



Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/POLCY/2021/335

July 31, 2021

BLOCK MECHANISM IN DEMAT ACCOUNT OF CLIENTS UNDERTAKING SALE TRANSACTIONS

DPs are advised to refer CDSL communique no. CDSL/OPS/DP/POLCY/2021/314 dated July 19, 2021, enclosed with SEBI circular SEBI/HO/MIRSD/DOP/P/CIR/2021/595 dated July 16, 2021, disseminating the guidelines issued by SEBI on the block mechanism in demat account of clients undertaking sale transactions. It was also mentioned in the said communique that operational guidelines will be issued shortly.

DPs are also advised to refer CDSL communique nos. CDSL/OPS/DP/SETTL/2021/54, 156 and 185 dated February 8, 2021, April 6, 2021, and April 22, 2021, respectively about the operational modalities with respect to processing of e-DIS transactions. Operational modalities for Block Mechanism, which **is released on July 30, 2021 and made effective from July 31, 2021**, is the same with operational modalities applicable for e-DIS transactions except the requirement of obtaining mandate from client is not applicable if client wishes to execute his transactions based on the Block Mechanism mode.

1. DPs processing transactions that do not pertain to e-DIS facilitated transaction will have the option of offering Block Mechanism facility to their clients / BOIDs. The BOIDs would be required to execute DIS with an Annexure necessarily containing the following information;
 - a. BOID
 - b. DIS Number
 - c. UCC ID (Unique Client Code ID)
 - d. TM ID (Trading Member ID)
 - e. CM ID (Clearing Member ID)
 - f. SE ID (Stock Exchange ID)
 - g. CC ID (Clearing Corporation ID)
 - h. Market Type ID (Rolling Normal Auction, etc.)
 - i. Each Annexure to DIS would need to be signed by the signatory(ies) registered in the CDSL system
2. Settlement transactions which are not e-DIS transactions but are provided with UCC and other relevant details will be processed as per the Block Mechanism process like the process as explained in the communique nos. 54, 156 and 185 quoted above without the applicability of matching of Client Mandate with the DP Transaction.



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3. Transactions will be taken for processing as per the block mechanism process subject to UCC and other details being provided in the DIS and uploaded by the DP matches with the UCC linked to the demat account of the client.
4. For matched UCC transactions, securities will be debited from the client account to the extent of obligation quantity received from **C**learing **C**orporation (**CC**) to fulfill client's settlement obligation.
5. As mentioned above operational modalities for e-DIS process and Block Mechanism will be same except additional requirement of mandate from client applicable in case of processing of e-DIS transaction, DPs are advised to take note of following points w.r.t. change in processing logic of intra depository (i.e. within CDSL) Early Pay-in (EP) transactions effective from July 31, 2021.
 - a. Securities of any EP transaction uploaded with irrespective of UCC will be blocked in favour of CC in the **C**learing **M**ember (**CM**) or Client demat account wherefrom the EP transaction is initiated.
 - b. EP transactions uploaded with UCC prior to obligation upload by CC on T Day evening will be matched with obligations by CC and 'block' for the quantity matched up to obligation quantity will be continued in the client account till Pay-in Day SOD. Unmatched or quantity blocked in excess will be released based on the upload of reversal file by CC to make blocked balance free in the client account.
 - c. Securities w.r.t. EP transactions uploaded with UCC post obligation upload by CCs will be blocked in the client account till Pay-in Day SOD subject to matching of EP transaction with obligation uploaded by CC.
 - d. Block of the securities with respect to EP transactions uploaded without UCC will be continued till Pay-in Day SOD and by default would be reported as a pay-in of corresponding CM.
 - e. On Pay-in Day after SOD, securities will be moved to the corresponding EP accounts of CM and will be considered for pay-in as per the existing pay-in process.
 - f. Securities with respect to. EPI transactions uploaded on Pay-in day will not be blocked but will be debited from client / CM account and credited to the corresponding EP account instantly.
 - g. Post implementation of the above intra depository EP process, benefits with respect to. Cash or Non-Cash Auto Corporate Actions (ACA) will be passed on to the respective beneficiary automatically if EP transaction is executed from the client account and CC and/or CM will not be required to do any reconciliation in passing on the ACA benefits to the end investor.
 - h. There is no change in processing logic of On-Market or BOC (BO Obligation Confirmation) transactions as mentioned in the communiques mentioned above.



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6. DPs are also advised to refer clauses 4.6 and 4.7 of the aforesaid SEBI Circular dated July 16, 2021, directing TM shall not transfer the securities to any other pool account other than CM pool account mapped to the TM account, Pool to Pool transfers except TM pool to CM pool shall not be permitted and inter-settlement shall not be allowed from TM Pool account and CM pool account. DPs are advised to disseminate these restrictions to their TM/CM clients and ensure that no such instructions are accepted for execution from their TM/CM clients. CDSL is in the process of building these validations in the system which will be communicated to the DPs through a separate communique.
7. Inter depository EPI Transactions which are executed without opting for the blocking will get executed immediately by way of transferring the securities to the CM settlement accounts held with NSDL.
8. Similarly, Inter depository EPI transactions initiated by Custodians would be transferred to the NSDL CM settlement account immediately.

DPs are hereby directed to disseminate the aforesaid information / requirements / guidelines to their TM / CM clients to help them to understand and comply with the guidelines in accordance with the SEBI guidelines and ensure that the suitable back-office related changes where applicable are implemented before the facility of Block Mechanism is provided to their clients.

Queries regarding this communiqué may be addressed to:

- ❑ **CDSL – Settlement Desk** on (022) 2305-8611, 2305-8508, 2305-8635, 2305-8612, 2305-8501 or 2305-8601. Emails may be sent to: operations@cdslindia.com.
- ❑ **CDSL – Helpdesk** on telephone numbers (022) 2305-8624, 2305-8639, 2305-8642, 2305-8663, 2305-8640, 2300-2041 or 2300-2033. Emails may be sent to: helpdesk@cdslindia.com.

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Prashant Kokate
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