

Circular No.: NSDL/POLICY/2022/150

November 01, 2022

Subject: SEBI Circular on Block Mechanism in demat account of clients undertaking sale transactions – Clarification

Attention of Participants is invited to SEBI Circular Nos. CIR/HO/MIRSD/DOP/P/CIR/2022/595 dated July 16, 2021, (NSDL Circular No. NSDL/POLICY/2022/073 dated July 17, 2021) and SEBI/HO/MIRSD/DoP/P/CIR/2022/109 dated August 18, 2022 (NSDL Circular No. NSDL/POLICY/2022/117 dated August 24, 2022) regarding block mechanism in demat account of clients undertaking sale transactions.

In this regard, SEBI vide its circular no. SEBI/HO/MIRSD/DoP/P/CIR/2022/143 dated October 27, 2022 issued a clarification on Block Mechanism in demat account of clients undertaking sale transactions (Copy enclosed).

SEBI has now clarified that '*block mechanism shall not be applicable to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades*'.

All other provisions in the SEBI circulars dated August 18, 2022 and July 16, 2021 shall continue to remain applicable.

Participants are requested to take note of the above and ensure compliance.

For and on behalf of

National Securities Depository Limited

Arockiaraj

Manager

FORTHCOMING COMPLIANCE			
Particulars	Deadline	Manner of sending	Reference
Investor Grievance Report (Monthly)	By 10th of the following month.	Through e-PASS	Circular No. NSDL/POLICY/2015/0096 dated October 29, 2015
Internal/ Concurrent Audit Report (April - September)	November 15th every year	Through e-PASS	Circular No.: NSDL/POLICY/2022/136 dated October 03, 2022



National Securities Depository Limited

4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, India
Tel.: 91-22-2499 4200 | Fax: 91-22-2497 6351 | Email: info@nsdl.co.in | Web: www.nsdl.co.in
Corporate Identity Number: U74120MH2012PLC230380

CIRCULAR

SEBI/HO/MIRSD/DoP/P/CIR/2022/143

October 27, 2022

To,

All Depositories

All recognized Stock Exchanges and Clearing Corporations

Madam / Sir,

Sub: Block Mechanism in demat account of clients undertaking sale transactions - Clarification

1. SEBI, vide circular no. CIR/HO/MIRSD/DOP/P/CIR/2022/595 dated July 16, 2021, introduced block mechanism in the demat account of clients undertaking sale transactions, for ease of operations in Early Pay-in mechanism. The mechanism was introduced on optional basis.
2. Subsequently, vide circular no. SEBI/HO/MIRSD/DoP/P/CIR/2022/109 dated August 18, 2022, SEBI made the facility of block mechanism mandatory for all Early Pay-In transactions by amending clause 5 of circular dated July 16, 2021 as under:
“5. The facility of block mechanism shall be mandatory for all Early Pay-In transactions.”
3. In view of the representations received from Depositories and Custodians, it is clarified that the block mechanism shall not be applicable to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades.
4. All other provisions in the SEBI circular dated August 18, 2022 and SEBI circular dated July 16, 2021 shall continue to remain applicable.

5. Depositories and Clearing Corporations shall put in place appropriate systems to ensure compliance of the provisions of this circular.
6. Stock Exchanges and Depositories are directed to:
 - a. bring the provisions of this circular to the notice of their members / participants and also disseminate the same on their websites;
 - b. make necessary amendments to the relevant Bye-laws, Rules and Regulations for the implementation of the above decision.
 - c. communicate to SEBI, the status of the implementation of the provisions of this circular on November 15, 2022 and in their Monthly Development Reports.
7. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, and Section 19 of the Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully

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