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| <b>Name of the person/entity proposing</b>     | Indian Association of Investment Professionals (CFA Society India) |
| <b>Category (Listed Entity / MII / Market)</b> | Association of Investment Professionals                            |
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| Sr. No. | Proposal   | Confirmity to Proposal | Comments  | Rationale   |
|---------|--|------------------------|---|---|
| 1       | The securities for pay-out shall be credited directly to the respective clients demat account by the CCs and transfer of funded stocks in respect of margin funding to the client's demat account followed by creation of an auto pledge | Strongly Agree         | <p>We strongly agree with the proposal as it will significantly simplify the process of DP operations of the stock brokers. This approach enhances transparency and ensures a streamlined process for clients, thereby increasing trust in the system. The proposal will also fortify investor interest, by further protecting securities which are currently pooled by the brokers and then credited to respective client demat accounts.</p> <p>However, it is important to highlight some operational and risk management challenges that need to be addressed for the effective implementation of this proposal.</p> <p>These challenges, while significant, appear to be easily manageable with the right strategic planning and technological investments. By addressing these issues proactively, the benefits of direct crediting and auto pledge creation can be fully realized, enhancing the overall client experience and operational efficiency.</p> | <p>By directly crediting securities to the respective client demat accounts by the Clearing Corporation (CC), it will create greater transparency for clients. This change also brings several concerns to address:</p> <ol style="list-style-type: none"> <li><b>Liquidity Provision by Intermediaries:</b> Currently, many market intermediaries provide last-mile liquidity to their clients, ranging from a few hours to a few days. This involves operational and credit risk management. There is a need to identify who will assume these responsibilities in the future and ensure this does not lead to a tangible decline in service quality during the investment process.</li> <li><b>Increased Charges for End Investors:</b> Directly crediting stocks to the client demat accounts may result in increased charges for end investors, as already observed with direct pledging. It is essential to manage these costs to avoid placing additional financial burdens on investors.</li> <li><b>Challenges for BTST Traders/Investors:</b> BTST (Buy Today, Sell Tomorrow) traders and investors may face difficulties in settling their trades. Since BTST traders tend to sell their delivery trades the next day, eliminating the pool broker account may lead to an increase in stock short delivery instances. This will raise costs for BTST clients, as shortages will be managed through auction processes. Effective solutions need to be put in place to mitigate these potential issues.</li> <li><b>Impact on Margin Trading Facility (MTF):</b> For MTF, Trading Members (TM) and Clearing Members (CM) will need to open separate demat accounts tagged as 'Client Securities under Margin Funding Account.' The funded stocks will be transferred to the respective client's demat account, followed by the creation of an auto pledge. This process will increase operational costs for both intermediaries and end investors. Streamlining these processes can help in managing the additional operational burden efficiently.</li> </ol> |

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|  | <p>Internal shortages shall be handled through the process of auction as specified by CCs and the brokers shall not levy any charges on the client over and above the charges levied by the CCs.</p> | <p>Strongly Agree</p> | <p>We welcome the proposal as it will not increase any additional cost burden to the client in case of internal shortages managed through the process of auction as mentioned by CCs.</p> |  |
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