

SEBI issue new guidelines for settlement of running account

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Market regulator Sebi has issued new guidelines for settlement of running accounts of clients' funds or securities lying with stock brokers. Further, the regulator has asked stock exchanges to issue operational guidelines to their members in this regard. Sebi has directed that the settlement of running account of client funds should be done by the trading members (TM) after considering the End of the day (EOD) obligation of funds. The announcement is Sebi's attempt to ensure uniformity in the settlement of running accounts. The fresh provisions will come into effect from October 1, 2022.

In a statement, Sebi said the circular is issued, "to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets."

Under the new guidelines, Sebi decided that the settlement of running account of funds of the client shall be done by the TM after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges on the first Friday of the Quarter (i.e., Apr-Jun, Jul-Sep, Oct-Dec, Jan-Mar) for all the clients.

Thereby, the running account of funds shall be settled on the first Friday of October 2022, January 2023, April 2023, July 2023, and so on for all the clients. If the first Friday is a trading holiday, then such settlement shall happen on the previous trading day.

Further, Sebi directs that clients who chose monthly settlement, running account shall be settled on the first Friday of every month. If the first Friday is a trading holiday, then such settlement shall happen on the previous trading day.

Sebi has asked stock exchanges to continue online monitoring of timely settlement of running account for funds of client and to verify that excess clients' funds are not retained by the TM as on the date of settlement of running account.

Also, stock exchanges are required to in place an appropriate reporting requirement by TM to enforce the above the system, and communicate the status of the implementation of the provisions in their monthly development report to SEBI.

Stock exchanges are also asked to make amendments to the relevant Bye-laws, Rules, and Regulations, as may be necessary.