FAQ on Margin Trading Facility

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1. What are the eligibility requirements for Members to provide Margin Trading Facility (MTF) to clients?
A. Only a corporate Member with a net worth of Rs.3.00 crores and above, computed as per the Schedule VI of SEBI (Stock Brokers) Regulations, 1992, shall be eligible to offer margin trading facility to their clients after obtaining prior approval of the Exchange.

2. How to obtain permission from the Exchange to offer Margin Trading facility to clients?
A. Member needs to seek prior permission of Exchange by submitting an application form under ENIT New Compliance on Member's Portal as per the format mentioned at the link- https://www.nseindia.com/trade/Membership-formats under the tab "Form for applying for approval or withdrawal of Margin Trading Facility" along with certified extract of Board Resolution and Auditor's certificate on net worth.

3. How to apply for withdrawal of MTF?
A. Member can apply for withdrawal by submitting an online application form under ENIT New Compliance on Member's Portal as per the format mentioned at the link- https://www.nseindia.com/trade/Membership-formats under the tab "Form for applying for approval or withdrawal of Margin Trading Facility" along with certified extract of Board Resolution. While seeking the withdrawal, Member must ensure that all open positions under MTF are liquidated and reported to the Exchange accordingly.

4. Is consent from the clients required before offering Margin Trading facility to them?
A. Member shall obtain client consent in writing in his own hand or any irrefutable electronic method. Rights & obligations and the Terms and conditions shall also be communicated to the client.

5. Does Member require to allot single UCC to same client who avail both Normal Trading and Margin Trading facility?
A. All clients shall have only one unique client code (UCC) per Member which shall be reported to the Exchange. Clients availing Margin trading facility (MTF) should be segregated at back office with the Trading Member, namely MTF account & Non-MTF account, which shall be mapped to the said unique client code (UCC).

6. Which securities are eligible for margin trading?
A. As per SEBI circular no. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2022/166 dated November 30, 2022, Equity shares and units of Equity ETFs that are classified as 'Group I security' shall be eligible for MTF.

7. How initial margin shall be payable by clients to Member?
A. As per SEBI circular no. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2022/166 dated November 30, 2022, the initial margin payable by the client to the stock broker shall be in the form of cash, cash equivalent, or Group I equity shares or units of Group I Equity ETFs, with appropriate haircut as specified in SEBI Circular No. MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 and shall be recorded in the MTF books.

In order to avail MTF, margin requirement shall be as under:

Category of Stock and Corresponding Margin Requirement	Example
Group I stock available for trading in the F&O Segment: The applicable margin would be VaR + 3 times of applicable ELM* Proviso: In case collateral was collected in form of cash from client towards margin for availing margin trading facility i.e. initial margin and such cash collateral was subsequently used for payin of said client and therefore not upstreamed to CC as collateral and margin is now maintained (i.e. maintenance margin) in form of funded stock received from CC to the extent of such cash used for payin then margin requirement on funded stock would be VaR + 5 times of applicable ELM*.	Client A has bought 1 Quantity of **Group 1 F&O Stock** at Rs. Price 100 and Margin has been collected in form of Cash. Var & ELM on said scrip is 12.5% and 5% respectively Initial Margin requirement for availing MTF in said scrip would be as under: Var + 3 times of ELM i.e. 12.5+15=27.5% of Rs. 100. After availing MTF in said scrip, if the initial margin given in the form of cash as mentioned above i.e. Rs. 27.5 has been used for payin i.e. settlement obligation of said client on settlement day and funded stock received from CC to the extent of such cash used for payin is being maintained for margin purpose (i.e. maintenance margin) then funded value i.e. exposure would be 72.5 and rate of margin requirement on said funded stock would be as under assuming there is no change in Var & ELM rate and market price of said scrip: Var + 5 times of ELM i.e. 12.5+25=37.5% on the cost of funded stock or market value of the funded stock whichever is lower i.e. Rs. 72.5 i.e. (funded value after reducing cash collateral used for payin). Example 2: In the above Example 1, if after availing MTF in said scrip, if the initial margin given in the form of cash as mentioned above is not used for payin and is being maintained with member for margin purpose (i.e. maintenance margin) and upstreamed to CC and allocated to respective client then funded value i.e. exposure would be Rs. 100 and rate of margin requirement on said funded stock would remain same i.e. Var + 3 times of ELM i.e. 12.5+15=27.5% on Rs. 100.
Group I stock other than F&O stocks and units of Equity ETFs: The applicable margin would be VaR + 5 times of applicable ELM*.	

** For aforesaid purpose, the applicable VaR and ELM shall be as in the cash segment for a particular stock.*

Collateral in the form of securities under the margin trading facility shall be held by way of pledge only in terms of SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020.

