SEBI has proposed to let brokers set a shorter deadline for clients to pay for trades

The **Securities and Exchange Board of India (SEBI)** has proposed to let brokers set a shorter deadline for clients to pay for trades and to lay down clear timelines for when unpaid securities must be released, invoked, or automatically unblocked. The regulator noted that at present, unpaid securities are credited to the client's demat account and remain pledged in favour of a separate “Client Unpaid Securities Pledgee Account” until the payment obligation is met.

The Board said representations from the Brokers' Industry Standards Forum had pointed to operational difficulties and lack of clarity in how this framework is applied. Under the draft, a trading member may allow a period shorter than five trading days from the pay-out date for clients to meet their payment obligation, in line with its disclosed policy.

Currently, a period of up to five trading days is generally provided. Timelines have also been fixed for release of pledge. Where payment is received before 5 PM, the pledge must be released on the same day. If funds are received after that cut-off, the release has to be completed before 5 PM on the next trading day. Where clients make partial payment, brokers will have to assess obligations on a daily basis and release only that portion of unpaid securities which is no longer required to cover the outstanding dues.

The draft also provides for cases where the pledge is neither invoked nor released. In such instances, depositories will automatically release the unpaid securities at the end of the prescribed period so they do not remain blocked. Clarity has been introduced for cases where trading and clearing members are separate. In such situations, unpaid securities can be re-pledged in favour of the clearing member if the trading member has not met its obligations.

For situations where unpaid securities cannot be liquidated within the usual period, including lower circuits or trading suspension, brokers may seek an extension of up to one additional week. Further extension may be granted only if such conditions continue. SEBI has invited public comments on the draft circular till May 15, 2026.