's decision is completed.
- 21.2.5.13. The oversight committee shall expeditiously examine the request of stock brokers and provide its recommendations on the matter within 30 days of receipt of request by the stock exchange. Stock exchange shall convey its decision on the review request of the stock brokers within 2 working days of receipt of the recommendations from the committee. Stock exchange shall also publish details of such decision on its website.
- 21.2.6. Stock exchanges shall charge an application fee equal to 5% of the value of trade(s) for accepting annulment request from a stock broker, subject to minimum fee of ₹ 1 lakh and maximum fee of ₹ 10 lakhs. Stock exchanges may suitably increase the upper limit of the application fee as deemed necessary to discourage frequent or frivolous requests for annulment. The amount realised as application fee shall be credited to the "Investor Protection Fund" of the concerned stock exchange.
- 21.2.7. In addition, stock exchanges shall implement a suitable framework to penalise stock brokers who place erroneous orders.
- 21.2.8. With regard to annulment of trade(s) resulting from wilful misrepresentation or manipulation or fraud, trade(s) may be

annulled as provided in the extant byelaws of the stock exchanges.

- 21.2.9. Stock exchanges may specify additional requirements as they may deem fit in order to ensure orderly trading and market integrity.

22. FRAMEWORK FOR ISSUE OF DEPOSITORY RECEIPTS⁷²

- 22.1. Reference is drawn to Section 41 of the Companies Act, 2013, Companies (Issue of Global Depository Receipts) Rules, 2014 (“GDR Rules”), the Depository Receipts Scheme, 2014 (“DR Scheme”), Reserve Bank of India (“RBI”) notification dated December 15, 2014, Central Government notification dated September 18, 2019 and Central Government notification dated October 07, 2019.
- 22.2. In light of the aforesaid, only ‘a company incorporated in India and listed on a Recognized Stock Exchange in India’ (‘Listed Company’) may issue Permissible Securities or their holders may transfer Permissible Securities, for the purpose of issue of Depository Receipts (“DRs”), subject to compliance with the following requirements:

22.2.1. Eligibility

- 22.2.1.1. Listed Company is in compliance with the requirements prescribed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any amendments thereof.
- 22.2.1.2. Listed company shall be eligible to issue Permissible Securities, for the purpose of issue of DRs, if:
- 22.2.1.2.1. the Listed Company, any of its promoters, promoter group or directors or selling shareholders are not debarred from accessing the capital market by SEBI;
 - 22.2.1.2.2. any of the promoters or directors of the Listed Company is a promoter or director of any other company which is not debarred from accessing the capital market by SEBI;
 - 22.2.1.2.3. the listed company or any of its promoters or directors is not a wilful defaulter;

⁷² Circular No. SEBI/HO/MRD/DOP1/CIR/P/2019/106 dated October 10, 2019

22.2.1.2.4. any of its promoters or directors is not a fugitive economic offender.

22.2.1.3. Existing holders shall be eligible to transfer Permissible Securities, for the purpose of issue of DRs, if:

22.2.1.3.1. the Listed Company or the holder transferring Permissible Securities are not debarred from accessing the capital market by SEBI;

22.2.1.3.2. the Listed Company or the holder transferring Permissible Securities is not a wilful defaulter;

22.2.1.3.3. the holder transferring Permissible Securities or any of the promoters or directors of the Listed Company are not a fugitive economic offender.

Explanation 1: The restrictions at Paragraph 23.2.1.2 and 23.2.1.3 above shall not apply to the persons or entities mentioned therein, who were debarred in the past by SEBI and the period of debarment is already over as on the date of filing of the document as referred at para 23.2.3.7.

Explanation 2: For the purpose of this Circular, DR means a foreign currency denominated instrument, listed on an international exchange, issued by a foreign depository in a permissible jurisdiction on the back of permissible securities issued or transferred to a domestic custodian and includes 'global depository receipt' as defined in section 2(44) of the Companies Act, 2013.

Explanation 3: For the purpose of this Circular 'Foreign Depository' means a person which:

- (a) is not prohibited from acquiring permissible securities;
- (b) is regulated in any of the Permissible Jurisdiction as defined in this Circular; and
- (c) has legal capacity to issue DRs in the Permissible Jurisdiction where issue of DRs is proposed.

Explanation 4: For the purpose of this Circular, 'transfer of permissible securities by existing holders' means deposit of

existing Permissible Securities of the Listed Company with a Domestic Custodian, for the purpose of issue of DRs, pursuant to formal agreement(s) among the Listed Company and the Foreign Depository. For this purpose, the Listed Company may also enter into arrangement(s) with, Indian Depository, Domestic Custodian and existing Permissible Securities holder(s), as may be necessary.

22.2.1.4. For the purpose of an initial issue and listing of DRs, pursuant to 'transfer by existing holders', the Listed Company shall provide an opportunity to its equity shareholders to tender their shares for participation in such listing of DRs.

22.2.1.5. Subsequent issue and listing of DRs, pursuant to 'transfer by existing shareholders' may take place subject to the limits approved pursuant to a special resolution in terms of GDR Rules.

22.2.1.6. A company proposing to make a public offer and list on a Recognized Stock Exchange, and also simultaneously proposing to issue Permissible Securities or transfer Permissible Securities of existing holders, for the purpose of issue of DRs and listing such DRs on an International Exchange, may seek in-principle and final approval from Recognized Stock Exchange as well as International Exchange. However, such issue or transfer of Permissible Securities for the purpose of issue of DRs shall be subsequent to, the receipt of trading approval from the Recognized Stock Exchange for the public offer.

22.2.2. Permissible Jurisdictions and International Exchanges

22.2.2.1. Listed Company shall be permitted to issue Permissible Securities or transfer Permissible Securities of existing holders, for the purpose of issue of DRs, only in Permissible Jurisdictions and said DRs shall be listed on any of the specified International Exchange(s) of the Permissible Jurisdiction.

Explanation 1: For the purpose of this Circular, 'Permissible Jurisdiction' shall mean jurisdictions as may be notified by the Central Government from time to time, pursuant to notification no.

G.S.R. 669(E) dated September 18, 2019 in respect of sub-rule 1 of rule 9 of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005.

Explanation 2: For the purpose of this Circular 'International Exchange(s)' shall mean exchange(s) as may be notified by SEBI from time to time.

In this regard, the Central Government vide notification dated November 28, 2019, has notified the list of Permissible Jurisdictions in pursuance of notification dated September 18, 2019. Accordingly, a list of Permissible Jurisdictions and International Exchange(s) is placed at **Annexure 5**.⁷³

- 22.2.2.2. Listing of DRs on specified International Exchange shall meet the highest applicable level / standards for such listing by foreign issuers.

Explanation: Examples of DR listing programs that would qualify for the aforesaid criteria:

Issuer-sponsored Level III ADR programs listed on Nasdaq or the NYSE, DRs listed on the Main Board of the Hong Kong Stock Exchange, Global Depositary Receipts admitted to the Standard Segment of the Official List of the FCA and to trading on the London Stock Exchange.

22.2.3. **Obligations of Listed Company**

- 22.2.3.1. Listed Company shall ensure compliance with extant laws relating to issuance of DRs, including, requirements prescribed in this Circular, the Companies Act, 2013, the Foreign Exchange Management Act, 1999 ("FEMA"), Prevention of Money-Laundering Act, 2002, and rules and regulations made thereunder. For this purpose, Listed Company may also enter into necessary arrangements with Custodian, Indian Depository and Foreign Depository.

⁷³ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2019/146 dated November 28, 2019

22.2.3.2. Listed Company shall ensure that DRs are issued only with Permissible Securities as the underlying.

Explanation: For the purpose of this Circular, 'Permissible Securities' shall mean equity shares and debt securities, which are in dematerialized form and rank *pari passu* with the securities issued and listed on a Recognized Stock Exchange.

22.2.3.3. Listed Company shall ensure that the aggregate of Permissible Securities which may be issued or transferred for the purpose of issue of DRs, along with Permissible Securities already held by persons resident outside India, shall not exceed the limit on foreign holding of such Permissible Securities under the applicable regulations of FEMA:

22.2.3.4. Provided that within the above limit, the maximum of aggregate of Permissible Securities which may be issued by the Listed Company or transferred by the existing holders, for the purpose of issue of DRs, shall be such that the Listed Company is able to ensure compliance with the minimum public shareholding requirement, after excluding the Permissible Securities held by the depository for the purpose of issue of DRs.

22.2.3.5. Listed Company shall ensure that the agreement entered with the Foreign Depository, for the purpose of issue of DRs, provides that the Permissible holder, including its Beneficial Owner(s), shall ensure compliance with holding limits prescribed under para 22.2.8.

22.2.3.6. The onus of identification of NRIs holders, who are issued DRs in terms employee benefit scheme, would lie with the listed company. The listed company shall provide the information of such NRI DR holders to the designated depository for the purpose of monitoring of limits.⁷⁴

22.2.3.7. Listed Company shall, through an intermediary, file with SEBI and the Recognized Stock Exchange(s), a copy of the initial document, by whatever name called, for initial issue of DRs issued on the back of Permissible Securities.

22.2.3.7.1. SEBI shall endeavour to forward its comments, if any, to the Recognized Stock Exchange(s) within a period of 7 working days from the receipt of the document and in the event of no comments being issued by SEBI within such period, it shall be deemed that SEBI does not have comments to offer.