Members should ensure that the initial margin for availing MTF facility is collected as per the aforementioned prescribed rate on the purchase value of funded shares. The maintenance margin is maintained for all the open funded positions as per the aforementioned prescribed rate at all times on the cost of funded stock or market value of the funded stock whichever is lower. Further, Members shall also ensure to collect Mark to Market margin (MTM) (in form of cash or non-cash collateral) in cases where the market value of the funded stock is less than the funded cost of the stock.

Value of funded quantity used as maintenance margin will be calculated same as collateral security for the purpose of availability of margin collection.

Example: Client bought 1 Quantity of Group 1 F&O Scrip A at Rs. 100 and the Closing Price of Scrip is 100 on T day. On T+1, Closing Price is 90. Margin is collected in non-cash form i.e. securities without cash collateral.

Initial, Maintenance Margin & MTM Requirement on T day would be as under:

Initial Margin:- VaR + 3 Times ELM on Rs. 100
MTM:- Nil (Funded Value basis purchase value i.e. 100 minus Closing Value basis closing rate i.e. 100)
Maintenance Margin: Not applicable as initial margin to be collected and maintained

Initial, Maintenance Margin & MTM Requirement on T+1 day would be as under:

Initial Margin :- Not applicable as maintenance margin to be maintained

MTM:- 10 (Funded Value basis purchase value i.e. 100 minus Closing Value basis closing rate i.e. 90)

Maintenance Margin: VaR + 3 Times ELM on Rs. 90. In case if stock is non F&O - Var + 5 times of ELM on Rs.90/-

8. Can excess margin/collateral available in MTF ledgers be considered towards Margins of non-MTF transactions?

A. Excess margin/collateral available in MTF ledgers cannot be considered towards Margins of non-MTF transactions. However, in exceptional scenarios, transfers from non-MTF ledgers to MTF ledgers can be considered towards a margin position in MTF, provided they belong to the same clients and there are sufficient & free balances available in the non-MTF ledgers. Any transfer of balances from non-MTF ledgers to MTF ledgers undertaken with a view to avoid the actual settlement requirements will not be permitted.

9. Is the list of group 1 securities available on NSE website?
A. The list of Group-1 securities is available on the NSE website under the "monthly reports tab" at the following link and downloading the report named "CM-Security Catergory Impact Cost": https://www.nseindia.com/all-reports

The Detail Record Format (Securities category file (CATG) is as under1:

S.No.	Field	Description
1.	Record Type	Record Type – Value is 20
2.	Security Symbol	Security Symbol
3.	Security Series	Security Series
4.	ISIN	ISIN of that security
5.	Security Category2	Security Category applicable on that security in the following month.
6.	Security Impact Cost	Security Impact Cost

1 Exchange circular NCL/CMPT/46880 dated January 01, 2021
2 Security (EQ) with Security category as "1" shall be eligible.

10. Equity Shares that are classified as 'Group I security' are only eligible for margin trading facility (Collateral as well as funded stocks). What if a group 1 stock (funded/provided as collateral) moves out of Group 1 subsequently?
A. In case of Group-1 securities pledged as collateral, Member shall be required to replace such security, from the applicable month onwards (when the security ceases to be Group-1security), with another form of eligible collateral (cash, cash equivalent or Group I equity shares, with appropriate haircut).

In case of funded securities which were categorised as Group-1 at the time of purchase, the same are to be treated as per Exchange circular ref. no. NSE/CMO/0131/2004 dated September 9, 2004, in case they move out of the Group-1 Category.

11. What are the sources of funds which a Member can use to extend MTF?
A . Member may use the following as source of funds:
1. Own Funds.
2. Borrowed funds from scheduled commercial banks.
3. Borrowed funds from NBFCs regulated by RBI.
4. Borrowings by way of issuance of Commercial Papers, subject to compliance with appropriate RBI guidelines.
5. Borrowings by way of unsecured long-term loans from their promoters and directors, subject to the appropriate provisions of Companies Act.
Member shall not be permitted to borrow funds from any other source except listed above. Further, the Member shall not use the funds of any client for providing the margin trading facility to another client, even if the same is authorized by the first client.

12. What is the maximum allowable exposure of the Member towards MTF?
A. The maximum allowable exposure shall be within the self-imposed prudential limits and shall not, in any case, exceed the borrowed funds and 50% of his "net worth". The term "exposure" shall mean the aggregate outstanding margin trading amount as reduced by cash collateral collected from the client, if any, and used for pay-in purpose for the same client in the MTF books of the trading Member for all his clients at any given point of time. The term "borrowed funds" shall mean the amount borrowed and not the sanctioned limit of borrowings.

