



Central Depository Services (India) Limited

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COMMUNIQUE TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/POLCY/2023/717

December 11, 2023

TRADING SUPPORTED BY BLOCKED AMOUNT IN SECONDARY MARKET

DPs are advised to refer CDSL communicate no. **CDSL/OPS/DP/POLCY/2023/389** dated **July 4, 2023**, disseminating **SEBI Circular no. SEBI /HO /MRD/MRD-PoD-2/P/CIR/2023/99** dated **June 23, 2023**, regarding **Trading supported by Blocked Amount in Secondary Market**. As mentioned in the aforesaid circular, under the proposed framework, funds and securities shall remain in the bank and demat account of the client respectively but will be blocked in favour of the Clearing Corporation (**CC**) till the expiry date of the block mandate or till block is released by the CC, or debit of the block towards obligations arising out of trade(s) executed by the client, whichever is earlier. Further, settlement of funds and securities will be done by the CC without the need of handling client funds and securities by the member.

In this regard CDSL has already initiated changes in its system to implement the SEBI guidelines and at present is under testing. The same would be released to live **on December 29, 2023**, to make it **effective from December 30, 2023**. DPs are advised to take note of the below-mentioned salient features / operational modalities regarding the changes being under testing and initiate suitable changes in their back-office, if any.

A. Salient Features:

1. Initially, the said UPI block facility shall be made applicable to the equity cash segment.
2. Further, the same would be optional for the Trading Members (**TM**) and their Trading Clients (**TC**). TC is eligible for registration for the said facility, only if his TM is registered for the facility.
3. If TM is registered for the said facility, TC can request his TM for the registration of the said facility. At the time of registration, TC will be required to provide a primary bank account and primary demat account according to the TM which will subsequently be informed to the respective Stock Exchange (**SE**).
4. SE will then validate primary demat account details through Depository system.
5. SE will have a provision to store these registration details in its UCC database. Said details would subsequently be shared with the respective CC to enable CCs to block the funds / securities in the bank / demat account of UPI block opted registered clients and thereafter settle the transactions depending upon the trade obligation of such clients.



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B. Operational Modalities:

1. Securities Pay-in:

- a) In case of TCs opted for UPI block facility undertaking sale transactions are required to ensure availability of securities in their demat account to the extent of obligations through the prevailing Early Pay-in (EP) block mechanism wherein the securities given as EP are blocked in favour of CC.
- b) EP instructions will be mandatory for UPI block facility registered TCs and same can be executed through intra-depository (within CDSL) or inter-depository EP mechanism.
- c) The existing mechanism of EP execution and reporting the same to CCs will remain the same.

2. Securities Pay-out:

- a) In case TCs opted for UPI block facility, it would be mandatory client-level pay-out by CCs.
- b) Prior to pay-out file submission by CCs to Depositories, CCs would be validating pay-out obligation and primary demat account corresponding to the registered UCC of the TC.
- c) Depositories would be crediting the pay-out securities in demat account of said TCs subject to UCC details provided in the pay-out file is linked the demat account of TC.
- d) Further, hop-skip entries would be passed in the corresponding TM Pool and/or Clearing Member (CM) Pool accounts depending upon TMID and CMID provided along with the UCC details in the pay-out file.
- e) If UPI opted TC is an unpaid client, depending upon the details (includes identifiers indicating UPI opted client is an unpaid client and another identifier indicating securities to be auto pledged in favour of TM CUSPA or CM CUSPA) provided in the pay-out file by CCs, unpaid securities would be credited to the demat account of the UPI opted TC immediately followed by a creation of an auto pledge in favour of TM or CM CUSPA. It may please be noted that CUSPA pledge processing mechanism will remain the same as per existing process of transferring the securities from member pool account to unpaid client.
- f) Failure of processing of pay-out record pertaining to UPI opted TC due to UCC details not linked or invalid UCC details or non-existence of active TM or CM CUSPA or non-existence of active TM or CM Pool account etc. will remain as unpaid securities in CC Settlement Account instead of moving to the corresponding CM Pool Account.



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The 'UPI block facility' is scheduled for release on **December 29, 2023, EOD**, and will be made effective from **December 30, 2023**.

DPs are requested to note the content of the communicate, disseminate the same to their TM / CM clients and initiate back-office related changes, if any.

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

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Prashant Kokate
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