⁷⁴ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/243 dated December 18, 2020

22.2.3.7.2. Recognized Stock Exchange(s) shall take into consideration the comments of SEBI while granting in-principle approval to the Listed Company and decide on the approval within 15 working days of receipt of application and required documents.

Further, final document for such initial issue shall be filed with Recognized Stock Exchange(s) and SEBI for record purpose.

22.2.3.8. Listed Company shall ensure that any public disclosures made by the Listed Company on International Exchange(s) in compliance with the requirements of the Permissible Jurisdiction where the DRs are listed or of the International Exchange(s), are also filed with the Recognized Stock Exchange as soon as reasonably possible but not later than twenty-four hours from the date of filing.

22.2.4. Permissible holder⁷⁵

22.2.4.1. Permissible holder means a holder of DR, including its Beneficial Owner(s), satisfying the following conditions:

- 22.2.4.1.1. who is not a person resident in India;
- 22.2.4.1.2. who is not a Non-Resident Indian (NRI)

Provided that the restriction under this Clause shall not apply in case of issue of DRs to NRIs, pursuant to share based employee benefit schemes which are implemented by a company in terms of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations 2021;

Provided further that the restriction under this Clause shall also not apply in case of issue of DRs by the company to NRIs pursuant to a bonus issue or a rights issue;

Explanation1: For the purpose of this Circular, 'Beneficial Owner' shall have the same meaning as provided in proviso to sub-rule 1 of rule 9 of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended by the Central Government vide notification no. G.S.R. 669(E) dated September 18, 2019.

⁷⁵ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/243 dated December 18, 2020

Explanation 2: The Permissible holder, including its Beneficial Owner(s), shall be responsible for ensuring compliance with this requirement.

Explanation 3: Except as permitted under the provisos above, NRIs shall neither subscribe to any further issue of DRs nor make any further acquisition of DRs (including of DRs issued prior to October 10, 2019).”

22.2.5. Voting rights

22.2.5.1. Listed Company shall ensure that the agreement entered between the holder of DRs, the Listed Company and the Depository provides that the voting rights on Permissible Securities, if any, shall be exercised by the DR holder through the Foreign Depository pursuant to voting instruction only from such DR holder.

22.2.6. Pricing

22.2.6.1. In case of a simultaneous listing of, Permissible Securities on Recognised Stock Exchange(s) pursuant to a public offer / preferential allotment / qualified institutions placement under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, and DRs on the International Exchange, the price of issue or transfer of Permissible Securities, for the purpose of issue of DRs by Foreign Depository, shall not be less than the price for the public offer / preferential allotment / qualified institutions placement to domestic investors under the applicable laws.

22.2.6.2. Where Permissible Securities are issued by a Listed Company or ‘transferred by the existing holders’, for the purpose of issue of DRs by the Foreign Depository, the same shall be issued at a price, not less than the price applicable to a corresponding mode of issue of such Permissible Securities to domestic investors under the applicable laws.

22.2.7. Obligations of Indian Depository, Foreign Depository and Domestic Custodian

22.2.7.1. Indian Depositories, in consultation with each other, shall develop a system to ensure that aggregate holding of DR holders along with their holding, if any, through offshore derivative instruments and holding as a Foreign Portfolio Investor belonging to same investor group shall not exceed the limit on foreign holding under the FEMA and applicable SEBI Regulations. For this purpose, Indian Depositories shall have necessary arrangement with the Domestic Custodian and / or Foreign Depository.

Explanation- The term 'investor group' shall have the meaning as prescribed to such term in the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 or amendments thereof.

22.2.7.2. Domestic Custodian shall maintain records in respect of, and report to, Indian depositories all transactions in the nature of issue and cancellation of depository receipts, for the purpose of monitoring limits.

22.2.7.3. Indian Depositories shall coordinate among themselves and with Domestic Custodian to disseminate:

22.2.7.3.1. the outstanding Permissible Securities against which the DRs are outstanding; and,

22.2.7.3.2. the limit up to which Permissible Securities can be converted to DRs.

22.2.7.4. The Foreign Depository shall not issue or pre-release the DRs unless the Domestic Custodian has confirmed the receipt of underlying Permissible Securities.

22.2.8. The framework for monitoring of foreign holding in DRs is placed at Annexure 6.

22.2.9. Words and expressions used and not defined in the DR issue framework but defined in the DR Scheme, Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996 or the Companies Act, 2013 or the Reserve Bank of India Act, 1934 or the Foreign

Exchange Management Act, 1999 or Prevention of Money-Laundering Act, 2002, and rules and regulations made thereunder shall have the meanings respectively assigned to them, as the case may be, in those Acts, unless the context requires otherwise.

22.2.10. Power to remove difficulties

22.2.10.1. In case of any difficulties in the application or interpretation or to relax strict enforcement of the requirements of the framework for issue of DRs, the Board may issue clarifications through guidance notes or circulars after receipt of request from the issuer.

22.2.10.2. The provisions of the framework for issue of DRs are effective from October 10, 2019.

23. POWER OF ATTORNEY

23.2. Execution of Power of Attorney (PoA) by the Client in favour of the Stock Broker/ Stock Broker and Depository Participant⁷⁶

23.2.1. A Power of Attorney is executed by the client in favour of the stock broker/stock broker and depository participant to authorize the broker to operate the client's demat account and bank account to facilitate the delivery of shares and pay-in/ pay-out of funds.

23.2.2. Generally, the PoA is taken from the clients who want to avail internet based trading services. For offering internet based trading services, a stock broker requires necessary authorizations for seamless trading, collection of margins as well as settlement of funds and securities. Further, some of the stock brokers also obtain authorizations from their clients to offer non- internet based services.

23.2.3. PoA is optional and should not be insisted upon by the stock broker / stock broker depository participant for opening of the client account.

23.2.4. In order to standardize the norms to be followed by stock brokers / stock broker and depository participants while obtaining PoA from the clients, it has been decided that the guidelines as set out

⁷⁶ Circular No. CIR/MRD/DMS/13/2010 dated April 23, 2010

below shall be made applicable to stock brokers and depository participants.

- 23.2.5. Standardizing the norms for PoA must not be construed as making the PoA a condition precedent or mandatory for availing broking or depository participant services. PoA is merely an option available to the client for instructing his broker or depository participant to facilitate the delivery of shares and pay-in/pay-out of funds, etc. No stock broker or depository participant shall deny services to the client if the client refuses to execute a PoA in their favour.

23.3. Guidelines for execution of Power of Attorney by clients favouring stock brokers / stock broker and depository participants

23.3.1. PoA favoring Stock Brokers

PoA executed in favour of a stock broker/ stock broker depository participant by the client should be limited to the following:

1. Funds

- i. Transfer of funds from the bank account(s) of the client(s) for the following:
 - a. For meeting the settlement obligations of the client(s) / margin requirements of the client(s) in connection with the trades executed by the clients on the stock exchange through the same stock broker.
 - b. For recovering any outstanding amount due from the client(s) arising out of clients trading activities on the stock exchanges through the same stock broker.
 - c. For meeting obligations arising out of the client subscribing to such other products/facilities/services through the stock broker like Mutual Funds, Public Issues (shares as well as debentures), rights, offer of shares, tendering of shares in open offers, etc.
 - d. Towards monies/fees/charges, etc. due to the stock broker/depository participant/principal payable by virtue of the client using/subscribing to any of the facilities/services availed by the client at his /her instance.

- e. Necessary audit trail should be available with the stock broker for such transactions.

2. POA favouring Stock Brokers and Depository Participants

PoA executed in favour of a stock broker and depository participant by the client should:

1. identify /provide the particulars of the beneficial owner account(s) and the bank account(s) of the client(s) that the stock broker is entitled to operate.
2. provide the list of clients' & brokers' bank accounts & demat accounts where funds and securities can be moved. Such bank & demat accounts should be accounts of related party only.
3. be executed in the name of the concerned SEBI registered entity only and not in the name of any employee or representative of the stock broker/depository participant.
4. not provide the authority to transfer the rights in favour of any assignees of the stock broker /depository participant.
5. be executed and stamped as per the rules/ law prevailing in the place where the PoA is executed or the place where the PoA is kept as a record, as applicable.
6. contain a clause by which the stock broker would return to the client(s), the securities or funds that may have been received by it erroneously or those securities or funds that it was not entitled to receive from the client(s).
7. be revocable at any time, without notice.
8. be executed by all the joint holders (in case of a demat account held jointly). If the constitution of the account is changed for whatever reason, a new PoA should be executed.
9. authorize the stock broker/depository participant to send consolidated summary of client's scrip-wise buy and sell positions taken with average rates to the client by way of SMS / email on a daily basis, notwithstanding any other document to be disseminated as specified by SEBI from time to time.

A. General Guidelines

The POA shall not facilitate the stock broker to do the following:

10. Transfer of securities for off market trades.
11. Transfer of funds from the bank account(s) of the clients for trades executed by the clients through another stock broker.
12. Open a broking / trading facility with any stock broker or for opening a beneficial owner account with any depository participant.
13. Execute trades in the name of the client(s) without the client(s) consent.
14. Prohibit issue of Delivery Instruction Slips (DIS) to beneficial owner (client).
15. Prohibit client(s) from operating the account.
16. Merging of balances (dues) under various accounts to nullify debit in any other account.
17. Open an email ID/ email account on behalf of the client(s) for receiving statement of transactions, bills, contract notes etc. from stock broker / depository participant.
18. Renounce liability for any loss or claim that may arise due to any blocking of funds that may be erroneously instructed by the stock broker to the designated bank.

