

GENERAL MANAGER
Market Regulation Department
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MRD/DoP/SE/Cir-21/2006
December 14, 2006

The Executive Directors/Managing Directors/Administrators of All Stock Exchanges
Dear Sir / Madam,

Sub: Clarification to Clause 24 of Comprehensive IPF/CPF Guidelines.

1. Please refer to SEBI Circular Ref No MRD/DoP/SE/Cir-38/2004 dated October 28, 2004 on the Comprehensive Guidelines for Investor Protection Fund (IPF) / Customer Protection Fund (CPF) at Stock Exchanges.
2. The provisions of Clause 24 of the Annexure to the aforesaid circular dealing with Disbursement of Claims from IPF/CPF reads as under:-
The Stock Exchange shall ensure that the amount realised by the auction / close-out of the card / realisation of assets of the defaulter members are credited to the IPF/CPF after satisfying the claims of the Stock Exchange and the SEBI in accordance with the bye-laws of the Stock Exchange.
3. In this regard, SEBI has received queries regarding disbursement of claims from IPDF/CPF in case of defaulter broker having multiple memberships. It is clarified that in the case of stock broker having multiple memberships, who has been declared defaulter, any amount remaining to his credit after satisfying the eligible claims at the stock exchange / SEBI / other stock exchanges, shall be credited to the IPF/CPF of such exchange. This would be in line with the provisions contained in Clause (viii) of Government of India directive (circular ref 1/26/SE/91 dated August 12, 1991), SEBI circular (SMD/Policy/Cir-24/97 dated September 26, 1997) and would take care of interest of investors on other stock exchanges also.
4. Accordingly, the Clause 24 of the Comprehensive IPF/CPF Guidelines is restated with the incorporation of the aforesaid clarification as Annexure -1 to this circular.
5. The Stock Exchanges are advised to ;
 1. if necessary make appropriate amendment to the relevant bye-laws, rules and regulations to suitably reflect this clarification.
 2. bring the provisions of this circular to the notice of the member brokers/clearing members of the Exchange and also to disseminate the same on the website.
 3. communicate to SEBI, the status of the implementation of the provisions of this circular in Section II, item no. 13 of the Monthly Development Report for the month of December 2006.

6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,
V S SUNDARESAN
Encl: Annexure - 1

ANNEXURE - 1

Comprehensive Guidelines for IPF/CPF at Stock Exchanges

Disbursement of claims from IPF/CPF

Clause 21.....

Clause 22.....

Clause 23.....

Clause 24

The Stock Exchange shall ensure that the amount realised by the auction / close-out of the card / realisation of assets of the defaulter members are credited to the IPF/CPF after satisfying the claims of the Stock Exchange and the SEBI in accordance with the bye-laws of the Stock Exchange.

It is clarified that in the case of stock broker having multiple memberships, who has been declared defaulter, any amount remaining to his credit after satisfying the eligible claims at the stock exchange / SEBI / other stock exchanges, shall be credited to the IPF/CPF of such exchange.