

CIRCULAR

SEBI/HO/MIRSD/ MIRSD_DPIEA/P/CIR/2022/83

June 20, 2022

To,

**All Recognised Stock Exchanges
All Depositories
All Registered Stock Brokers through Recognized Stock Exchanges**

Dear Sir/Madam,

Subject: Naming / Tagging of demat accounts maintained by Stock Brokers

1. SEBI vide circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 had mandated uniform nomenclature to be followed by stock brokers for Naming/Tagging of Bank and Demat Accounts to reflect the purpose for which those bank/demat accounts are being maintained and the reporting of such accounts to the Stock Exchanges/Depositories.
2. Subsequently, vide circular no. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017, circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 and circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020, modifications to such naming/tagging of demat accounts have been prescribed.
3. Thus, currently, stock brokers are required to maintain demat accounts only under the following 5 categories:

| S.No. | Demat Account Category | Purpose of Demat Account |
|--------------|--|--|
| 1. | Proprietary Account | Hold Own Securities |
| 2. | Pool account | Settlement Purpose |
| 3. | Client Unpaid Securities Account | Hold Unpaid Securities of Clients |
| 4. | Client Securities Margin Pledge Account | For Margin obligations to be given by way of Pledge/ Re-pledge |
| 5. | Client Securities under Margin Funding Account | Hold funded securities in respect of margin funding |

4. Vide circular no. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017, it was also decided that naming proprietary demat accounts of the stock broker as 'Stock Broker – Proprietary Account' is voluntary and accounts which are not tagged would be deemed to be proprietary.
5. In consultation with Stock Exchanges and Depositories, it has been decided that all demat accounts maintained by stock brokers should be appropriately tagged. Further, it is prescribed that:
 - 5.1. All demat accounts of stock brokers which are untagged need to be appropriately tagged by June 30, 2022.
 - 5.2. Credit of securities shall not be allowed in any demat account left untagged from July 01, 2022 onwards. Credits on account of corporate actions shall be permitted.
 - 5.3. Debit of securities shall also not be allowed in any demat account left untagged from August 01, 2022.
 - 5.4. Stock Broker shall obtain permission from Stock Exchanges to allow tagging of such demat accounts from August 01, 2022 onwards. Stock Exchange shall grant such approval within two working days after imposing penalty as per their internal policy.
6. This circular shall not be applicable for the demat accounts which are used exclusively for banking activities by stock brokers which are also banks.
7. Stock Exchanges and Depositories shall coordinate and ensure compliance of this circular by the stock brokers and submit a compliance report to SEBI on July 01, 2022 and August 01, 2022.

8. Stock Exchanges and Depositories are directed to:
 - 8.1. bring the provisions of this Circular to the notice of their members / participants and also disseminate the same on their websites.
 - 8.2. make amendments to the relevant Bye-laws, Rules and Regulations, as may be necessary; and
 - 8.3. communicate the status of the implementation of the provisions of this Circular in their monthly development report to SEBI.

9. This Circular is issued in exercise of the 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.

10. This Circular is issued with the approval of competent authority.

11. This Circular is available at www.sebi.gov.in under the link "Legal→Circulars"

Yours faithfully

Aradhana Verma
Deputy General Manager
Tel. No: 022-26449633
aradhanad@sebi.gov.in