B. Stock Broker / Depository Participant should ensure that:

19. A duplicate/ certified true copy of the PoA is provided to the client(s) after execution.
20. In case of merger/ demerger of the stock broker/depository participant with another entity/ into another entity, the scheme of merger/ demerger should be approved by High Court and one month prior intimation given to the client about the corporate restructuring to facilitate investor/ client to continue or discontinue with the broker/ depository participant.

Clarification to Guidelines for execution of Power of Attorney by Clients favouring Stock Brokers / Stock Broker and Depository Participants⁷⁷

Sr. No.	Clauses / Provisions of the PoA Circular	Clarifications
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⁷⁷ Circular No. CIR/MRD/DMS/28/2010 Dated August 31, 2010.



1	Standardizing the norms for PoA must not be construed as making the PoA a condition precedent or mandatory for availing broking or depository participant services. PoA is merely an option available to the client for instructing his broker or depository participant to facilitate the delivery of shares and pay-in /pay-out of funds, etc. No stock broker or depository participant shall deny services to the client if the client refuses to execute a PoA in their favour.	Only internet based trading exempted.
2	The Stock Brokers shall take necessary steps to implement this circular to revoke those authorizations given by the existing clients to the stock brokers/ stock broker and depository participants through PoA that are inconsistent with the present guidelines.	Stock Broker/ DP may revoke those authorizations that are inconsistent with the present guidelines by communicating the inconsistent clauses to the existing clients. In the event, the deleted / modified clauses are not accepted by the client, Stock Broker / DP may be required to either obtain fresh PoA or close the account. In case of any addition to the existing PoA, Stock Broker / DP shall be required to obtain a new PoA from clients.
3	PoA executed in favour of a stock broker by the client should be limited to the following: "(i) Transfer of securities held in the beneficial owner account(s) of the client(s) towards stock	Margin / Delivery obligations shall also include settlement obligations, if any.



	exchange related margin / delivery obligations arising out of trades executed by the client(s) on the stock exchange through the same stock broker."	
4	<p>PoA executed in favour of a stock broker by the client should be limited to the following:</p> <p>To apply for various products like Mutual Funds, Public Issues (shares as well as debentures), rights, offer of shares, tendering shares in open offers etc. pursuant to the instructions of the client(s). However, a proper audit trail should be maintained by the stock broker to prove that the necessary application /act was made /done pursuant to receipt of instruction from client."</p>	Redemptions are also included in PoA pursuant to client's instructions.
5	PoA executed in favour of a stock broker and depository participant by the client should provide the list of clients' & brokers' bank accounts & demat accounts where funds and securities can be moved. Such bank & demat accounts should be accounts of related party only.	The list of clients' & brokers' bank accounts & demat accounts may be updated / amended by proper communication without executing a new PoA every time. Copies of such communications may be preserved as annexure to the PoA.
6	PoA executed in favour of a stock broker and depository participant by the client should be revocable at any time, without notice.	PoA executed in favour of a stock broker / stock broker and depository participant by the client should be revocable at any time. However, such revocation shall not be applicable for any outstanding settlement



		obligation arising out of the trades carried out prior to receiving request for revocation of PoA. Further, the PoA revocation requests should be dated and time stamped by the brokers for ensuring proper audit trail.
7	The POA shall not facilitate the stock broker to do the following: "12. Transfer of securities for off market trades"	The PoA shall not facilitate off-market trades between parties other than the related parties as mentioned in the PoA.

23.4. **Prevention of misuse of PoA :**

It has been observed that PoA is invariably obtained from the investors as part of the KYC and account opening process. Such PoA executed by clients has further found to have been misused by the stock brokers by taking authorization even for activities as specified in paragraph A above. In this regard, it is reiterated that:

- 23.4.1. PoA is optional and should not be insisted upon by the stock broker/ stock broker depository participant for opening of the client account.
- 23.4.2. Stock Exchanges and Depositories shall ensure that PoA is not used by TM/CM/DPs for any purpose other than those specified by SEBI .
- 23.4.3. Further, all off-market transfer of securities shall be permitted by the Depositories only by execution of Physical Delivery Instruction Slip (DIS) duly signed by the client himself or by way of electronic DIS. The Depositories shall also put in place a system of obtaining client's consent through One Time Password (OTP) for such off market transfer of securities from client's demat account.

23.5. **Demat Debit and Pledge Instruction (DDPI)⁷⁸**

- 23.5.1. With effect from July 01,2022 a separate document viz. '**Demat Debit and Pledge Instruction'**(DDPI), shall be signed by the

⁷⁸ Circular No. SEBI/HO/MIRSD/DoP/P/CIR/2022/4 dated April 04, 2022

client under which the clients shall explicitly agree to authorize the stock broker/stock broker and depository participant to access their BO account for the limited purpose of meeting pay-in obligations for settlement of trades executed by them. The DDPI shall serve the same purpose of PoA and significantly mitigate the misuse of PoA. The following conditions shall be made part of DDPI :

- 23.5.1.1. Transfer of securities held in the beneficial owner accounts of the client towards Stock Exchange related deliveries/ settlement obligations arising out of trades executed by clients on the Stock Exchange through the same stock broker.
 - 23.5.1.2. For pledging / re-pledging of securities in favour of trading member (TM)/ clearing member (CM) for the purpose of meeting margin requirements of the clients in connection with the trades executed by the clients on the Stock Exchange.
 - 23.5.1.3. Mutual Fund transactions being executed on stock exchange order entry platforms and which shall be in compliance with SEBI circulars issued in this regard.
 - 23.5.1.4. Tendering shares in open offers which shall be in compliance with SEBI circular issued in this regard⁷⁹.
- 23.5.2. The client may use the DDPI or opt to complete the settlement by issuing physical Delivery Instruction Slip (DIS) or electronic Delivery Instruction Slip (eDIS) themselves. Hence, with the implementation of DDPI, PoA shall no longer be executed for the conditions specified in paragraph 23.4.1.1 to 23.4.1.4 above.
- 23.5.3. The DDPI shall be indexed as part of the Voluntary Documents specified in SEBI Master Circular for Stock Brokers dated May 22, 2024 and shall be executed only if the client provides his/her explicit consent for the same, including internet based trading. The DDPI shall also be adequately stamped. The DDPI can be digitally signed by the clients.
- 23.5.4. The existing PoAs shall continue to remain valid till the time client revokes the same. Thus, the stock broker/stock broker and depository participant shall not directly / indirectly compel the clients to execute the DDPI or deny services to the client if the client refuses to execute the DDPI. Also, as mentioned in point no.

⁷⁹ Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137 dated October 06, 2022

23.3.1 above, PoA is optional and should not be insisted upon by the stock broker/stock broker depository participant for opening of the client account.

For the execution of the DDPI for fulfilling delivery / settlement obligations, prior to executing actual transfer of securities based on details provided by stock broker/stock broker and depository participant, the Depositories shall ensure matching and confirming the transfer of securities with client-wise net delivery obligation arising from the trade executed on the exchange, as provided by the Clearing Corporation to Depositories for each settlement date. Securities transferred on the basis of the DDPI provided by the client shall be credited to client's TM pool account / CM pool account / demat account of clearing corporation, as the case may be. The DDPI provided by the client shall be registered in the demat account of the client by TM /CM. Stock Exchanges and Depositories shall ensure that stock broker/stock broker and depository participant providing DDPI facility, has enabled its clients to revoke / cancel the DDPI provided by them⁸⁰.

24. TRANSACTION IN MUTUAL FUNDS

24.2. Facilitating transaction in Mutual Fund schemes through the Stock Exchange Infrastructure⁸¹

24.2.1. In order to enable the mutual fund distributors also to leverage the stock exchange platform so as to improve their reach and mutual fund distributions, it has been decided to allow mutual fund distributors to use recognized stock exchanges' infrastructure to purchases and redeem mutual fund units directly from Mutual Fund/Assets Management Companies on behalf of their clients. This would be in addition to the existing channels of mutual funds distribution.

24.2.2. For the aforesaid purpose, only a mutual fund Distributor registered with Association of Mutual Funds in India (AMFI) and who has been permitted by the concerned recognised stock exchange, (MF distributor) shall be eligible to use recognised stock exchanges' infrastructure to purchases and redeem mutual fund units directly from Mutual Fund/Assets Management Companies.

