

Dated: 29th October, 2021

NOTICE

All Members are hereby informed that the Exchange has received a Circular from SEBI Vide Ref. No. SEBI/HO/MIRSD/DOP/P/CIR/2021/653 dated October 28, 2021, regarding Maintenance of current accounts in multiple banks by Stock Brokers. The contents of the said circular are reproduced hereunder for your information.

Quote:

CIRCULAR

SEBI/HO/MIRSD/DOP/P/CIR/2021/653

October 28, 2021

To,
All Recognized Stock Exchanges
Stock Brokers through Recognized Stock Exchanges
Dear Sir/Madam,

Subject: Maintenance of current accounts in multiple banks by Stock Brokers

1. SEBI vide circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 on "Regulation of Transactions between Clients and Brokers" mandated that all the brokers shall keep the money of the clients in a separate account and their own money in a separate account. Further, SEBI vide circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 on "Enhanced Supervision of Stock Broker/Depository Participants" and CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017 on "Clarification to Enhanced Supervision Circular" provided guidelines on uniform nomenclature to be followed by Stock Brokers for naming and tagging of bank accounts according to which Bank account(s) which hold clients funds shall be named as "Name of Stock Broker -Client Account", Bank account(s) held for the purpose of settlement would be named as "Name of Stock Broker - Settlement Account" and that naming of proprietary bank account is voluntary and all accounts which are not named as Client/Settlement account would be deemed to be proprietary accounts.

2. Reserve Bank of India (RBI) has issued a circular no. DOR.No.BP.BC/7/21.04.048/2020-21 dated August 06, 2020 according to which banks shall not open current accounts for customers who have availed credit facilities in the form of cash credit (CC)/ overdraft (OD) from the banking system and all transactions shall be routed through the CC/OD account. However, on a review, RBI vide circular no. DOR.No.BP.BC.30/21.04.048/2020-21 dated December 14, 2020 has permitted banks to open specific accounts which are stipulated under various statutes and instruction of other regulators/regulatory departments, without any restrictions placed in terms of the RBI circular dated August 06, 2020.

3. SEBI has received representations regarding the issue being faced by Stock Brokers in view of the aforementioned circulars issued by RBI, and was requested to issue instructions to Stock Brokers in respect of maintenance of current accounts in multiple banks.

4. In order to facilitate seamless settlement of funds and for the convenience of investors, it is clarified that Stock Brokers should maintain current accounts in appropriate number of banks (subject to the maximum limit prescribed by Stock Exchanges/SEBI from time to time) for holding the client funds (i.e., Client Account), for settlement purposes (i.e., Settlement Account) and any other accounts mandated by Stock Exchanges such as Exchange Dues Account subject to the condition that brokers are using these accounts for their defined purposes.

5. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully,

Narendra Rawat
General Manager
Market Intermediaries Regulation and Supervision Department

Unquote: -

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

Dhiraj Chakraborty
Compliance Officer