Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/SETT/2025/443   **July 01, 2025**

MARGIN OBLIGATIONS TO BE GIVEN BY WAY OF PLEDGE/RE-PLEDGE

DPs are advised to refer CDSL communique CDSL/OPS/DP/POLCY/2025/393 dated June 12, 2025, disseminating SEBI circular SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/82 dated June 03, 2025, regarding Margin Obligations to be given by way of Pledge / Re-pledge in the Depository System.

Based on the observation / representation of Brokers' ISF and with a view to facilitate ease of doing business as well as to safeguard the interest of investors, SEBI has directed all the MIIs to make the unpledge / invocation and sale as a combined automated process for the securities under CUSPA Pledge (i.e., securities pledged in favour of 'TM/CM CUSPA' that are unpaid), Margin Pledge (i.e., securities pledged in favour of 'TM/CM Client Securities Margin Pledge Account' for margin) and MTF Pledge (i.e., securities pledged in favour of 'TM Client Securities under Margin Funding Account' that are funded).

In order to make the unpledge / invocation and sale of securities as a combined automated process with respect to CUSPA Pledge, Margin Pledge and Margin Trading Funding Pledge, DPs are requested to take note of the below-mentioned **Operational Modalities**.

A. Pledge Release (i.e., unpledge) for Early Pay-in (PR-EP):

1) In the case of Margin pledged (including pledged funded stock) / CUSPA pledged securities where the client does not have any outstanding obligation, and requests for release of the securities, an existing release mechanism would be applicable.

2) Furthermore, in the case of a Margin pledged (including pledged funded stock) / CUSPA pledged securities, other than Mutual Fund (MF) units that are not traded on the exchanges where the client does not have any outstanding obligation, sells the securities, a provision would be given to Trading Member (TM) to give a single instruction in the form of 'Pledge Release for Early Pay-in (PR-EP)'.

3) PR-EP instruction can be executed through file upload wherein TM will be required to provide Clearing Member's (CM) Early Pay-in Account, Quantity, Settlement ID and UCC details viz. UCC, TMID, CMID, EXID, SEGMENT ID.

4) PR-EP instruction can be set up for partial / full pledge quantity.

5) **Processing of PR-EP instruction till receipt of CC obligation:**

EP transaction will be created in CDAS and reported to Clearing Corporation (CC) for the entitled benefits. Till the time CC obligation is received; pledge block will be continued in the client account.

6) **Processing of PR-EP instruction after receipt of CC obligation:**
   PR-EP instruction details will be matched with the obligation and quantity to the extent of obligation will be released (i.e., unpledged) in the client account. At the same time, the balance in the client account will be blocked as an EP block in favour of CC. (EP transaction will be reported to CC for the entitled benefits, where PR-EP instruction is entered in CDAS after receipt of obligation details from CC). On pay-in day, the EP block will be removed, securities will be debited, credited to the CC settlement account, and reported to CC as a pay-in. Pledge transaction will continue in the client account for an excess PR-EP quantity vis-a-vis the obligation OR no obligation is received from CC.

7) DPs are advised to accept and execute PR-EP instructions at the latest by 09:45 am on pay-in day i.e., T+1 day. DPs are requested to take note that PR-EP instructions are accepted and entered after 09:45 am on pay-in day i.e., T+1 will be processed only on the best effort basis. **CDSL will not be responsible for any failure in processing of PR-EP instruction accepted and executed after 09:45 am on pay-in day i.e., T+1 day.**

B. **Invocation (Confiscation) for Early Pay-in (IV-EP):**

1) In the case of Margin pledged (including pledged funded stock) / CUSPA pledged securities other than MF units that are not traded on the exchanges where the client does not have any outstanding obligation, as per the SEBI guidelines, TM/CM can sell the securities in the market and recover the outstanding dues.

2) Once TM/CM sells the securities, a provision would be made available to TM to give a single instruction in the form of 'Invocation for Early Pay-in (IV-EP)'.

3) IV-EP instruction can be executed through file upload wherein TM will be required to provide CM Early Pay-in Account, Quantity, Settlement ID and UCC details viz. UCC, TMID, CMID, EXID, SEGMENT ID.

4) IV-EP instruction can be set up for partial / full pledge quantity.

5) **Processing of IV-EP instruction till receipt of CC obligation:**
   EP transaction will be created in CDAS and reported to CC for the entitled benefits. Till the time CC obligation is received; pledge block will be continued in the client account.

