

SEBI not to extend margin rules

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MUMBAI: Stock brokers reached out to the finance ministry on Monday after the market regulator rejected their request for more time to implement new margin norms taking effect on 1 September.

The Securities and Exchange Board of India (Sebi) on Monday held a meeting with exchanges, depositories and brokers, where brokers said many were not ready with the change in system.

"In today's virtual meeting, the Securities and Exchange Board of India declined to grant extension of time in implementing margin pledge /repledge process. This came as a big surprise to the Association of National Exchange Members of India (ANMI), and its 900 members. ANMI is holding consecutive meetings with all stakeholders and studying all options available to it in the matter," an ANMI spokesperson said.

In an attempt to prevent misuse of clients' securities as seen in the Karvy episode, Sebi has mandated that client securities will not be considered as margin, and clients would need to pledge their securities after authorization with the broker.

"We have reached out to finance ministry for relief which has given us a patient hearing. Let's see if the implementation is delayed. If not, then most brokers will not be able to take and honour clients' orders if they do not make upfront margin payment. This will lead to a further dip in volumes on Tuesday," an ANMI member said on condition of anonymity.

"Some firms sought one week, some 15 days and some sought one month to be completely ready with adequate testing. But the regulator said that the firms had ample time to implement these changes. It will be a disaster if implemented now. Large traditional firms such as ICICI Securities, HDFC Securities, all are still in testing stages," said the broker, who attended the virtual meeting. "As a result of Sebi's refusal to extend the deadline, traditional brokerages with legacy systems will face huge operational challenges that can cause chaos and unintended consequences in the near future," said Tejas Khoday, co-founder and chief executive officer, FYERS, a technology-based brokerage firm.

Currently, about ₹15,000 crore worth of securities are lying with clearing members, which need to be returned to the brokers, and then to the clients for pledges to be created.

"It cannot be done overnight. We are considering some more representation for the regulator to understand that brokers are not averse to changes but just need more time. We also need time to educate investors," said the broker cited earlier.