

New account settlement system for the stock broking industry

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In news– The new account settlement mechanism for the stock brokerage business will go into effect on October 1.

What are the new changes proposed?

- Under the new **guidelines issued by the Securities and Exchange Board of India (SEBI) in July** and effective from October 1, the **trading members will have to settle the accounts on a monthly or quarterly basis** on the first Friday of the month or quarter depending upon the option selected by the customer.
- It further added that **settlement of running account of clients' funds will be done by the trading members after considering the end of the day (EOD)** obligation of funds as on the date of settlement across all the exchanges on the first Friday of the quarter (i.e., Apr-Jun, Jul-Sep, Oct-Dec, Jan-Mar) for all the clients.
- If the first Friday of the quarter is a trading holiday, then such settlement shall happen on the previous trading day.
- In cases where the client has opted for a monthly settlement process, then the running account shall be settled on the first Friday of every month.

What is settlement of accounts?

- **The market regulator mandates stockbrokers to settle i.e., transfer the available credit balance from trading account to bank account**, at least once in a quarter (90 days) or 30 days.
- The process of transferring the unutilised funds back into the bank account is called '**Running Account**

Settlement' or 'Quarterly Settlement of Funds' and the funds are transferred back to the primary bank account of the customer that is linked to the trading account.

Its impact on investors and traders-

- Changes in settlement brought in by SEBI over the last few years have had the aim of protecting the investor and preventing the misuse as money lying in trading accounts of investors for long periods.
- Industry experts say that **it will help brokers develop a system just like banks**, which credit interest in the accounts of their customers at the end of the quarter.
- **Another advantage** would be that if a customer has more than one demat account with different brokers, having one settlement date for the entire industry will make it easier for her to keep track of her funds in all accounts as they would all get settled on the same day.