



**CIRCULAR**

**SEBI/HO/MIRSD/DOP/CIR/P/2019/14**

**January 11, 2019**

**To,**

- 1. All Recognized Stock Exchanges**
- 2. All Clearing Corporations**

**Dear Sir / Madam,**

**Sub: Uniform membership structure across segments**

1. In cash segment, all the Stock Brokers are trading cum self-clearing members whereas in derivatives segment, membership structure is that of Trading Member (TM) and / or Clearing Member (CM). After the introduction of derivatives in the year 2001, most of the Stock Brokers in cash segment had also become TM / CM in derivatives segment. Unification of membership structure across equity cash and derivatives segments of Stock Exchanges is vital to facilitate ease of doing business.
2. SEBI Board in its meeting held on June 21, 2018 decided that sub-brokers as an intermediary shall cease to exist with effect from April 01, 2019. All existing sub-brokers would migrate to become Authorised Persons (APs) or Trading Members if the sub-brokers meet the eligibility criteria prescribed under Stock Exchange bye-laws and SEBI Regulations and by complying with these Regulations.
3. SEBI has implemented the mechanism of single registration, whereby a registered TM / CM can operate in any segment of the recognised Stock Exchange / Clearing Corporation under the single registration number granted by SEBI.
4. In order to implement uniform membership structure across equity cash and derivatives segments, following course of action is provided –
  - a) The membership structure as Trading Member (TM), Self-clearing Member (SCM), Clearing Member (CM) and Professional Clearing Member (PCM) as prevalent in equity derivatives segment shall be implemented in cash segment with effect from April 01, 2019.
  - b) The existing Stock Brokers in cash segment of a Stock Exchange who are already registered as SCM / CM in derivatives segment shall automatically become SCM / CM, as the case may be, in cash segment with effect from April 01, 2019.



- c) The existing Stock Brokers in cash segment of a Stock Exchange who are not registered as SCM / CM in derivatives segment shall continue as SCM in cash segment with effect from April 01, 2019. However, -
- i. Existing Stock Brokers in cash segment shall meet with the net-worth requirement as per formula prescribed by Dr. L.C. Gupta Committee as applicable to SCM / CM in equity derivatives segment on or before September 30, 2019.
  - ii. Existing Stock Brokers in cash segment who fail to meet the net-worth requirement for SCM / CM on or before September 30, 2019 shall continue to trade as Trading Member in cash segment provided that they shall tie up with a CM / PCM for clearing and settlement of their trades on or before September 30, 2019.
- d) The existing PCMs in derivatives segment shall become PCMs in cash segment with effect from April 01, 2019. However, the existing Custodian Clearing Member in cash segment shall continue to act as Custodian Clearing Member in cash segment only.
5. The Stock Exchanges and Clearing Corporations are directed to:
- a) bring the provisions of this circular to the notice of their members, and also disseminate the same on their websites;
  - b) make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision in co-ordination with one another, as considered necessary;
  - c) monitor the compliance of this circular;
  - d) communicate to SEBI, the status of the implementation of the provisions of this circular.
6. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to promote the development of and to regulate the securities market.

Yours faithfully,

**D Rajesh Kumar**  
**General Manager**