

Sub : Applicability of New SEBI rule (Segment wise 50:50 ratio of Cash and Non-Cash Collateral) effective from 2nd May, 2022

This is with reference to SEBI circular CIR/2021/0598 dated July 20, 2021, Exchanges have already provided visibility

of client-wise collateral (for each client) at all levels of reporting mechanism by their Trading Member (Stock Broker) effective from 1st Oct, 2021.

Silent features of New SEBI rule to be effective from 2nd May, 2022 for collection and utilization of margins at client level:

1. The broker will allocate cash collateral (funds) to each client prior to market opening.
2. Such allocation to a client will have to be segment wise.
3. The 50:50 ratio of cash and non- cash collateral will have to be ensured at client level. If a client has given only securities collateral, the broker will have to allocate such cash collateral out of brokers own funds to that client so that the client can use full value of collateral.
4. If during market hours a client who has not provided any collateral wishes to trade in any segment, not only he has to provide sufficient collateral equivalent to applicable margin, the broker will have to allocate collateral of equivalent amount out of brokers own collateral.
5. In case the broker fails to pre/upfront allocate collateral to client either equivalent to clients margin obligation with at least 50% cash, the amount equivalent to margin used by client will be considered as "deemed allocation". SEBI and Exchanges are right now saying that this will attract penalty for broker.

In view of the above and to avoid interest charges for use of RRBMSDL funds towards client's margin obligation under new regime, it requested that margins provided by client should have at least 50% margin (Segment wise) in the form of cash/cash equivalents for better utilization of their margins. Interest charges at the rate as applicable on Delayed Payment, will be levied if funds deployed by RRBMSDL to meet shortfall (if any) in 50:50 ratio of Cash and Non Cash Collateral provided by client.

In case of any queries or clarifications, please write to us at rrbmsdl@rediffmail.com or call us on **011-23731171** or contact to our office.