Nodal Co-ordination Cell
Informal Guidance

Issue No: I/18948/2026

August 17, 2026

Share India Securities Limited

Unit No. 615 and 616, 6th Floor,

X-Change Plaza,

Dandl Street Commercial Co-operative Society Limited,

Road 5 E, Block 53, Zone 5, Gift City,

Gandhinagar, Gujarat-382050

Sir,

Kind Attn: Bhavya Vora, Principal Officer- Share India Securities Limited

Subject: Request for Informal Guidance under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025 on permitting pledging of securities purchased under Discretionary Portfolio Management Services.

***Ref: Your* letter dated June 22, 2026**

1. In the context of your letter under reference, you have, *inter-alia*, requested for guidance on the permissibility and regulatory implications of pledging of securities purchased under Discretionary Portfolio Management Services (**D-PMS**) and represented as under:

    1.1. Your services include D-PMS. Under the D-PMS model, clients open demat accounts with the approved custodian, and all trading activities are executed through empaneled brokers.

    1.2. The securities purchased under DPMS remain in the client's beneficial ownership and are held in the client's name in the demat account with the approved custodian.

    1.3. A prospective client has inquired from you whether they can pledge securities held in their demat account (purchased through the D-PMS framework).

2. In view of the above, you have sought guidance in the form of an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025 on the following queries:

Query 1: *Whether a Portfolio Manager may permit a client to pledge securities held in the client's demat account under the D-PMS framework, either directly by the client or through instructions routed via the Portfolio Manager to the Custodian, considering that these securities are the client's property and remain in the client's beneficiary account and that such pledge is initiated solely at the client's discretion for the client's own benefit, not for the benefit of the Portfolio Manager.*

Query 2: *Whether such pledge by the client would in any manner be construed as borrowing of funds or securities by the portfolio manager on behalf of the client, as restricted under Regulation 23(8) of the SEBI (Portfolio Managers) Regulations, 2020.*

Query 3: *Whether the market value of securities pledged by the client may continue to be included in the Portfolio Manager's Assets Under Management (AUM) and reflected in regulatory reporting, given that the beneficial ownership of the securities remains with the client and the act of pledging does not alter such ownership.*

Query 4: *Whether any specific disclosures or risk warnings are required to be provided by the Portfolio Manager to the client regarding the risks associated with pledging of securities, including but not limited to the risk of invocation of pledge and loss of securities.*

Query 5: *Whether the Portfolio Manager is required to intimate SEBI or the Custodian regarding such pledging arrangements entered into by the client.*

Query 6: *Any other precautions which we have to take to be compliant with SEBI Regulations.*

3. We have considered the submissions made by you in your letter under reference and without necessarily agreeing with your analysis, our views on the queries raised in your letter are as under:

    3.1. For ease of reference, the relevant provisions of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (**"PMS Regulations"**) are reproduced below:

Regulation 22 (2): "The agreement between the portfolio manager and the client shall, *inter alia,* include the following: -

....

(m) *in case of a discretionary portfolio manager; a condition that the liability of a client shall not exceed his investment with the portfolio manager;"*

Regulation 23(1): *"The discretionary portfolio manager shall individually and independently manage the funds of each client in accordance with the needs of the client, in a manner which does not partake character of a Mutual Fund, whereas the non-discretionary portfolio manager shall manage the funds in accordance with the directions of the client."*

Regulation 23(8): *"The portfolio manager shall not borrow funds or securities on behalf of the client."*

3.2. **With respect to Queries 1&2:**

3.2.1. Regulation 23(1) of PMS Regulations provides that a discretionary portfolio manager shall independently manage the funds of each client in accordance with the need of the client, in a manner which does not partake character of a Mutual Fund. The final decision rests entirely with the portfolio manager. Further, the client is the beneficial owner of the securities in the portfolio and has the right to use their own assets, including those under PMS by way of pledge for availing loans they avail personally.

3.2.2. The restriction on portfolio managers with respect to borrowing of funds under Regulation 23(8) of PMS Regulations does not prevent D-PMS clients from initiating pledge of securities, provided that the pledge is initiated solely at the client's discretion and for their own benefit.

3.3. **With respect to Query 3:**

3.3.1. The pledging of securities does not change the beneficial ownership from client (pledger) to the lender (pledgee) unless the pledge is invoked. Thus the securities still remain with the client and hence the market value of securities pledged by the client may continue to be included in the Portfolio Manager's Asset Under Management until the invocation of the pledge and reflected in regulatory reporting, unless the Client withdraws from the Asset Under Management for the purpose of pledge or otherwise.

3.4. **With respect to Queries 4 & 6:**

3.4.1. Since the queries are general in nature and do not cite applicable legal provisions, the responses to the same are not being provided in terms of paragraph 11(a) and 11(d) of the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025.

3.5. **With respect to Query 5:**

3.5.1. The Portfolio Manager may be guided by the provisions of the PMS Regulations and the Circulars/Master Circulars issued thereunder from time to time.

4. This letter has been issued with the approval of the competent authority and the guidance is based on the representation made in your application. Different facts or conditions would entail different interpretation. This letter expresses the relevant Department's position on enforcement action only. It does not express the decision of the Board on the questions presented in your letter under reference and does not preclude you from taking any other opinion, as deemed appropriate.

5. You may note that the above views are expressed only with respect to the clarification sought in your letter under reference on the PMS Regulations and circulars issued thereunder and do not affect the applicability of any law and any other regulations, guidelines and circulars framed or administered by SEBI or any other authority.

Yours faithfully,

Anamika Shripat