⁸⁰ Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137 dated October 06, 2022

⁸¹ Circular No. SEBI/HO/MRD1/DSAP/CIR/P/2020/29 dated February 26, 2020

- 24.2.3. The recognised stock exchange shall grant permission on a request made by a AMFI registered mutual fund distributor on the basis of criteria including fee, code of conduct, etc. as laid down by it.
- 24.2.4. The MF distributors shall not handle payout and pay in of funds as well as units on behalf of investor. The recognised stock exchange shall put necessary system in place to ensure that pay in will be directly received by recognised clearing corporation and payout will be directly made to investor account. In the same manner, units shall be credited and debited directly from the demat account of investors.
- 24.2.5. In order to broad base the reach of this platform, it is decided to permit non-demat transactions also in the Mutual fund through stock exchange platform.
- 24.2.6. The respective recognised stock exchanges, recognised clearing corporations and depositories shall provide detailed operating guidelines for MF distributor to facilitate the above.
- 24.2.7. SEBI Registered Investment Advisors (RIAs) are also allowed to use infrastructure of the recognised stock exchanges to purchase and redeem mutual fund units directly from Mutual Fund/ Asset Management Companies on behalf of their clients, including direct plans.
- 24.2.8. In order to further increase the reach of this platform, investors can also directly access infrastructure of the recognised stock exchanges to purchase and redeem mutual fund units directly from Mutual Fund/ Asset Management Companies.

25. Trading supported by Blocked Amount in Secondary Market

- 25.2. In its continuing endeavour to provide protection to the investors from the default of member(s) ['trading member' (TM) / 'clearing member' (CM)], SEBI has decided to introduce a supplementary process for trading in secondary market based on blocked funds in investor's bank account, instead of transferring them upfront to the trading member, thereby providing enhanced protection of cash collateral. The said facility shall be provided by integrating Reserve Bank of India (RBI) approved Unified Payments Interface (UPI) mandate service of single-block-and-multiple-debits with the secondary market trading and settlement process and hereinafter referred as 'UPI block facility'.

- 25.3. Under the proposed framework, funds shall remain in the account of client but will be blocked in favour of the clearing corporation ('CC') till the expiry date of the block mandate or till block is released by the CC, or debit of the block towards obligations arising out of the trading activity of the client, whichever is earlier. Further, settlement for funds and securities will be done by the CC without the need for handling of client funds and securities by the member.
- 25.4. Further, while a UPI block upon creation shall be considered towards collateral, the same shall also be available for settlement purposes. For the clients who prefer to block lump sum amount, their block can be debited multiple times, subject to available balance, for settlement obligations across days.
- 25.5. The main features of the framework are as under:
- 25.5.1. General features:
 - 25.5.1.1. Availing UPI block facility shall be at the option of the investor.
 - 25.5.1.2. Shall be introduced as a non-mandatory facility to be provided by the stock broker.
 - 25.5.1.3. Since an investor is allowed to have trading accounts across multiple stock brokers, an investor can choose to avail UPI block facility under some broker(s) and non-UPI based trading under others. However, once opted for UPI block facility (until they opt out after fulfilling all obligations) under particular broker(s), the following needs to be adhered to in respect of UPI block facility under that broker(s):
 - 25.5.1.4. All cash collaterals shall be provided through UPI block only.
 - 25.5.1.5. Cash equivalent collateral such as bank guarantees and fixed deposits shall not be permitted.
 - 25.5.1.6. Securities collateral to be provided through pledge/re-pledge system and only those securities can be provided which are in the approved list of CC.
 - 25.5.1.7. Funds pay-in settlement to be done through UPI block only.
 - 25.5.2. Collateral and settlement shall continue to be segment-wise, and the client/TM/CM shall need to transfer/reallocate collateral between segments.
 - 25.5.3. Running account settlement shall not be supported. CC shall settle the account of clients using UPI block facility on a daily basis, i.e., any pay-out due to the client shall be paid out to the client on the settlement day.

- 25.5.4. Single block limit of Rs. 5 lakhs shall apply [currently applicable for UPI based securities market transaction]. However, multiple blocks can co-exist subject to the overall limit applicable in UPI.
- 25.6. Eligibility of investors: All investors who are permitted to use RBI's UPI facility, and meeting the criteria defined by CCs, shall be eligible.
- 25.7. Process (in brief):
- 25.7.1. The stock brokers providing the facility shall notify the details of investors desirous of availing the service to the stock exchange. The stock exchange shall validate that bank and demat account maintained in the Unique Client code ('UCC') systems and used for block creation and settlement. The exchanges shall provide relevant details to the CC.
 - 25.7.2. The block shall be created by client using the UPI application ('UPI app') based on the blocking request initiated through stock broker app. While creating the blocking request under the proposed block mechanism, relevant information such as TM Code, CM Code, Unique Client Code, segment etc. shall be captured by the stock broker and sent to UPI.
 - 25.7.3. The UPI block shall get created in favour of the CC and can be debited by the CC only.
 - 25.7.4. The block shall support multiple debits - i.e., for a block created on day 1, it can be partially debited multiple times till the exhaustion of amount or expiry/release of the block, whichever is earlier.
 - 25.7.5. Since the CC shall directly maintain/update the client collateral value based on the blocking information received from the UPI railroads of National Payment Corporation of India ('NPCI') through the CC's sponsor bank, the stock brokers shall not allocate any collateral for clients under the facility of UPI block. Other procedures such as deemed allocation of proprietary collateral, validation of 50:50 cash collateral, risk reduction mode monitoring etc. remain unchanged.
 - 25.7.6. The CC shall debit the UPI block created in its favor to the extent of client level obligations, and receive the same in its account, without funds going through the clearing bank account of the CM. Securities provided as early pay-in (EPI) by the clients, using the block mechanism provided by depositories shall be received by the CC as per the prevailing process.



25.8. Settlement

- 25.8.1. There shall be two rounds of pay-in and one round of pay-out.
- 25.8.2. In Round 1 Pay-in, settlement obligation shall be calculated at client level, individually, for the clients opting for UPI block facility. There shall be no netting of obligations across different clients opting for UPI block facility and the settlement obligations shall be inclusive of standard statutory levies such as securities transaction tax (STT), stamp duty etc. The first deadline for pay-in shall be for the UPI clients. Clients with payable funds shall provide UPI block atleast to the extent of obligations, and clients with deliverable securities shall ensure availability of securities to the extent of obligations through the prevailing Early Pay-in (EPI) block mechanism wherein the securities given as EPI are blocked in favour of CC in the demat account of the client undertaking sale transaction. At the end of the Round 1 pay-in deadline defined by the CCs, the clients who have not provisioned for their pay-in shall be considered as short.
- 25.8.3. Round 2 Pay-in
- 25.8.3.1. The second round of funds obligation shall be a single net settlement of funds obligation at CM level for (i) proprietary account of CM/TM, (ii) clients not opting for UPI block facility and (iii) shortages from UPI clients in Round 1 pay-in, including shortfall of funds in lieu of securities, if any.
- 25.8.3.2. [Illustration for funds in lieu of securities: Consider a scenario when a security sold for Rs. 100 was not delivered by client and last closing price available on settlement day for the said security was Rs. 105. In such a case, the CC shall not provide the pay-out of Rs. 100 to the client and in addition shall debit Rs. 5 from the block amount of the client. In case the blocked amount is insufficient, then CC shall debit this amount to CM.]
- 25.8.3.3. The second round of securities obligation shall be a single net settlement at CM level for (i) proprietary account of CM/TM, and (ii) clients not opting for UPI block facility, as per the existing process.
- 25.8.3.4. The CMs shall be required to provide the aforementioned funds/securities obligations to the CC.
- 25.8.3.5. If the CMs fail to fulfil the obligation, then such members shall be treated as short and relevant provisions for shortage handling/default management shall apply.
- 25.8.4. Pay-out - The pay-out shall be done in a single round after the two pay-in rounds. The CC shall give pay-out of funds directly to

the bank account of the clients opting for UPI block facility, provided they have fulfilled their pay-in obligations. The CCs shall provide instructions to depositories for securities pay-out to the clients, which shall be directly delivered to client's account without the need of handling of such securities pay-out by TM/CM. For all other clients and proprietary account of CM/TM, there shall be single net settlement by CC to CM as is currently being done.

25.9. Release of block

25.9.1. Client can request for release of block to TM through TM app. TM shall request CM, and CM shall request CC. In case the TM, CM and CC do not have any residual claim, the CC shall release the block through UPI. Upon release of the block, the client's bank shall unfreeze the amount in the account of the client. Information regarding release shall be shared by NPCI with CC (through CC's sponsor bank) who in-turn shall transmit it to CM and TM. Further, since the release of the block is going to result in collateral being unallocated in favour of the client, as per the existing process, the CC shall send a notification to the client regarding the collateral being removed.

25.10. Various scenarios

25.10.1. An analysis of how various scenarios i.e. (i) prefunded purchase by client, (ii) delivery sale by client by EPI, (iii) purchase/ sale by client supported by margins and (iv) intraday cash market/ derivatives trading, would be handled under the proposed UPI block facility vis-a-vis the current process is placed as Annexure-7.

25.11. Dealing with shortages:

25.11.1. Cash Market: Funds shortage

25.11.1.1. CC shall provide pay-out of securities to the client's demat account and instruct the depository to auto-pledge such securities to the TM's "client unpaid securities pledgee account".

25.11.1.2. CC shall maintain the shortage amount of client. The obligation shall devolve on TM's CM, who shall settle the same with CC.

25.11.1.3. If client provides additional block subsequently, the CC shall debit the amount to the extent of shortfall and provide the same to the CM.

- 25.11.1.4. In case client fails to provide the amount, then TM can sell the securities pledged in favour of Client Unpaid Securities Pledgee Account (CUSPA) and/ or provided by way of margin pledge and mark early pay-in.
- 25.11.1.5. Out of the funds pay-out due to the client, amount to the extent of shortfall shall be paid to the CM who fulfilled the obligation. The remaining funds, if any, shall be paid out to the client.
- 25.11.1.6. The CC shall continue to maintain and update the residual short amount of the client, if any.

