

9.16. MARGIN PLEDGE

9.16.1 If a client intends to create a margin pledge on securities owned by him for margin or settlement obligations of the client or such other purpose as specified by SEBI in favour of a Trading Member which may be re-pledged to the Clearing Member or by the client in favour of a Clearing Member and further re-pledged to the Clearing Corporation, he shall make an application for creation of margin pledge in the form and manner specified in the Business Rules to the Depository through the Participant, who has his account in respect of such securities.

9.16.2 The Trading Member or the Clearing Member through an account designated for this purpose with a Participant, may re-pledge the securities of the Client to the Clearing Member and Clearing Corporation respectively, in the form and manner specified in the Business Rules.

9.16.3 If the securities are pledged or re-pledged with a Trading Member or Clearing Member or Clearing Corporation, any release or invocation of margin pledge will be effected, in the form and manner specified in the Business Rules.

9.16.4 The rights to release or invoke a margin pledge shall be either with the Clearing Corporation, Clearing Member or Trading Member in a hierarchical order at a particular point in time.

Explanation:

- (i) If securities are re-pledged to Clearing Corporation, the rights to release or invoke the margin pledge will be with the Clearing Corporation to the exclusion of other parties.
- (ii) If securities are re-pledged to the Clearing Member or if the Clearing Corporation has exercised its rights to release the pledge, the rights to release or invoke the margin pledge will be with the Clearing Member to the exclusion of other parties.
- (iii) If securities are pledged to the Trading Member or if the Clearing Member has exercised its rights to release the pledge, the rights to release or invoke the margin pledge will be with the Trading Member to the exclusion of other parties.

9.16.5 The pledger and pledgee must have an account in the Depository to create a margin pledge. However, the pledger and pledgee may hold an account with different Participants.

9.16.6 Upon creation of margin pledge on securities, no transfer, hold, pledge, hypothecation, lending, rematerialisation, or alienation of securities in any manner shall be permitted, unless the margin pledge on securities is released or invoked.

10. RECONCILIATION, ACCOUNTS AND AUDIT

10.2. ACCOUNTING, INTERNAL CONTROL, REPORTS AND RETURNS

10.2.7. Every Participant shall maintain the following records and documents, namely:

- i) records of all the transactions entered into with a Depository and with a Client;
- ii) details of securities dematerialised, rematerialised on behalf of Clients
- iii) records of instructions received from Clients and statements of account provided to Clients; and,
- iv) records of approval, notice, entry and cancellation of pledge or hypothecation or margin pledge or hold, as the case may be.