"Maximum allowable exposure <= [Total Borrowed Funds +(0.5*Net Worth)]"

Eg: If the networth of Member X is Rs. 3 Crores and total of borrowings is Rs.1 crore then the total of exposure that is permitted to be provided shall not exceed Rs.2.5crores, computed as under:

Particulars		**Amount**
Total Networth	**A**	Rs. 3 Crores
Total amount of borrowing for MTF	**B**	Rs. 1 crore
50% of Networth	**C=50% of A**	Rs.1.5 cr. (50% of Rs. 3 crores)
Maximum exposure that can be provided	**D= (B + C)**	**Rs 2.5 crores**

Exposure = Outstanding funded amount – cash collateral used for pay-in

E.g.

Particulars	**Scenario A**	**Scenario B**
Total Funded value	Rs.1000.00	Rs.1000.00
Cash collateral received from clients	Rs.100.00	Rs.100.00
Cash collateral used for pay-in	Nil	Rs.20.00
Exposure value	Rs.1000.00	Rs.980.00

13. What shall be the total indebtedness of a Member for the purpose of margin trading?
A. Total indebtedness shall mean the aggregate of the outstanding borrowings from Banks/NBFCs/Commercial Papers/unsecured loans from promoters or directors, at any point of time. The total indebtedness of a Member for the purpose of margin trading shall not exceed 5 times of its net worth.

Illustration: If the net-worth of Member X is Rs. 3 Crores, then the total indebtedness for the purpose of MTF shall not exceed Rs. 15 crores.

14.What shall be the client-wise exposure limit?
A. The exposure to any single client at any point of time shall not exceed 10% of the Member's maximum allowable exposure. Illustrations:

Illustration -1

Particulars		**Amount**
Member's net worth	A	Rs. 5 Crs.
Total amount of borrowing for MTF	B	Rs. 20 Crs.
Maximum allowable exposure	C = (50% of A) +B	Rs. 22.50 Crs
Actual exposure provided	D	Rs. 10 Crs.
Max exposure to any single client	E = 10% of C	Rs. 2.25 Crs.

Out of the total exposure of Rs. 10 crores provided during the day, exposure to any single client shall not exceed Rs. 2.25 crores.

Illustration -2

Particulars		Amount
Member's net worth	A	Rs. 5 Crs.
Total amount of borrowing for MTF	B	Nil
Maximum allowable exposure	C = (50% of A) +B	Rs. 2.50 Crs.
Actual exposure provided	D	Rs. 2 Crs.
Max exposure to any single client	E = 10% of C	Rs. 0.25 Crs.

Out of the total exposure of Rs. 2 crores provided during the day, exposure to any single client shall not exceed Rs. 0.25 crores.

15.What all records shall be maintained by Member for MTF?

A. The Member shall maintain the following records:

1. Separate client-wise ledgers for funds and register of securities (collateral and funded stocks) of clients availing margin trading facility. Separate client wise ledgers for funds shall include the following:
   - Cash collateral collected in form of margin and used for payin
   - Mark to Market (MTM) collected and maintained in Cash
   - Funded position without adjusting cash collateral mentioned above for margin & MTM
2. Separate record of details of the funds used and sources of funds for the purpose of margin trading.
3. Books of accounts, maintained by the Member, with respect to the margin trading facility offered by it, shall be audited on a half-yearly basis and the Member shall submit an auditor's certificate to the exchange within one month from the date of the half year ending 31st March and 30th September of a year certifying, inter alia, the extent of compliance with the conditions of margin trading facility.

16.Whether Members are required to open a separate demat account for funded stock under the margin trading facility?

A. As per SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020, funded stocks held by the TM / CM under the margin trading facility shall be held by the TM / CM only by way of pledge. For this purpose, Members are required to open a separate demat account for MTF funded stock which should be tagged as 'Client Securities under Margin Funding Account'. Such funded stocks shall be held by the Member only by way of pledge in the said account from the BO account of the respective client. The funded stock pledged in 'Client Securities under Margin Funding Account' shall not be available for pledge with any other Bank/ NBFC.

The funded stock shall be unpledged by the Member, to the extent of the payment made by the client, within one working day of the receipt of the payment. In case of multiple funded stocks, the stocks to be unpledged can be identified in terms of the internal policy of the Member (which has been informed to the client) or as per the instruction of the client.