25.11.2. Cash Market: Securities shortage

- 25.11.2.1. Funds pay-out shall not be provided to the client. The amount shall be withheld by CC and used towards requirement of funds in lieu of securities delivered short.
- 25.11.2.2. Funds required in lieu of securities shortage in excess of funds pay-out shall be debited from block amount of client. In case of insufficient blocked amount, the same shall devolve on clearing member.

[Illustration: Consider a scenario when a share sold for Rs. 100 was not delivered and last closing price available on settlement day was Rs. 105. In such a case, the CC shall not provide the pay-out of Rs. 100 to the client and in addition shall debit Rs. 5 from the block amount of the client. In case the blocked amount is insufficient, then CC shall debit this amount to CM.]

- 25.11.2.3. Auction shall be conducted to buy the securities short delivered by UPI clients.
- 25.11.2.4. If actual amount required towards auction purchase or financial close-out exceeds the pay-out amount referred to in para 4.7.2.2 above, the same shall be debited from client block. In case of insufficient client block, the same shall devolve on clearing member.
- 25.11.2.5. In case of any devolvement on member, the short amount of client shall be maintained and in case any blocking is done in future, the block shall be debited to the extent of shortfall and provided to the clearing member.

25.11.3. Shortfall: Derivatives

- 25.11.3.1. CC shall debit block to the extent of pay-in requirements, irrespective of whether such debit causes a margin shortfall. In exceptional circumstances, if pay-in exceeds the margin, the residual amount shall devolve on CM.

- 25.11.3.2. In case of margin shortfall, TM/CM can close-out the position of the client and resultant loss shall be debited to the block or resultant profit shall be paid out to the client by the CC. Till the time TM/CM closes-out the position, the provisions related to deemed allocation of proprietary collateral shall apply.
- 25.11.3.3. In case obligations have devolved on CM, any pay-out resulting from close-out of positions, or any new block created by client, to the extent of devolvement, shall be provided to the CM.
- 25.12. Since the framework requires certain changes to be made in the systems and processes of clearing corporations, stock exchanges, depositories, stock brokers and NPCI, the concerned entities are expected to make requisite changes and test the systems and processes for robustness thereafter to make the facility live by January 01, 2024.
- 25.13. To begin with, the facility may be made available in the equity cash segment. The CCs may extend the facility to additional segments subsequently.
- 25.14. Further, detailed operational guidelines including mode of brokerage collection shall be issued by CCs in consultation with relevant stakeholders such as stock exchanges, depositories etc.



26. Annexures

Annexure 1

Format of the daily reporting by the members to the Stock Exchange on the amount financed by them under the Margin Trading Facility

Name of the member

Clearing No

Name of Client	Category of Holding (Promoter/Promoter Group or Non Promoter)	PAN	Name of Stock or Equity ETF (Collateral or Funded Stock)	Stock Exchange	Quantity Financed (Number of Shares or Units of Equity ETFs)	Amount Financed (INR in lakhs)

Sr. No	Particulars	(INR in lakh)
1	Total outstanding on the beginning of the day	
2	Add: Fresh exposure taken during the day	
3	Less: Exposure liquidated during the day	
4	Net outstanding at the end of the day	

Source of Funds

1	Out of net worth	
2	Out of borrowed funds	

3	If borrowed, name of lenders and amount borrowed to be specified separately	
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Note: Disclosure is required to be made on or before 12 noon on the following trading day.

Annexure 2

Format for dissemination of information by the Stock Exchange

Name of the Stock/ Equity ETF	Quantity Financed by all the members (Number of shares or units of Equity ETFs)	Amount financed by all the members (INR in lakh)

Sr. No.	Particulars	(INR in lakh)
1	Scrip-wise total outstanding on the beginning of the day	
2	Add: Fresh exposure taken during the day	
3	Less: Exposure liquidated during the day	
4	Net scrip-wise outstanding at the end of the day	

Note: Disclosure is required to be made immediately before end of the following trading day in respect of previous day's margin trading facility

Annexure 3 - Broad framework for short selling⁸²

1. "Short selling" shall be defined as selling a stock which the seller does not own at the time of trade.

⁸² SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/1 January 05, 2024

2. All classes of investors, viz., retail and institutional investors, shall be permitted to short sell.
3. Naked short selling shall not be permitted in the Indian securities market and accordingly, all investors would be required to mandatorily honour their obligation of delivering the securities at the time of settlement.
4. No institutional investor shall be allowed to do day trading i.e., square-off their transactions intra-day. In other words, all transactions would be grossed for institutional investors at the custodians' level and the institutions would be required to fulfill their obligations on a gross basis. The custodians, however, would continue to settle their deliveries on a net basis with the stock exchanges.
5. The stock exchanges shall frame necessary uniform deterrent provisions and take appropriate action against the brokers for failure to deliver securities at the time of settlement which shall act as a sufficient deterrent against failure to deliver.
6. A scheme for Securities Lending and Borrowing (SLB) shall be put in place to provide the necessary impetus to short sell. The introduction of a full-fledged securities lending and borrowing scheme shall be simultaneous with the introduction of short selling by institutional investors.
7. The securities traded in F&O segment shall be eligible for short selling. SEBI may review the list of stocks that are eligible for short selling transactions from time to time.
8. The institutional investors shall disclose upfront at the time of placement of order whether the transaction is a short sale. However, retail investors will be permitted to make a similar disclosure by end of the trading hours on the transaction day.
9. The brokers shall be mandated to collect the details on scrip-wise short sell positions, collate the data and upload it to the stock exchanges before the commencement of trading on the following trading day. The stock exchanges shall then consolidate such information and disseminate the same on their websites for the information of the public on a weekly basis. The frequency of such disclosure may be reviewed from time to time with the approval of SEBI.

Annexure 4 - Broad framework for securities lending and borrowing

1. The stock exchanges shall put in place, a full-fledged securities lending and borrowing (SLB) scheme, within the overall framework of "Securities Lending Scheme, 1997" (the scheme), that is open for all market participants in the Indian securities market.



2. To begin with, the SLB shall be operated through Clearing Corporation/ Clearing House of stock exchanges having nation-wide terminals who will be registered as Approved Intermediaries (AIs) under the SLS, 1997.
3. The SLB shall take place on an automated, screen based, order-matching platform which will be provided by the AIs. This platform shall be independent of the other trading platforms.
4. In addition to the scrips on which derivatives contracts are available, scrips that fulfil the following criteria shall be considered eligible for SLB:
 - i. Scrip classified as 'Group I security' as specified in Chapter 4 of this Master Circular;
AND
 - ii. Market Wide Position Limit (MWPL) of the scrip, shall not be less than Rs.100 crores;
AND
 - iii. Average monthly trading turnover in the scrip in the Cash Market shall not be less than Rs.100 crores in the previous six months.
5. Stock exchanges shall review the scrips eligible for SLB on a half-yearly basis. In the event a scrip fails to meet the eligibility criteria, no new SLB transaction shall be allowed in the scrip from the next trading day. However, the existing contracts in such scrips shall be allowed to continue till expiry.⁸³
6. All categories of investors including retail, institutional etc. will be permitted to borrow and lend securities. The borrowers and lenders shall access the platform for lending/borrowing set up by the AIs through the clearing members (CMs) (including banks and custodians) who are authorized by the AIs in this regard.
7. The Authorised Intermediary (AIs) shall enter into an agreement with Clearing Members (CMs) for the purpose of facilitating lending and borrowing of securities. The agreement shall specify the rights, responsibilities and obligations of the parties to the agreement. The agreement shall include the basic conditions for lending and borrowing of securities as prescribed under SLB framework. Further, the exact role of AIs/ CMs vis-à-vis the clients shall be laid down in the agreement. AIs shall ensure that there shall not be any direct agreement between the lender and the borrower. In addition to that, AIs may also include suitable conditions in the agreement to have proper execution, risk management and settlement of lending and borrowing transactions with clearing

⁸³ Amended vide Circular No. MRD/DP/18/2013 dated May 30, 2013.

member and client. The AIs shall frame a rights and obligations document laying down the rights and obligation of CMs and clients for the purpose of lending and borrowing of securities. The rights and obligation document shall be mandatory and binding on the CMs and the clients for executing trade in the SLB framework.⁸⁴

8. The AIs shall allot a unique ID to each client which shall be mapped to the Permanent Account Number (PAN) of the respective clients. The AIs shall put in place appropriate systemic safeguards to ensure that a client is not able to obtain multiple client IDs.
9. The tenure of contracts in SLB may be up to a maximum period of 12 months. The Approved Intermediary (Clearing corporation/ Clearing House) shall have the flexibility to decide the tenure (maximum period of 12 months).⁸⁵ In this regard, it is clarified that AIs can introduce contracts of different tenures ranging from 1 day to 12 months based on the need of the market participants.
10. The settlement cycle for SLB transactions shall be on T+1 basis. The settlement of lending and borrowing transactions shall be independent of normal market settlement.
11. The settlement of the lending and borrowing transactions shall be done on a gross basis at the level of the clients, i.e., no netting of transactions at any level will be permitted.
12. AIs would frame suitable risk management systems to guarantee delivery of securities to borrower and return of securities to the lender. In the case of lender failing to deliver securities to the AI or borrower failing to return securities to the AI, the AI shall conduct an auction for obtaining securities. In the event of exceptional circumstances resulting in non-availability of securities in auction, such transactions would be financially closed-out at appropriate rates, which may be more than the rates applicable for the normal close-out of transactions, so as to act as a sufficient deterrent against failure to deliver securities.
13. Position limits shall be as under:⁸⁶
 - i. The market wide position limit for SLB transactions shall be 10% of the free-float capital of the company in terms of number of shares;
 - ii. No clearing member shall have open position of more than 10% of the market wide position limit. The position limit for an Institutional Investor shall be the same as that for a clearing member;

