

BROKERS GET SEBI RELIEF ON ACCESS TO CLIENT ACCOUNTS

The Securities and Exchange Board of India (Sebi) has allowed brokers uninterrupted access to their clients' accounts by seeking a one-time authorisation. The regulator had earlier said brokers would have to take such approvals every year.

Sebi agreed to drop the requirement of stock brokers seeking 'running account authorisation' from clients at least once a year —which was made mandatory in December 2009 — after repeated requests from brokerages. In a circular issued on December 3 2009, Sebi had changed various regulations about dealings between stock brokers and investors. These rules were first scheduled to be implemented by March 31 2010, but the deadline was extended to June 30 2010.

The new Sebi circular said the regulator "received representations from market participants expressing difficulties in implementation of the requirements pertaining to the renewal of running account authorisation once in a year". Sebi said it had, therefore, decided to drop the clause.

During the opening of trading accounts, brokers ask investors to give them 'running account authorisation', which makes the funds readily available for future orders. Generally, investors keep some cash, whether fresh or that from the sale of shares, in their trading accounts for instant access to funds for future buy orders. However, there have been reports of brokers using these funds for market dealings, without the client's knowledge, and returning the funds back into accounts whenever the customer needs them. Brokers generally take two-three days to transfer the funds back to clients from their trading accounts. Therefore, Sebi, in 2009, made it mandatory for brokers to return such funds within 24 hours, or get a 'running account authorisation'. Brokers were asked to provide clients with an option to either take back unutilised funds at the end of every month or quarter or provide a 'running account authorisation'.