

**CIRCULAR**

**SEBI/HO/MIRSD/DoP/P/CIR/2022/109**

**August 18, 2022**

To,

**All Depositories**

**All recognized Stock Exchanges and Clearing Corporations**

Madam / Sir,

**Sub: Block Mechanism in demat account of clients undertaking sale transactions**

1. SEBI, vide circular no. CIR/HO/MIRSD/DOP/P/CIR/2021/595 dated July 16, 2021, introduced block mechanism in the demat account of clients undertaking sale transactions, for ease of operations in Early Pay-in mechanism.

2. Clause 5 of the circular states the following:

*“5. The proposed facility of block mechanism is on optional basis and Early Pay-in mechanism shall also continue.”*

3. Pursuant to extensive consultation with Depositories, Clearing Corporations and Stock Exchanges, and considering the benefits of block mechanism, it is decided to amend clause 5 as given below:

*“5. The facility of block mechanism shall be mandatory for all Early Pay-In transactions.”*

4. All other provisions in the circular dated July 16, 2021 shall continue to remain applicable.

5. Depositories and Clearing Corporations shall put in place appropriate systems to ensure compliance of the provisions of this circular.
6. This circular shall be applicable with effect from November 14, 2022.
7. Stock Exchanges and Depositories are directed to:
  - a. bring the provisions of this circular to the notice of their members / participants and also disseminate the same on their websites;
  - b. make necessary amendments to the relevant Bye-laws, Rules and Regulations for the implementation of the above decision.
  - c. communicate to SEBI, the status of the implementation of the provisions of this circular on November 15, 2022 and in their Monthly Development Reports.
8. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, and Section 19 of the Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully

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