⁸⁴ Circular No. SEBI/MRD/DP/19/2014 dated June 03, 2014

⁸⁵ Circular No. SEBI/MRD/DoP/SE/Dep/Cir- 01 /2010 dated January 06, 2010

⁸⁶ Circular No. CIR/MRD/DP/122/2017 dated November 17, 2017

- iii. The client level position limit shall not be more than 1% of the market wide position limit.
14. There shall be no lending/borrowing activity during the periods of corporate action in the security and shall be disclosed by AI to the market.
15. Details of treatment of corporate actions during the contract tenure, such as Dividend, stock split etc., are specified as below:⁸⁷
- i. Dividend: The dividend amount would be worked out and recovered from the borrower on the book closure/ record date and passed on to the lender.⁸⁸
 - ii. Stock split: The positions of the borrower would be proportionately adjusted so that the lender receives the revised quantity of shares.
 - iii. Other corporate actions such as bonus/ merger/ amalgamation / open offer etc.: The contracts would be foreclosed on the Ex-date. The lending fee would be recovered on a pro-rata basis from the lender and returned to the borrower.
 - iv. AGM/EGM: In the event of the corporate actions which is in nature of AGM/EGM, presently the AIs are mandatorily foreclosing the contracts. It has been represented by market participants that mandatory foreclosure during the life of the contract may not be necessary as, all lenders may not be interested in taking part in the AGM/EGM. It has therefore been decided that the AIs shall provide the following facilities to the market participants:
 - a. Contracts which shall continue to be mandatorily foreclosed in the event of AGM/EGM.
 - b. Contracts which shall not be foreclosed in the event of AGM/EGM.
16. Any borrowing/lending and return of securities would not amount to purchase/disposal/transfer of the same for the purpose of compliance with the extant FDI/FPI limits and the norms regarding acquisition of shares/disclosure requirements specified under the various Regulations of SEBI.
17. Adequate systems shall be put in place by the stock exchanges/Depositories to distinguish the SLB transactions from the normal market transactions in the demat system.

⁸⁷ Circular No. CIR/MRD/DP/122/2017 dated November 17, 2017

⁸⁸ Circular No. CIR/MRD/DP/ 33 /2010 dated October 07, 2010

18. AIs shall provide suitable arbitration mechanism for settling the disputes arising out of the SLB transactions executed on the platform provided by them.
19. AIs shall disseminate in public domain, the details of SLB transactions executed on the platform provided by them and the outstanding positions on a weekly basis. The frequency of such disclosure may be reviewed from time to time with the approval of SEBI.
20. With a view to facilitate physical settlement of equity derivatives contracts, it has been decided to permit Stock exchanges to set their trading hours in the SLB Segment, subject to the condition that:⁸⁹
 - i. The trading hours are between 9 AM and 5 PM, and
 - ii. The Exchange/ Clearing Corporation has in place risk management system and infrastructure commensurate to the trading hours

21. Risk Management

- i. With regard to risk management in SLB, it is advised that common risk management practices shall be followed by stock exchanges for SLB. It is reiterated that the exchanges should ensure that the risk management framework strikes a balance between ensuring commercial viability of SLB transactions and ensuring adequate and proper risk management. Exchanges should satisfy themselves regarding the adequacy of the risk management system.
 - ii. The collateral to be accepted for meeting margin obligations related to SLB transactions shall be in the same form as applicable in the Cash Market.⁹⁰
22. The lender/ borrower shall be provided with a facility for early recall / repayment of shares.⁹¹
23. In case the borrower fails to meet the margin obligations, the Approved Intermediary (AI) shall obtain securities and square off the position of such defaulting borrower, failing which there shall be a financial close-out.
24. In case lender recalls the securities any time before completion of the contract, the AI on a best effort basis shall try to borrow the security for the balance period and pass it onward to the lender. The AI will collect the lending fee from the lender who has sought early recall.

⁸⁹ Circular No. SEBI/CIR/MRD/DoP-1/P/125/2018 dated August 24, 2018

⁹⁰ Circular No. MRD/DP/18/2013 dated May 30, 2013.

⁹¹ Circular No. SEBI/MRD/DoP/SE/Cir-01/2010 dated January 06, 2010

25. In case of early recall by the lender, the original contract between the lender and the AI will exist till the contract with the new lender for the balance period is executed and the securities returned to the original lender.
26. In case of early repayment of securities by the borrower, the margins shall be released immediately on the securities being returned by the borrower to the AI. The AI shall on a best effort basis, try to onward lend the securities and the income arising out of the same shall be passed on to the borrower making the early repayment of securities.
27. In case AI is unable to find a new borrower for the balance period, the original borrower will have to forego lending fee for the balance period.
28. In case of early recall by lender or early repayment of securities by borrower, the lending fee for the balance period shall be at a market determined rate.
29. Operationalisation of Short Selling and Securities Lending and Borrowing⁹²
 - i. The broad framework for short selling by institutional investors and a full-fledged securities lending and borrowing scheme for all market participants were operationalised with effect from April 21, 2008.
30. Introduction of roll-over facility⁹³
 - i. Any lender or borrower who wishes to extend an existing lent or borrow position shall be permitted to roll-over such positions, i.e., a lender who is due to receive securities in the pay out of an SLB session, may extend the period of lending. Similarly, a borrower who has to return borrowed securities in the pay-in of an SLB session, may, through the same SLB session, extend the period of borrowing. The roll-over shall be conducted as part of the SLB session.
 - ii. The total duration of the contract after taking into account rollovers shall not exceed 12 months from the date of the original contract. It is clarified that multiple rollovers of a contract by the lender or borrower is permitted.⁹⁴
 - iii. Rollover shall not permit netting of counter positions, i.e., netting between the 'borrowed' and 'lent' positions of a client.
31. Introduction of Liquid Index Exchange Traded Funds (ETFs) under the SLB scheme

⁹² Circular No. MRD/DoP/SE/Cir-05/2008 dated March 19, 2008

⁹³ Circular No. CIR/MRD/DP/30/2012 dated November 22, 2012

⁹⁴ Modified vide Circular No. CIR/MRD/DP/122/2017 dated November 17, 2017

- i. Liquid Index ETFs shall be eligible for trading in the SLB segment.
- ii. For the purposes of this circular, an Index ETF shall be deemed 'liquid' provided the Index ETF has traded on at least 80% of the days over the past 6 months and its impact cost over the past 6 months is less than or equal to 1%.
- iii. Positions limits for SLB in respect of ETFs shall be based on the assets under management of the respective ETF.

Annexure 5

List of Permissible Jurisdictions and International Exchanges

1. United States of America - NASDAQ, NYSE
2. Japan - Tokyo Stock Exchange
3. South Korea - Korea Exchange Inc.
4. United Kingdom excluding British Overseas Territories- London Stock Exchange
5. France - Euronext Paris
6. Germany - Frankfurt Stock Exchange
7. Canada - Toronto Stock Exchange
8. International Financial Services Centre in India - India International Exchange,
9. NSE International Exchange

Annexure 6

1. Listed Company shall appoint one of the Indian Depository as the Designated Depository for the purpose of monitoring of limits in respect of Depository Receipts.
2. The Designated Depository in co-ordination with Domestic Custodian, other Depository and Foreign Depository (if required) shall compute, monitor and disseminate the Depository Receipts (DRs) information as prescribed in the framework. The said information shall be disseminated on website of both the Indian Depositories. For this purpose, the Designated Depository shall act as a Lead Depository and the other depository shall act as a Feed Depository.
3. Domestic Custodian shall:
 - 3.1. Provide one-time details of DRs in the format and manner as may be prescribed by the Indian Depositories.