6) **Processing of IV-EP instruction after receipt of CC obligation:**
   IV-EP details will be matched with the obligation and quantity to the extent of obligation will be invoked in one of the aforesaid TM/CM pledgee accounts and at the same time transferred into the client account. Instantaneously, balance in client account will be blocked

as an EP block in favour of CC. (EP transaction will be reported to CC for the entitled benefits, where IV-EP instruction is entered in CDAS after receipt of obligation details from CC). On pay-in day, the EP block will be removed, securities will be debited, credited to the CC settlement account, and reported to CC as a pay-in. Pledge will continue for an excess IV-EP quantity vis-à-vis the obligation OR no obligation is received from CC.

7) DPs are advised to accept and execute IV-EP instructions at the latest by 09:45 am on pay-in day i.e., T+1 day. DPs are requested to take note that IV-EP instructions are accepted and entered after 09:45 am on pay-in day i.e., T+1 will be processed only on the best effort basis. **CDSL will not be responsible for any failure in processing of IV-EP instruction accepted and executed after 09:45 am on pay-in day i.e., T+1 day.**

8) As per the existing mechanism of processing of Invocation-cum-Early Pay-in transaction with respect to CUSPA pledge, EP transaction is created and reported to CC only after matching of transaction details with CC obligation. Whereas, as per the aforesaid process, EP transaction will be created and reported to CC immediately after executing IV-EP instruction. DPs are requested to take note of the same.

C. **Invocation (Confiscation) for Redemption (IV-RD):**

1) In the case of a Margin pledged MF units that are not traded on the exchanges where the client does not have any outstanding obligation, TM/CM can redeem MF units through its DP and recover the outstanding dues.

2) A provision would be made available to TM/CM to give a single instruction in the form of 'Invocation for Redemption (IV-RD)'.

3) IV-RD instruction can be executed through file upload as per the existing mechanism.

4) IV-RD instruction can be set up for partial / full pledge quantity.

5) IV-RD instruction will be processed in the following two steps

    a. Step1 – As an invocation process, MF units not traded on the exchanges will be transferred from the pledgor account (i.e., client account) to TM/CM Client Securities Margin Pledge Account.

    b. Step2 – Instantaneously, 'MF – Redemption' instruction will be created from the TM/CM Client Securities Margin Pledge Account based on the details provided in the IV-RD form obtained from TM/CM.

6) On execution of a said 'MF – Redemption' instruction, MF units mentioned in IV-RD instruction will be blocked as 'Pending Remat Confirmation' in the TM/CM Client Securities Margin Pledge Account and reported to the corresponding MF RTA as per the existing mechanism.

7) MF RTA will then credit the redemption proceeds in the bank account of TM/CM captured in TM/CM Client Securities Margin Pledge Account.

D. Invocation of securities where client trading codes are marked as 'Not permitted to trade'.

1) If the client's trading account is frozen or client trading codes are marked as 'Not permitted to trade' or equivalent at the stock exchanges after creation of pledge, then the TM/CM can use the existing transaction type of 'invocation' to invoke the securities.

2) Once the securities are invoked by the TM/CM, the securities will come to the pledgee account of a TM/CM (i.e., TM/CM CUSPA OR TM/CM Client Securities Margin Pledge Account OR TM Client Securities under Margin Funding Account) and the same can be sold by TM/CM under the proprietary code.

3) TM/CM is required to ensure that pay-in of securities is done on the same day of invocation.

E. DPs are advised to note the following.

a) The formats of PR-EP, IV-EP, IV-RD instruction forms to be obtained from TM/CMs shall be informed through a separate communique.

b) UDiFF with file format changes for both transaction upload and common download shall be informed through a separate communique.

c) The above-mentioned facility is scheduled for a live release on September 04, 2025, to make it effective from **September 05, 2025.**

d) DPs are required to make note of the aforesaid information and disseminate the same to their TM / CM / trading clients and ensure suitable back-office changes, if any.

Queries regarding this communiqué may be addressed to:

❑ **CDSL – Settlement Desk** on (022) 6234-3565, 6234-3566, 6234-3567, 6234-3571, 6234-3572 or 6234-3573. Emails may be sent to: operations@cdslindia.com.

❑ **CDSL – Helpdesk** Emails may be sent to: dprtasupport@cdslindia.com and telephone number (022) 6234-3333.

For and on behalf of
Central Depository Services (India) Limited,

sd/-

Shelton Joseph
Asst. Vice President – Operations