



Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/SETTL/2023/151

March 09, 2023

HANDLING OF CLIENTS' SECURITIES BY TRADING MEMBERS (TM) / CLEARING MEMBERS (CM)

DPs are advised to refer CDSL communique numbers **CDSL/OPS/DP/POLCY/2022/658** dated November 11, 2022, and CDSL/OPS/DP/SYSTEM/2023/128 dated February 27, 2023, with reference to SEBI Circular no. **SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153** dated November 11, 2022, regarding Handling of Clients' Securities by Trading Members (TM) / Clearing Members (CM).

DPs are advised to take note of below-mentioned operational modalities about the process of handling of unpaid securities by TM/CM to prevent any kind of misuse of such unpaid securities. DPs are further advised to disseminate the content of this communique to their TM / CM / Trading Clients to enable them to understand the implementation process and initiate suitable back-office changes, wherever applicable.

1. Opening of Client Unpaid Securities Pledgee Account:

- a) TM/CM will be required to maintain a new demat account viz. 'Client Unpaid Securities Pledgee Account (**CUSPA**)'.

DPs are advised to take note of below-mentioned BO-Status and BO-Sub-Status of CUSPA.

DPs can start opening CUSPA for their TM/CM clients **effective from March 11, 2023**.

Sub-status code	Sub-status description	Linked to Status Code	Linked to Status description	Linked to BO Category	Linked to BO Category description	Linked to Product code	Linked to Product description
200	Individual TM CUSPA	21	Individual	1	Regular BO	1	Individual
201	Corporate TM CUSPA	25	Corporate	1	Regular BO	2	Corporate
202	Individual CM CUSPA	21	Individual	1	Regular BO	1	Individual
203	Corporate CM CUSPA	25	Corporate	1	Regular BO	2	Corporate
204	HUF TM CUSPA	21	Individual	1	Regular BO	8	HUF
205	LLP TM CUSPA	21	Individual	1	Regular BO	1	Individual



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Sub-status code	Sub-status description	Linked to Status Code	Linked to Status description	Linked to BO Category	Linked to BO Category description	Linked to Product code	Linked to Product description
206	HUF CM CUSPA	21	Individual	1	Regular BO	8	HUF
207	LLP CM CUSPA	21	Individual	1	Regular BO	1	Individual
208	Individual TM CUSPA Negative Nomination	21	Individual	1	Regular BO	1	Individual
209	Individual CM CUSPA Negative Nomination	21	Individual	1	Regular BO	1	Individual

- b) While opening CUSPA with new BO-Status and BO-Sub-Status as mentioned above, DPs are requested to take utmost care to ensure that PAN of CUSPA and corresponding settlement accounts of a TM/CM should be identical. Failing which transfer of pay-out securities from CM's Pool Account (hereinafter in this communique please read TM/CM Pool Account as either TM/CM Principal Account – BSE TM/ICCL CM or TM/CM Pool Account – BSE TM/ICCL CM or Trading/Clearing Member Account – non-BSE/ICCL TM/CM) to demat account of unpaid client followed by auto pledge in corresponding CUSPA will be failed.
- c) For those TM/CM, executing transactions through their Easiest login should group the CUSPA with their other existing grouped accounts. While grouping PAN entered at the time of opening of CUSPA and PAN captured for corresponding CM's Pool Account will be matched.
- d) TM/CM may open Stock Exchange (SE) / Clearing Corporation (CC) wise CUSPA or alternatively may have a single CUSPA irrespective of CC / SE combination.
- e) If TM/CM opts to open the CUSPA with a Depository Participant (DP) with whom the TM/CM has an existing TM/CM account, then a consent form enclosed as 'Annexure-A' for the same may be obtained by DP from TM/CM. However, if TM/CM opts to open CUSPA with a DP with whom TM/CM does not have an existing TM/CM account, then TM/CM will be required to follow the account opening process as per the DP Operating Instructions.

2. Transfer of Pay-out Securities to Unpaid Clients:

- a) Pay-out securities can be transferred to the demat account of the respective clients directly from the TM/CM Pool Account within one working day of the pay-out.
- b) Unpaid securities (i.e., the securities that have not been paid for in full by the client), such securities can be transferred to the demat account of the unpaid client in the following manner.