- 3.2. Provide the requisite information as may be prescribed by Designated Depository for the purpose of computation of information in respect of Depository Receipts as and when requested.
- 3.3. Ensure that the underlying permissible securities, pertaining to a listed company, against which DRs are issued in the Permissible Jurisdiction, are held in a demat account, under a separate Type & Sub-Type as prescribed by the Indian Depositories for the purpose of issue of DRs.
- 3.4. Provide certificate / declaration / information, to the Designated Depository in the prescribed format upon termination/cancellation of DR program. For this, the issuer or Foreign Depository shall be required to report such termination / cancellation to the Domestic Custodian.
4. Procedure for the purpose of monitoring of limits
- 4.1. The Designated Depository shall forward the list of such companies (ISINs) for which it will be monitoring the DR issuance to Feed Depository. For any addition or deletion of ISINs, the Designated Depository shall communicate to the Feed Depository regarding the same through Incremental information sent on a periodic basis.
- 4.2. Feed Depository shall provide the ISIN wise demat holdings of investors tagged with separate sub-type to the Designated Depository on a daily basis.
- 4.3. The Designated Depository shall ascertain the details of holdings pertaining to Foreign Depository lying under demat account(s) tagged under such separate Type & Sub-Type as well as other investors with 'DR' sub type held at both depositories and consolidate such holdings to arrive at the outstanding Permissible Securities against which the DRs are outstanding.
- 4.4. Calculation of headroom i.e. 'the limit up to which Permissible Securities can be converted to DRs', may be undertaken in the following manner:

	Particulars
(A)	Number of DRs originally issued including corporate action
(B)	Outstanding Permissible Securities against

	which the DRs are outstanding
(C)	Re-issuance approval granted by Domestic Custodian (unutilized) at End of Day
Headroom = A - (B + C)	the limit up to which Permissible Securities can be converted to DRs

4.5. The Indian Depositories shall exchange with each other their respective list of companies, for dissemination of DR headroom related information, which shall be consolidated by both depositories and thereafter published on their respective websites.

5. Re-issuance mechanism

- 5.1 For the purpose of re-issuance of permissible securities, a Foreign Investor shall request SEBI registered Broker with requisite quantity of securities (based on available headroom) required for re-issuance of depository receipts which shall be forwarded to the Domestic Custodian.
- 5.2 Based on last available headroom disseminated by Designated Depository, the Domestic Custodian shall grant approval (*T- day where T is date of approval granted by Domestic Custodian*) to such request received from SEBI registered Broker for re-issuance purpose which shall be valid for a period of 3 trading days (T+3) from the date of approval of request granted by Domestic Custodian.
- 5.3 The Domestic Custodian shall report such request approvals along with requisite quantity granted to Designated Depository on same day (i.e. T day) and based on which the Designated Depository shall block the quantity for the purpose of calculation of Headroom.
- 5.4 The Domestic Custodian shall report the status of utilisation of such approved request to the Designated Depository upon receipt of securities in the demat account of Foreign Depository for the purpose of calculation of Headroom. The domestic custodian shall report the final utilisation status of such approved request with respect to receipt of securities on D+1 basis (where D is a date of credit of security in the Foreign Depository's account) before such time as may be prescribed by Designated Depository. In case of non-receipt of securities within the specified timeline, Custodian shall unblock the requisite quantity of approval granted and report the same to Designated Depository.

6. Monitoring of Investor group limits⁹⁵

- 6.1. FPI shall report the details of all such FPIs forming part of the same investor group as well as Offshore Derivative Instruments (ODI) subscribers and / or DR holders having common ownership, directly or indirectly, of more than fifty percent or on the basis of common control, to its Designated Depository Participant (DDP). The investor group may appoint one such FPI to act as a Nodal entity for reporting the aforesaid grouping information to its DDP in the format enclosed at Annexure 6.1. Further, such Nodal FPI shall report the investment holding in the underlying Indian security as held by ODI subscriber and/ or as DR holder, including securities held in the Depository Receipt account upon conversion ('DR conversion' account), to its Domestic Custodian on a monthly basis (by the 10th of every month) in the format enclosed at Annexure 6.2. Similarly, the FPIs who do not belong to the same investor group shall report such investment holding details in the underlying Indian security as ODI subscriber and/ or as DR holder, including securities held in the 'DR conversion' account, to its Custodian in the aforesaid format on a monthly basis (by 10th of the month).
- 6.2. The DDP shall report FPI grouping information as reported by Nodal FPI to such Indian Depository (by 17th of the month) where FPI group demat accounts are held in the manner and format as specified by such Indian Depository. Similarly, the Custodian of Nodal entity (who also happen to be the DDP) shall report the investment holdings in the underlying Indian security as held by the ODI subscriber and/ or DR holder in respect of the aforesaid FPI group on monthly basis to such Indian Depository (by 17th of the month) where FPI group demat accounts are held in the manner and format as specified by such Indian Depository.
- 6.3. The Depository which monitors the FPI group limits shall club the investment pertaining to DR holding, ODI holding and FPI holding of same investor group and monitor the investment limits as applicable to FPI group in a Listed Indian company on a monthly basis. However, in respect of FPIs which do not belong to the same investor group, responsibility of monitoring the investment limits of FPI shall be with the respective DDP/ Custodian. The Custodian of such FPIs not forming part of investor group shall club the investment as held by FPIs as well as investment as held by such FPI in the capacity of ODI subscriber and/ or DR holder and monitor the investment limits as applicable to single FPI. In case where the investment holding breaches the prescribed limits, the Indian Depository/

⁹⁵ The monitoring of investor group limits has been kept in abeyance with effect from May 6, 2021

Custodian, as the case may be, shall advise the concerned investor/ investor group, to divest the excess holding within 5 trading days similar to requirement prescribed under SEBI Circular dated November 05, 2019 on 'Operational Guidelines for FPIs & DDPs under SEBI (Foreign Portfolio Investors), Regulations 2019 and for Eligible Foreign Investors.

Annexure 6.1

Sr. No.	Name of reporting FPI (Nodal Entity)	Registration No. of Reporting FPI (Nodal Entity) mentioned in column B	Name of FPI/ ODI Subscriber with whom the applicant shares, ownership of more than 50% common control	Type of Client viz. FPI or ODI subscriber or DR holder	Registration No. of FPI mentioned at Column D	LEI No. of entity mentioned at Column D (for ODI subscriber or DR holder)	If ODI subscriber, please mention name of dealing FPI	Jurisdiction/ Country of entity mentioned at Column D
A	B	C	D	E	F	G	H	I

d

Annexure 6.2

Sr. No.	Name of reporting FPI (Nodal Entity)	Registration No. of Reporting FPI (Nodal Entity)	Name of ODI Subscriber or DR holder having investment in Indian Securities	LEI No. of ODI subscriber or DR holder mentioned at Column	ISIN of the Security	ISIN Description or name of the security	Quantity of securities held (in ratio as being held)	Value of securities held	As on date (DD - MM - YYYY)
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		Entit y) ment ione d in colu mn B	through ODI or DR route	n D			in India)		
A	B	C	D	E	F	G	H	I	J

Note:

2. Reference ISIN No. - ISIN of the underlying Indian Security (ISINs issued by NSDL for underlying security).
3. The quantity of securities in the requisite ISIN / or Indian Security shall be reported in the ration as being held in India.
4. The securities shall be reported as at the end of the month.
5. For the purpose of valuation, the closing price of such security as at the end of the month in India be considered for the computation of value of securities held.



Annexure 7 - Various Scenarios

Current Process	Proposed Process
Scenario 1: Prefunded purchase by client	
<p>21. Client transfers Rs. 150 to member.</p> <p>22. Member may retain the client funds with itself and allocate collateral to the extent of 20% margin requirements at the CC (Say Rs. 30).</p> <p>23. Client purchases a share for Rs. 100, the margin collection requirement is Rs. 20 which is blocked from client's allocation.</p> <p>24. Collateral is released after the member completes the net settlement with the CC.</p>	<p>25. Client creates a block of Rs. 150 in favour of the CC. The amount shall get allocated as collateral.</p> <p>26. The client purchases a share worth Rs. 100. The margin requirement is 20, this shall get adjusted from the block (which is allocated as collateral).</p> <p>27. STT and stamp duty shall be 11 paise, which shall be added to the client's obligation. The CC shall debit 100.11 towards settlement at the stipulated time.</p> <p>28. With the successful debit from the client, the securities receivable by the client shall be provided in the client's depository account directly by the CC at the time of settlement pay-out.</p>
Scenario 2: Delivery sale by client by early pay-in	
<p>29. Client uses block mechanism for early pay-in of securities</p> <p>30. Such early pay-in information is received by the CC from depositories.</p> <p>31. A sell order is executed on behalf of the client.</p> <p>32. If sell order is executed after early pay-in, then no margin is applicable at any time.</p> <p>33. If early pay-in is received subsequent to the sell order execution, the proprietary collateral of the member shall be blocked till</p>	<p>35. The client shall provide securities as early pay-in through the block mechanism only.</p> <p>36. If the early pay-in information is received from depository before trade execution, there shall be no margin. If the information is received subsequently, the proprietary collateral of the member shall be blocked till the receipt of early pay-in.</p> <p>37. Since the client has completed the settlement, the CC shall pay out funds directly in the client account. While providing the funds pay-out, CC shall deduct the STT and stamp</p>



receipt of early pay-in.	duty.
34. While providing pay-out to the client, the member may adjust other statutory dues (stamp duty, STT), brokerage etc.	
38. Scenario 3: Purchase/sale by client supported by margins	
39. Client provides 20% margin to the member. Client can execute trades based on the margins on trade date. The client shall need to provide the remaining 80% amount (in case of purchase) or deliver the security (in case of sale) till the applicable settlement deadline.	40. The client may create only partial block to the extent of margin instead of entire upfront value or early pay-in through block mechanism. . The client shall need to provide additional block or provide early pay-in till the stipulated time. Further process shall be same as discussed in Scenario 1 and Scenario 2.
41. Scenario 4: Intraday cash market/derivatives trading	
42. Client provides margin money to the member. Client carries out intraday trading or trade in derivatives. There are no exchange-of-value delivery obligations (funds against securities or vice-versa), but only losses or gains. Losses shall be deducted from the margin money given by clients and gains may be added to the margin money of client or paid out.	43. In case of losses, the CC shall debit the block to the extent of losses towards client pay-in. 44. In case of gains, the pay-out shall be given by CC in the client account. The CC shall not add the pay-out to the funds collateral of the client, and if desired the client may create another block.



