

CIRCULAR

SEBI/HO/MIRSD/POD-1/P/CIR/2024/4

January 12, 2024

To

All Recognized Stock Exchanges

All Registered Trading Members through Stock Exchanges

Dear Sir / Madam,

Sub: Ease of Doing Investments by Investors- Facility of voluntary freezing/ blocking of Trading Accounts by Clients

1. Stock broking industry in India has moved from a call and trade type of scenario to online mode, wherein the investors use the login ids and passwords provided to them by the Trading Members. It has been observed that at times, suspicious activities are noticed by investors, but the facility of freezing/blocking of accounts is not available with majority of Trading Members.
2. Many a times, investors raise issues of suspicious activities in their trading accounts and thus, there is an urgent need to address the situation of having a facility for blocking of trading accounts as it is available for blocking of ATM Cards and Credit Cards.
3. Similar facility of voluntary blocking/ freezing of demat accounts is already available for investors and this facility is now proposed to be offered to the investors for their trading accounts also.
4. In this respect, pursuant to consultation with the Brokers' Industry Standards Forum (ISF) and to enhance ease of doing business and ease of investment, it has been decided that the framework for Trading Members to provide the facility of voluntary freezing/blocking the online access of the trading account to their clients on account of suspicious activities shall be laid down **on or before April 01, 2024**, by the ISF, under the aegis of stock exchanges, in consultation with SEBI and the same shall, *inter-alia*, contain necessary guidelines with respect to the following:
 - 4.1. Detailed policy for voluntary freezing/ blocking the online access of the trading account of the client including the following:

- modes through which a client can request/communicate to the Trading Member for voluntarily blocking the trading accounts;
 - issuing of acknowledgement to the clients on receipt of message;
 - time period within which the request shall be processed and the trading account shall be frozen/blocked.
- 4.2. Action to be taken by the Trading Member pursuant to the receipt of request for freezing/blocking of the trading account;
- 4.3. Process for re-enabling the client for trading/transfers;
- 4.4. Intimation to be provided by the trading member to the clients w.r.t. introduction of the facility to block the trading accounts.
5. Further, the Stock Exchanges shall ensure that the guidelines so issued under the aforesaid Framework are implemented by Trading Members with effect from **July 01, 2024**. Stock Exchanges shall also put in place an appropriate reporting requirement by Trading Members to enforce the above system. A compliance report to this effect shall be submitted to SEBI by Stock Exchanges latest by **August 31, 2024**.
6. Stock Exchanges are advised to:
- 6.1. take necessary steps and put in place necessary systems for implementation of above.
 - 6.2. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above.
 - 6.3. bring the provisions of this circular to the notice of Trading Members and also to disseminate the same on their website.
7. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 30 of SEBI (Stock Brokers) Regulations, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully,

Aradhana Verma
General Manager
Tel. No.: 022 26449633
aradhanad@sebi.gov.in