



# Central Depository Services (India) Limited

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## COMMUNIQUE TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/SETTL/2023/370

June 23, 2023

### UPSTREAMING OF CLIENTS' FUNDS BY STOCK BROKERS (SB) / CLEARING MEMBERS (CM) TO CLEARING CORPORATIONS (CC)

DPs are advised to refer CDSL communique **CDSL/OPS/DP/POLCY/2023/341** dated **June 9, 2023**, enclosed with SEBI circular having reference number **SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84** dated **June 08, 2023**, regarding the captioned subject. With a view to safeguard clients' funds placed with SBs / CMs, it has been decided to require the upstreaming of all client funds received by SBs / CMs to the CCs. SBs / CMs can upstream clients' funds via pledge of units of Mutual Fund Overnight Schemes (MFOS).

DPs are advised to take note of following operational modalities with respect to upstreaming of clients' funds via pledge of units of MFOS:

- 1) SB / CMs are required to open a separate account viz. **"Client Nodal MFOS Account"**. The account status and sub-status are given in **"Annexure-A"**. DPs for their SB / CM clients may start opening said accounts effective from June 24, 2023.
- 2) If SB / CM opts to open the **"Client Nodal MFOS Account"** with a DP with whom the SB / CM has an existing SB / CM account, then a consent form enclosed as **"Annexure-B"** needs to be obtained by DP from SB / CM. However, if SB / CM wishes to open 'Client Nodal MFOS Account' with a DP with whom SB / CM does not have an existing SB / CM account, then SB / CM will be required to adhere to the existing procedure of account opening as per prescribed guidelines.
- 3) SB / CMs who deploy client funds in MFOS can use the **"Client Nodal MFOS Account"** for subscription / redemption of MFOS units only. DPs need to ensure that apart from Mutual Fund subscription / redemption / margin pledge transactions no other transactions should be allowed in the said account.
- 4) Once the MFOS units are credited in the **"Client Nodal MFOS Account"**, SB / CMs should provide MFOS units as collateral to the CC at all times by way of margin pledge / re-pledge. Pledge to CC from **"Client Nodal MFOS Account"**, will be created as follows:
  - a) SB / CMs shall set up a margin pledge transaction from the **"Client Nodal MFOS Account"** by pledging the MFOS units to existing Margin Pledge Account of the SB / CMs. Pledge transactions will be considered for processing only if the PAN of **"Client Nodal MFOS Account"** and **"Margin Pledge Account"** is the same.
  - b) While creating Margin Pledge transactions the value of Pledge Identifier should be provided as **"MP"** and Entity Identifier as **"TM"**.



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- c) SB / CMs shall then re-pledge the MFOS units from their existing Margin Pledge Account to CC.
- 5) SB / CMs are required to mention the client's UCC at the time of setup of margin pledge transaction from "**Client Nodal MFOS Account**". The client's UCC entered should be a valid UCC as recorded in CDSL system.
- 6) The above margin pledge / re-pledge transaction will be executed in CDAS / Easiest system using the current functionality of creation of margin pledge / re-pledge transactions and there is no change in the existing upload file formats for margin pledge / re-pledge transactions.
- 7) Margin Pledge transaction initiated by SB / CM through easiest from the "**Client Nodal MFOS Account**", same will be allowed to set up only if the said account is grouped under CM's easiest login.
- 8) SB / CMs may request CC to unpledge the MFOS units. Once the MFOS units are unpledged by CC, the units will be transferred in SB / CM Margin Pledge Account from "**Re-pledge Balance**" to "**Pledgee Balance**". SB / CMs may in turn unpledge securities from their SB / CM Margin Pledge Account, so that units will be available in "**Client Nodal MFOS Account**" under "**Free Balance**".
- 9) There is no change in the existing reports pertaining to pledge transactions (**DP57, DP37, DP36, etc**).
- 10) SEBI has informed via its 'Master Circular on Stock Brokers' dated May 17, 2023, in clause 15.3.2.3 about the five defined categories of demat accounts that can be maintained by a SB. The 'Client Nodal MFOS Account', is included as a sixth category of permissible demat account that can be maintained by the SB and will be considered as a 'tagged' demat account.

Sr. No.	Demat Account Category
1.	Proprietary Account
2.	Pool Account
3.	Client Unpaid Securities Account
4.	Client Securities Margin Pledge Account
5.	Client Securities under Margin Funding Account
6.	Client Nodal MFOS Account

DPs are further informed that the said functionality is scheduled for release on June 30, 2023, to make it effective from July 01, 2023.



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## COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

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DPs are advised to take note of the above and initiate suitable back-office changes, if any.

Queries regarding this communiqué may be addressed to: **CDSL – Helpdesk** Emails may be sent to: [helpdesk@cdslindia.com](mailto:helpdesk@cdslindia.com) and telephone number 08069144800.

sd/-

**Prashant Kokate**

**Asst. Vice President – Operations**

**STATUS and SUB-STATUS DESCRIPTION FOR CLIENT NODAL MFOS DEMAT ACCOUNTS**

**Annexure - A**

Sr. No.	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
1	215	Individual TM Client Nodal MFOS	21	Individual	1	Regular BO	1	Individual
2	216	Corporate TM Client Nodal MFOS	25	Corporate	1	Regular BO	2	Corporate
3	217	Individual CM Client Nodal MFOS	21	Individual	1	Regular BO	1	Individual
4	218	Corporate CM Client Nodal MFOS	25	Corporate	1	Regular BO	2	Corporate
5	219	HUF TM Client Nodal MFOS	21	Individual	1	Regular BO	8	HUF
6	220	LLP TM Client Nodal MFOS	25	Corporate	1	Regular BO	2	Corporate
7	221	HUF CM Client Nodal MFOS	21	Individual	1	Regular BO	8	HUF
8	222	LLP CM Client Nodal MFOS	25	Corporate	1	Regular BO	2	Corporate
9	223	Ind TM Clnt Nodal MFOS Negative Nomination	21	Individual	1	Regular BO	1	Individual
10	224	Ind CM Clnt Nodal MFOS Negative Nomination	21	Individual	1	Regular BO	1	Individual
11	225	Individual TM/CM Client Nodal MFOS	21	Individual	1	Regular BO	1	Individual
12	226	Corporate TM/CM Client Nodal MFOS	25	Corporate	1	Regular BO	2	Corporate
13	227	HUF TM/CM Client Nodal MFOS	21	Individual	1	Regular BO	8	HUF
14	228	LLP TM/CM Client Nodal MFOS	25	Corporate	1	Regular BO	2	Corporate
15	229	Ind TM/CM Clnt Nodal MFOS Neg Nomination	21	Individual	1	Regular BO	1	Individual

Date:

To,

**(Name of Depository Participant)**

Dear Sir / Madam,

**Sub:  Consent for opening Client Nodal MFOS Account.**

I am / we are maintaining a SB/CM account with your DP <demat account number (BOID)>. I/We would like to open Client Nodal MFOS Account 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 Nodal MFOS Account as a CM of BSE and / or CM for exchanges other than BSE.

Thanking you,

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**SB/CM Seal**

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**Authorized Signatories**