REFERENCE: List of Circulars

1. Circular No. SMD/RCG/CIR/(BKG)/293/95 dated March 14, 1995.
2. Circular No. SMD/POLICY/IECG/ 1 – 97 dated February 11, 1997.
3. Circular No. SMDRP/POLICY CIR-2/99 dated January 14, 1999.
4. Circular No. SMDRP/POLICY/Cir-8/99 dated April 26, 1999.
5. Circular No. SMDRP/POLICY/CIR-32/99 dated September 14, 1999.
6. Circular No. SMDRP/Policy/Cir.- 21/99 dated July 08, 1999.
7. Circular No. SMDRP/POLICY/CIR-04/2000 dated January 20, 2000.
8. Circular No. SMDRP/Policy/Cir-41/2000 dated September 11, 2000.
9. Circular No. SMDRPD/Policy/Cir-37 /2001 dated June 28, 2001.
10. Circular No. SMDRP/Policy/CIR-39/2001 dated July 18, 2001.
11. Circular No. SMDRP/POLICY/CIR-14/2002 dated June 25, 2002.
12. Circular No D&CC/FITTC/CIR – 16/2002 dated December 31, 2002.
13. Circular No. SEBI/SMD/SE/11/2003/31/03 dated March 31, 2003.
14. Circular No. SEBI/MRD/SE/Cir- 42 /2003 dated November 19, 2003.
15. Circular No. SEBI/MRD/SE/Cir- 32/2003/27/08 dated August 27, 2003.
16. Circular No. SEBI/MRD/SE/Cir-34 /2003/29/09 dated September 29, 2003
17. Circular No. SEBI/MRD/SE/Cir-38/2003 dated October 8, 2003
18. Circular No. SEBI/MRD/SE/Cir-7 /2004 dated January 14, 2004.
19. Circular No. SEBI/MRD/SE/Cir- 12/2004 dated February 26, 2004.
20. Circular No SEBI/MRD/Policy/CIR-13/2004 dated March 3, 2004.
21. Circular No. SEBI/MRD/Policy/AT/Cir-20/2004 dated April 30, 2004.
22. Circular No. MRD/DoP/SE/Cir-28/2004 dated August 23, 2004.
23. Circular No. MRD/DoP/SE/Cir- 35/2004 dated October 26, 2004.
24. Circular No. MRD/DoP/SE/Cir- 19 /05 dated September 2, 2005.
25. Circular No. MRD/DoP/SE/Cir- 8 /2006 dated July 13, 2006.
26. Circular No. MRD/DoP/Dep/Cir-09/06 dated July 20, 2006.
27. Circular No. MRD/DoP/Dep/SE/Cir -09/06 dated July 20, 2006.
28. Circular No. MRD/DoP/Dep/SE/Cir-13/06 dated September 26, 2006.
29. Circular No. MRD/DoP/Dep/SE/Cir -17/06 dated October 27, 2006.
30. Circular No. MRD/DoP/Cir-05/2007 dated April 27, 2007.
31. Circular No. MRD/DoP/SE/Dep/Cir- 14 /2007 dated December 20, 2007.
32. Circular No. MRD/DoP/SE/Cir- 05 /2008 dated March 19, 2008.
33. Circular No. MRD/DoP/Cir-20/2008 dated June 30, 2008.
34. Circular No. MRD/DoP/SE/Cir- 31 /2008 dated October 31, 2008.
35. Circular No. MRD/DoP/ Cir-05/2009 dated May 20, 2009.
36. Circular No. MRD/DoP/SE/Cir-14/2009 dated October 14, 2009.
37. Circular No. MRD/DoP/SE/Cir- 21 /2009 dated December 9, 2009.
38. Circular No. SEBI/MRD/DoP/SE/Dep/Cir- 01 /2010 dated January 06, 2010.
39. Circular No. SEBI/MRD/DoP/SE/RTA/Cir-03/2010 dated January 07, 2010.
40. Circular No.MRD/DP/14/2010 dated April 26, 2010.

41. Circular No. CIR/MRD/DP/21/2010 dated July 15, 2010.
42. Circular No CIR/MRD/DP/30/2010 dated September 6, 2010.
43. Circular No. CIR/MRD/DP/32/2010 dated September 17, 2010.
44. Circular No. CIR/MRD/DP/ 33/2010 dated October 07, 2010.
45. Circular No. CIR/MRD/DP/07/2011 dated June 16, 2011.
46. Circular No. CIR/DNPD/6/2011 dated July 5, 2011
47. Circular No. CIR/MRD/DP/01/2012 dated January 20, 2012.
48. Circular No. CIR/MRD/DP/02/2012 dated January 20, 2012.
49. Circular No. CIR/MRD/DP/05/2012 dated February 01/ 2012.
50. Circular No. CIR/MRD/DP/7/2012 dated February 23, 2012.
51. Circular No. CIR/MRD/DP/8/2012 dated February 27, 2012.
52. Circular No. CIR/MRD/DP/18/2012 dated July 18, 2012.
53. Circular No. CIR/MRD/DP/30/2012 dated November 22, 2012.
54. Circular No. CIR/MRD/DP/34/2012 dated December 13, 2012.
55. Circular No. CIR/MRD/DP/03/2013 dated January 24, 2013
56. Circular no. CIR/MRD/DP/04/2013 dated January 25, 2013.
57. Circular No. CIR/MRD/DP/05/2013 dated February 08, 2013.
58. Circular No. CIR/MRD/DP/6/2013 dated Februaty 14, 2013.
59. Circular No. CIR/MRD/DP/17/2013 dated May 30, 2013.
60. Circular No. CIR/MRD/DP/18/2013 dated May 30, 2013.
61. Circular No. CIR/MRD/DP/25/2013 dated September 03, 2013.
62. Circular No CIR/MRD/DP/27/2013 dated September 12, 2013
63. Circular No. CIR/MRD/DP/38/2013 dated December 19, 2013.
64. Circular No. CIR/MRD/DP/04/2014 dated February 06, 2014.
65. Circular No. SEBI/MRD/DP/19/2014 dated June 03, 2014.
66. Circular No. CIR/MRD/DP/14/2014 dated April 23, 2014.
67. Circular No. CIR/MRD/DP/24/2014 dated August 08, 2014.
68. Circular No. CIR/MRD/DP/32/2014 dated December 01, 2014.
69. Circular No. CIR/MRD/DP/02/2015 dated January 12, 2015.
70. Circular No. CIR/MRD/DP/12/2015 dated June 26, 2015.
71. Circular No. CIR/MRD/DP/15/2015 dated July 16, 2015
72. Circular No. CIR/CFD/CMD/12/2015 dated November 30, 2015.
73. Circular No. CIR/MRD/DP/ 36 /2016 dated February 15, 2016.
74. Circular No. SEBI/HO/CDMRD/DMP/CIR/P/2016/49 dated April 25, 2016
75. Circular No. SEBI/HO/CDMRD/DMP/CIR/P/2016/73 dated August 19, 2016
76. Circular No. MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
77. Circular No. CIR/MRD/DP/ 65 /2017 dated June 27, 2017
78. Circular No. CIR/MRD/DP/54/2017 dated June 13, 2017
79. Circular No. CIR/MRD/DP/86/2017 dated August 01, 2017
80. Circular No. CIR/MRD/DP/118/2017 dated October 26, 2017
81. Circular No. CIR/MRD/DP/122/2017 dated November 17, 2017
82. Circular No. SEBI/CIR/MRD/DoP-1/P/125/2018 dated August 24, 2018
83. Circular No. SEBI/HO/MRD/DOP I/CIR/P/2018/159 dated December 28, 2018

84. Circular No. SEBI/HO/MRD/DOP1/CIR/P/2019/106 dated October 10, 2019
85. Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2019/146 dated November 28, 2019
86. Circular No. SEBI/HO/MRD1/DSAP/CIR/P/2020/29 dated February 26, 2020
87. Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/158 dated August 27, 2020
88. Circular No. SEBI/HO/MRD/DCAP/CIR/P/2020/190 dated October 01, 2020
89. Circular No. SEBI/HO/MRD2/DCAP/CIR/P/227 dated November 06, 2020
90. Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/243 dated December 18, 2020
91. Circular No. SEBI/HO/MRD/DSA/CIR/P/2021/623 dated September 01, 2021
92. Circular No. SEBI/HO/MIRSD/DoP/P/CIR/2022/4 dated April 04, 2022
93. Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137 dated October 06, 2022
94. Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2022/166 dated November 30, 2022.
95. Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/10 dated January 10, 2023
96. Circular No. SEBI/HO/MRD-TPD1/CIR/P/2023/55 dated April 11, 2023
97. Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/1 dated January 05, 2024
98. Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/6 dated January 23, 2024
99. Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2024/58 dated May 24, 2024
100. Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/82 dated June 14, 2024
101. Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/86 dated June 20, 2024 4
102. Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/85 dated June 20, 2024
103. Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/118 dated September 11, 2024
104. Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2024/92 dated July 01, 2024