METROPOLITAN CLEAR

July 23, 2020

Circular No.: MSE/C&S/ 9269/2020
Ref. No.: MCCIL/All segments/1714/2020

Margin obligations to be given by way of Pledge/Re-pledge in the Depository System

Currently, clearing members are permitted to deposit equity shares of companies, exchange traded funds (ETFs), open ended liquid mutual funds and government securities forming part of the approved list of securities specified by the Metropolitan Clearing Corporation of India Limited (MCCIL) from time to time. Such securities held in electronic form ("demat securities") in the designated depository accounts and pledged in favour of the MCCIL are accepted towards liquid assets for margin obligations of the clearing member.

SEBI vide its circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020 has provided a framework for margin obligations to be given by way of pledge / Re-pledge in Depositary System.

In terms of the provisions of the aforesaid circular, the procedure as stated below shall be followed for acceptance of approved securities as collateral towards liquid assets:

- Clearing members shall be permitted to provide 'Own securities' or trading member proprietary securities or client securities towards the margin deposit requirements. 'Own securities' shall include securities owned by member/ spouse, any of the partners/ their spouses or any of the directors, in case of individual, partnership or corporate members respectively, as the sole/ first joint holder, provided no depositor of securities should be a minor as on the date of deposit thereof.
- Clearing members can provide own securities using the existing facility of Approved Custodians or Margin Pledge facility provided by NSDL and CDSL.
- Clearing members can re-pledge client/trading member(TM) proprietary securities only through Margin Pledge facility provided by NSDL and CDSL.
- The margin pledge facility shall also be applicable for Custodial Participant (CP) clients of clearing members.
- The current prudential limits shall be applied on all securities (OWN and Client/TM Proprietary securities) together.
- Procedure for providing securities through Margin Pledge facility provided by NSDL and CDSL is enclosed as **Annexure 1**.

- Procedure for monitoring of margins against the client/TM proprietary securities is detailed in **Annexure 2.**
- Procedure for release of client/TM proprietary securities is enclosed as **Annexure 3.**
- As per SEBI Circular no SEBI/HO/MIRSD/DOP/CIR/P/2020/88 dated May 25, 2020 the provision of margin pledge shall be implemented from August 01, 2020. All existing pledges from August 01, 2020 shall be considered as clearing member's own securities.
- Clearing members shall pledge client/TM proprietary securities to MCCIL only through margin pledge facility from August 01, 2020 and shall ensure that all existing client/TM proprietary securities pledged with MCCIL are withdrawn by August 31, 2020.

Members are requested to take note of the above.

For and on behalf of
Metropolitan Clearing Corporation of India Limited

Ganesh Kanaujiya
Senior Manager

Encl:
Annexure