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- i) While transferring pay-out securities by TM/CM to the unpaid client, entering Transaction Identifier (i.e., transfer for unpaid client), UCC details, CUSPA will be mandatory and can be a part of the annexure to existing DIS.
- ii) On successful validation of UCC details entered in the transaction vis-à-vis UCC details linked to the demat account of the client, securities shall be credited in the demat account of unpaid client and simultaneously an auto pledge instruction will be setup from demat account of unpaid client in favor of the corresponding CUSPA of a TM/CM. Hence such unpaid securities will be reflected under 'Pledge' balance in the demat account of unpaid client and 'Pledgee' balance will be reflected in CUSPA.

3. Release of Securities if Unpaid Client Fulfills its Funds Obligation:

- a) If unpaid client fulfills its funds obligation within five trading days after the payout, TM/CM shall release the pledge so that the securities are available to the client as free balance. TM-CM can unpledge the securities with partial or full quantity.
- b) DPs may obtain the CUSPA Unpledge Request Form, as per Annexure-B enclosed.

4. Confiscation / Invocation of Securities if Unpaid Client doesn't Fulfill its Funds Obligation:

- a) If the client does not fulfill its funds obligation, TM/CM can dispose off such unpaid securities in the market within five trading days after the pay-out. As per the SEBI guidelines, TM/CM, before disposing of the securities, is required to give an intimation (email /SMS) to the client, one trading day before such sale.
- b) Such unpaid securities will be disposed off by TM/CM by executing a sale transaction with UCC details on the exchange platform and then executing a 'Confiscation-cum Early Pay-in (EP)' transaction in CDSL system. DPs shall obtain the 'Confiscation-cum-Early Pay-in' form as per Annexure-C enclosed,
- c) 'Confiscation-cum-Early Pay-in' request will be executed via upload file wherein TM/CM/DP will be required to provide request to confiscate the pledge instruction and provide UCC details viz. UCC, TMID, CMID, EX ID, CC ID, SEGMENT ID, ISIN, QUANTITY & SETTLEMENT ID, for execution of 'Confiscation-cum-Early Pay-in' transaction.
- d) 'Confiscation-cum-Early Pay-in' request can be setup for partial / full quantity.
- e) Successfully executed 'Confiscation-cum-Early Pay-in' transaction will be processed in three steps as follows.
 - i) Step1 - Securities will transfer from demat account of unpaid client to CUSPA.
 - ii) Step2 - Securities will subsequently be transferred from CUSPA to demat account of unpaid client.



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- iii) Step3 - Subsequently, EP transaction will be setup based on the details captured in the 'Confiscation-cum-Early Pay-in' form obtained from TM/CM.
- f) 'Confiscation-cum-Early Pay-in' transaction will be taken for processing only after UCC wise pay-in obligations are received from CC which normally is provided by CC on 'T' day after 08:00 pm. 'Confiscation-cum-Early Pay-in' request received prior to receipt of the UCC wise pay-in obligation file from CC will remain in the status 'Pending for Matching with CC Obligation'.
- g) DPs are advised to accept and execute 'Confiscation-cum-Early Pay-in' transactions latest by 09:45 am on pay-in day i.e., T+1 day. DPs are requested to take note of 'Confiscation-cum-Early Pay-in' request accepted and entered after 09:45 am on pay-in day i.e., T+1 will be processed only on best effort basis. CDSL will not be responsible for any failure in processing of 'Confiscation-cum-Early Pay-in' request accepted and executed after 09:45 am on pay-in day i.e., T+1 day.
- 5. No Action on Pledged Securities of Unpaid Clients by TM/CM within Seven Trading Days after Pay-out:**
- a) In case, pledged securities with respect to unpaid clients is neither invoked / confiscated nor released / unpledged within seven trading days after the pay-out (i.e., till the EOD of sixth trading day), the pledge on securities shall be auto released / unpledged and the securities shall be made available in the client account as free balance.
Example: Auto pledge setup for pay-out securities received on Monday will be auto unpledged on EOD of Tuesday of the subsequent week assuming there is no trading holiday in between except Saturday and Sunday.
- b) DPs may please note that no prior intimation will be sent by CDSL to TM/CM/DP about the auto unpledge of securities due to no-action from TM/CM.
- 6. Report Level Changes:**
- a) The corresponding accounting entry will be available in DP57- Single Download Report and DPC9 - Transaction Report.
- b) DP57 report for CUSPA transfer will have a '**P**ledge **S**equence **N**umber' (**PSN**), likewise DP57 report of CUSPA Pledge will have the Transaction ID of CUSPA on-market transfer. Also, the DP57 report for EP transaction setup by the system during the process of confiscation will have a PSN. DP/TM/CM can refer to these fields to identify the CUSPA-related transactions.



