



**Nodal Co-ordination Cell
Informal Guidance**

Issue No. :/11825/2026

May 18,2026

**Mr. Satish Menon,
Executive Director,
Geojit Financial Services Limited
34/659-P, Civil Line Road,
Padivattom, Kochi - 682024, Kerala**

Dear Sir,

Subject: Request for Informal Guidance under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025 on permitting pledging of securities purchased under Non-Discretionary Portfolio Management Services (ND-PMS).

Ref: Your letter dated March 17, 2026

1. In your letter under reference, you have, *inter alia*, represented as under:
 - 1.1. Your services include Non-Discretionary Portfolio Management Services ("ND-PMS"). In the said model, clients open designated bank and demat accounts with the approved custodian and all trading activities are executed through empaneled brokers. Clients also grant power of attorney to the portfolio manager to facilitate transactions that are expressly consented by them.
 - 1.2. The securities purchased under ND-PMS remain in the client's beneficial ownership and are held in the client's name in the demat account with the approved custodian.
 - 1.3. A prospective client has asked you whether they can pledge securities held in their demat account in ND-PMS framework wherein the borrowing arrangement would be between the client and lender and the portfolio manager will not be a party to the borrowing transaction.
2. In view of the above, you have sought guidance in the form of an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025 on the following queries:



Query 1: *Whether a Portfolio Manager may permit a client to pledge securities held in the client's demat account (Securities purchased under the ND-PMS framework) either directly by the client or through an instruction routed via the Portfolio Manager to the Custodian, considering that these securities are the client's property and remain in the client's beneficiary account and that such pledge is initiated solely at the client's discretion for the client's own benefit, not for the Portfolio Manager's benefit.*

Query 2: *Whether such pledge by the client would in any manner be construed as borrowing of funds or securities by the portfolio manager on behalf of the client, as restricted under Regulation 23(8) of the SEBI (Portfolio Managers) Regulations, 2020.*

Query 3: *Whether the market value of securities pledged by the client may continue to be included in the Portfolio Manager's Asset Under Management (AUM) and reflected in regulatory reporting, given that the beneficial ownership of the securities remains with the client and the act of pledging does not alter such ownership.*

Query 4: *Whether any specific disclosure or risk warnings are required to be provided by the Portfolio Manager to the client regarding the risks associated with pledging of securities, including but not limited to the risk of invocation of pledge and loss of securities.*

Query 5: *Whether the Portfolio Manager is required to intimate SEBI or the Custodian regarding such pledging arrangements entered into by the client.*

Query 6: *Any other precautions which we have to take to be compliant with SEBI Regulations.*

3. We have considered the submissions made by you in your letter under reference and without necessarily agreeing with your analysis, our views on the queries raised in your letter are as under:

3.1. For ease of reference, the relevant provisions of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 ("**PMS Regulations**") and Master Circular dated June 16, 2025 for Portfolio Managers are reproduced below:

Regulation 23(1): *"The discretionary portfolio manager shall individually and independently manage the funds of each client in accordance with the needs of the client, in a manner which does not partake character of a Mutual Fund, whereas the non-discretionary portfolio manager shall manage the funds in accordance with the directions of the client."*

Regulation 23(8): *“The portfolio manager shall not borrow funds or securities on behalf of the client.”*

Clause 3.2.3. of the Master Circular: *“The total exposure of the portfolio client in derivatives should not exceed his portfolio funds placed with the Portfolio Manager and the Portfolio Manager should, in essence, invest and not borrow on behalf of his clients.”*

3.2. With respect to Queries 1 & 2:

3.2.1. Regulation 23(1) of the PMS Regulations provides that a Non-Discretionary Portfolio Manager shall manage the funds in accordance with the directions of the client. Thus, the final decision rests entirely with the client. Further, the client, as the beneficial owner of the securities, has the right to use its own assets, including those under PMS, as pledge for loans.

3.2.2. Restrictions with respect to borrowing of funds under Regulation 23(8) of the PMS Regulations does not prevent ND-PMS clients from initiating pledge, provided the pledge is initiated solely by or at the client’s discretion.

3.3. With respect to Query 3:

3.3.1 Pledge does not change the beneficial ownership from client (pledger) to lender (pledgee) unless such pledge is invoked. Since the pledged securities remain with the client, the market value of securities pledged by the client shall continue to be included in the Portfolio Manager’s Asset Under Management until the invocation of pledge and reflected in the regulatory reporting.

3.4 With respect to Query 4 & 6:

3.4.1 Since the queries are general in nature and do not cite applicable legal provisions, the responses to the same are not being provided in terms of paragraph 11(a) and 11(d) of the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025.

3.5 With respect to Query 5:

3.5.1 The Portfolio Manager may be guided by the provisions of the PMS Regulations and the Circulars/Master Circulars issued thereunder from time to time.

4. This letter has been issued with the approval of the competent authority and the guidance is based on the representation made in your application. Different facts or conditions would require a different result. This letter expresses the relevant Department's position on enforcement action only. It does not express the decision of the Board on the questions presented and does not preclude you from taking any other opinion, as deemed appropriate.
5. You may note that the above views are expressed only with respect to the clarification sought in your letter under reference on the PMS Regulations, and do not affect the requirements or applicability of any other law, including the Securities and Exchange Board of India Act, 1992, and the Rules, Regulations, Guidelines or Circulars framed thereunder that are administered by SEBI or of the laws administered by any other authority.

Yours faithfully



Sudha Rani Thirukonda

