

Dated 29th January, 2021

NOTICE

Trading Members are hereby informed that the Exchange has received a Circular from SEBI Vide Ref. No. SEBI/HO/MIRSD/FCR/CIR/P/2021/01 dated January 06, 2021 regarding Refund of security deposit. The contents of the said circular are reproduced hereunder for your information.

Quote: CIRCULAR

SEBI/HO/MIRSD/FCR/CIR/P/2021/01

January 06, 2021

To,
The Managing Director/Executive Director,
All Stock Exchanges

Dear Madam/Sir,

Subject: Refund of security deposit

1. This is with reference to the letter MRD/DSA/OW/14347/4/2019 dated June 10, 2019 issued to NSE regarding refund of security deposit and arbitration mechanism after the surrender of membership of Trading Members (Annexure 1).

2. In this regard, following is advised to all exchanges regarding refund of security deposit on surrender of membership by Trading Members:

A. On approval of application for surrender of Trading Member's registration by SEBI, the Exchange shall release Security Deposit of the Trading Member (engaged in trading on behalf of clients) after the period mentioned at point a) or b), whichever is earlier:

- (a) Three years from the date of receipt of surrender application by Exchange from the Trading Member (in order to meet any investor claims), or
- (b) Five years from the date of disablement of Trading Member's trading terminals by the Exchange.

B. On approval of application for surrender of Trading Member's registration by SEBI, the Exchange shall release Security Deposit of the Trading Member (engaged only in proprietary trading in last three years prior to the date of application) after the period mentioned at point a) or b), whichever is earlier:

- (a) one year from the date of receipt of surrender application by exchange from the Trading Member, or
- (b) three years from the date of disablement of Trading Member's trading terminals by the Exchange.

3. The stock exchanges are advised to: -

- (a) make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately;

(b) bring the provisions of this circular to the notice of the members of the stock exchange and also to disseminate the same through their website; and
(c) communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Development Reports to SEBI.

4. This Circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 read with Section 10 of the Securities Contract (Regulation) Act, 1956 to protect the interests of investors in securities, to promote the development of, and to regulate the securities market.

5. This Circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Pranjal Jayaswal
Deputy General Manager
Market Intermediaries Regulation and Supervision Department
Email - pranjal@sebi.gov.in
Phone No. +91-22-2644 9402

Unquote: -

Trading Members are requested to take note of the aforesaid guidelines of SEBI and act accordingly.

Dhiraj Chakraborty
Compliance Officer

Annexure 1

Securities and Exchange Board of India

Assistant General Manager

Market Regulation Department - Division of SRO Administration1

E-Mail ID: rohits@sebi.gov.in

Ph: (22)-26449103

MRD/DSA/OW/14347/4/2019

June 10, 2019

Ms. Priya Subbaraman
Chief Regulatory Officer
National Stock Exchange Limited,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai 400051

Madam,

Subject: Refund of security deposit

This is with reference to the refund of security deposit and arbitration mechanism after the surrender of membership of trading members.

In this regard, following is advised:

- a. The exchange shall keep security deposit for at least three years from the date of receipt of surrender application from the trading member in order to meet any investor claims.
- b. The exchange shall have a mechanism to entertain arbitration till the limitation period even after the surrender of membership of the trading member.

In view of the above, the exchange is advised to suitably amend its bye-laws, rules and regulations, as applicable, in this regard

Yours faithfully,

Rohit Saraf