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7. Additional Points to be Noted:

- a) The unpaid securities pledged in demat account of unpaid client shall not be considered for the margin obligations of the client.
- b) All the active **C**lient **U**npaid **S**ecurities **A**ccount (**CUSA**) as on March 31, 2023, are required to be 'closed' on or before April 15, 2023.
- c) Securities held in CUSA are either required to be disposed off / sold in the market or be transferred to the client's demat account by the TM/CM accordingly.
- d) CUSA which are not closed till April 15, 2023, will be freeze for both debit and credit effective from April 16, 2023.
- e) Account opening for CUSA will be restrained effective from April 01, 2023.
- f) The payment of stamp duty will be applicable for CUSPA pledge invocation instruction same as normal pledge invocation instruction.
- g) The facility of online setup CUSPA related transactions through CDAS and EASIEST will be released in the first week of April 2023.
- h) **The operational modalities with respect to Inter Depository Transfer instructions pertaining to CUSPA will be communicated separately.**

Above-mentioned functionality is scheduled for live release on March 31, 2023, to be made effective from April 1, 2023.

DPs are once again hereby directed to disseminate the aforesaid information / requirements / guidelines to their TM/CM/Trading 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 release of the aforesaid functionality.

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 number 08069144800. Emails may be sent to: helpdesk@cdslindia.com.

sd/-

Prashant Kokate
Asst. Vice President – Operations

Date :

To,

(Name of Depository Participant)

Dear Sir / Madam,

Sub: Consent for opening Client Unpaid Securities Pledgee Account (CUSPA)

I am / we are maintaining a TM/CM account with your DP <demat account number (BOID)>. I/We would like to open Client Unpaid Securities Pledgee Account (CUSPA) based on the existing AOF with your DP.

I/we hereby declare that I/we are KYC compliant and details captured in the Pool / Principal Account and current details are same.

As per Operating Instructions 2.4.4 we hereby give our consent and Board Resolution along with the list of Authorised Signatories to open and operate the Client UnPaid Securities Pledgee Account (CUSPA) as a CM of BSE and / or CM for exchanges other than BSE.

Thanking you,

TM/CM Seal

Authorised Signatories

To be filled and signed in case of Set-up of pledge release by Pledgor BO

Signature of the Pledgor		
First / Sole Applicant	Second Applicant	Third Applicant

Depository Participant seal and signature



Client Unpaid Securities - Confiscation-cum-Early Pay-in Request Form (CIERF)**Depository Participant Name/Address**Please fill all the details in **Block Letters** in English. To be filled by the pledgee.

CIERF No.		Date	D	D	M	M	Y	Y	Y	Y
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I/We request you to set up a Client Unpaid Securities Confiscation-Cum-Early Pay-in request on my / our behalf. I / We have read and understood the Depositories Act, SEBI Regulations, and the Bye Laws in relation to Client Unpaid Securities Confiscation-Cum-Early Pay-in of securities and I / We agree to abide by and be bound by the Act, Regulations and the Bye Laws as are in force from time to time for such Client Unpaid Securities Confiscation.

Pledgor's Details											
DP ID									Client ID		
Early Pay-in Account Details											
DPID / CMBP ID									Client ID		
UCC											
TMID											
CMID											
STOCK EXCHANGE					CLEARING CORPORATION				SEGMENT		
SETTLEMENT ID											
Pledgor's Name	1										
	2										
	3										

DP ID									Client ID		
Pledgee's Name	1.										
	2.										
	3.										

Date of Execution	D	D	M	M	Y	Y	Y	Y
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Details of Securities to be confiscated.						
Sr. No	PSN	ISIN	Name of the Security	Total Quantity Pledged	Quantity to be confiscated /Early Pay-in Qty	Confiscation Value

Attach an annexure duly signed by the Pledgee(s), if the space above is insufficient.

The confiscation-cum-Early Pay-in request is being set up for the reasons mentioned hereunder: -

Signature of the Client Unpaid Securities Pledgee		
Sole / First Applicant	Second Applicant	Third Applicant

