



CIRCULAR

SEBI/HO/MRD-PoD2/CIR/P/2024/153

November 11, 2024

To

All recognised Stock Exchanges

All recognised Clearing Corporations

All recognised Depositories

National Payment Corporation of India

Dear Sir/ Madam,

Sub: Trading supported by Blocked Amount in Secondary Market

1. In its continuing endeavour to provide protection to the investors from the default of the Members [Trading Member ('TM')/ Clearing Member ('CM')], SEBI had vide para 25 of Chapter 1 of Master Circular on Stock Exchanges and Clearing Corporations ('Master Circular') dated October 16, 2023, introduced a supplementary process for trading in secondary market based on blocked funds in investors bank account, instead of transferring them upfront to the TMs, thereby, providing enhanced protection to the cash collateral of the investors. The said facility went live from January 01, 2024.
2. As per para 25.4.1.2 of Chapter 1 of the Master Circular, the facility of trading using UPI block mechanism was introduced as a non-mandatory facility to be provided by the stock brokers.



3. Keeping in view the significant potential benefits to investors, public consultation was undertaken and deliberations were also held with market participants with respect to the measures needed to enable widespread adoption of the said facility.
4. Some TMs are already offering the facility of 3-in-1 trading accounts. The salient features of the 3-in-1 trading account primarily include:
 - 4.1. Integration of the trading account with the demat and bank accounts of the client.
 - 4.2. Blocking of funds, to the extent of the obligation, in the bank account of the client on placement of buy orders. In case the buy orders are not executed the funds blocked are released.
 - 4.3. Blocking of securities in the demat account of the client on placement of sell orders. In case the sell orders are not executed, the block on the securities is removed.
 - 4.4. The pay-in (transfer of Funds / securities) blocked at the time of order placement, from the bank / demat account of the client is carried out post market hours and is upstreamed to the Clearing Corporation. The client earns interest on the available funds till the pay-in.
5. Based on the aforesaid deliberations and considering the significant changes required to be made in the systems and processes of the Clearing Corporations, Stock Exchanges, Depositories, NPCI and the TMs, in implementation of the facility of trading supported by blocked amount to trade in the secondary market, the following has been decided:
 - 5.1. In addition to the current mode of trading, the Qualified Stock Brokers (QSBs) shall provide either the facility of trading supported by blocked amount in the secondary market (cash segment) using UPI block mechanism or the 3-in-1 Trading Account facility, to their clients.



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Securities and Exchange Board of India

- 5.2. The 3-in-1 trading account facility offered/ to be offered by the TMs shall, at least have the features as specified at para 4 above.
- 5.3. Clients of the QSBs will have the option, to either continue with the existing facility of trading by transferring funds to TMs or opt for either of the facilities stated at Para 5.1 above, as provided by the QSBs.
6. The provisions of this circular will come into effect from February 01, 2025.
7. The Stock Exchanges and Clearing Corporations are advised to:
- 7.1. Make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision, as may be necessary/applicable.
- 7.2. Bring the provisions of this circular to the notice of the market participants (including QSBs) and to disseminate the same on their website.
8. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
9. This circular is available on SEBI website at www.sebi.gov.in at "Legal →Circulars".

Yours faithfully,

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