17. In case of identification of MTF trades on T+1, when should the margin be available for the trade with the Member?

A. In case a transaction is identified under MTF by T+1 day, the minimum Margin as stipulated for under the provisions of MTF should be available with the Member for the client on the date when the MTF trade has been identified. An illustration is as under: -

Day	Remark	Amount	Category	Margin Requirement
Monday (T Day)	Trade day	Rs. 1,000/-	Normal Trading	As per Member's Risk Management policy subject to the minimum upfront margin prescribed by Exchange/SEBI.
Tuesday (T+1 Day)	Day of identification	Rs. 1,000/-	Identified as MTF	Margin should be available as prescribed in SEBI circular CIR/MRD/DP/54/2017 date June 13, 2017 and SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/118 dated September 11, 2024

18. What can be done if the client fails to meet the margin call made by the Member?

A. The Member may liquidate the securities if the client fails to meet the margin call made by the Member as per the mutually agreed terms& conditions but not exceeding 5 working days from the day of margin call. The Member shall list out the situations/conditions in which the securities may be liquidated and include them in the terms & conditions and "Rights and Obligations Document".

19. Can Member set up its own risk management policy that will be applicable to the transactions done under the Margin Trading Facility?

A. Yes. Further, Member may make amendments there to at any time but give effect to such policy after the amendments are duly communicated to the clients registered under the Margin Trading Facility.

20. When shall the margin trading accounts be settled?

A. Any excess collateral, in the form of cash lying in the MTF account of the client shall be mandatorily settled on a monthly/quarterly basis, as per the client preference, on the running account settlement date as notified by the Exchange. Members shall settle both MTF and Non MTF accounts on same day for a particular client.

Further, the funded stock shall be unpledged by the Member, to the extent of the payment made by the client, within one working day of the receipt of the payment. In case of multiple funded

stocks, the stocks to be unpledged can be identified in terms of the internal policy of the Member (which has been informed to the client) or as per the instruction of the client.

21. Can the funded stocks and collaterals be comingled?

A. As per SEBI circular no. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/118 dated September 11, 2024, the stocks or units of Equity ETFs pledged as collateral with the stock broker for availing MTF (Collaterals) and the stocks or units of Equity ETFs purchased under the MTF (Funded) shall be identifiable separately and no comingling shall be permitted for the purpose of computation of funding amount. Further, in case the broker has collected cash collateral from the client in form of margin for availing margin trading facility and the Trading Member has given the said cash collateral to the Clearing Corporation (CC) towards settlement obligation of the said client, then same can be considered as maintenance margin to the extent of securities received from CC against such cash collateral utilized towards settlement obligation of the said client and given to CC and such shares are pledged in favor of trading member in form of funded stock.

22. What are the reporting requirements by the Member?

A. Once the Member has started offering margin trading facility to clients, it is mandatory to report the details on exposure towards margin trading facility to the stock exchange on or **before 6 p.m. of the following trading day** as per the format prescribed with this circular.
The reporting must be done on the following link-
https://enit.nseindia.com/MemberPortal/ and the path for uploading of Margin Trading Files is ENIT-NEW-Compliance>Compliance>MTR>MTR Submission.

23. If MTF is not provided to clients on a particular day, is it mandatory to do reporting for that trading day?

A. Yes, reporting of MTF is mandatory till the time facility is not withdrawn by submitting application for withdrawal to Exchange.

24. What are the consequences for non-reporting of daily margin trading file?

A. As per Exchange circular ref. no. NSE/INSP/53530 dated September 2, 2022, if the MTF file is not submitted by 6 pm, it would be treated as non-compliance and the applicable disciplinary action will be taken.

25. Can the securities pledged as collateral under the margin pledge/repledge mechanism with the Member for availing margin trading facility and normal trades be comingled?

A. The Member may keep the securities pledged as collateral/margin for availing margin trading facility and normal trades under the same "Client Securities Margin Pledge Account" opened for the purpose of margin pledge/repledge. However, Member shall record the securities pledged as collateral for transactions undertaken under Margin Trading facility (MTF) in the MTF books.

26. Can the Member re-pledge the securities pledged by the clients as margin collateral under MTF with clearing corporation/clearing Member?

A. Yes, Members may re-pledge the securities pledged by the clients as margin collateral under MTF with clearing corporation/clearing Member.

27. Can a member collect 20% of the transaction value as margin for MTF trades w.r.t. margin requirement in cash market segment as stipulated by SEBI instead of higher margin as per MTF framework?

A. No, once the trade is identified as MTF trade, Members need to collect the upfront margin as per the Margin Trading facility guidelines issued by SEBI/Exchange from time to time or minimum margin requirement in cash market segment i.e. 20% of the transaction value whichever is higher.

28. Which circulars shall be referred for MTF?

A. The list of circulars issued by SEBI/NSE from time to time for MTF is listed below:

S.No.	Circular Ref. no.	Issue by	Date	Subject
1	NSE/CMO/0131/2004	NSE	September 9, 2004	Action to be taken when Group 1 Security becomes T2T scrip or move out of Group 1 list.
2	CIR/MRD/DP/54/2017	SEBI	June 13, 2017	Comprehensive Review of Margin Trading Facility
3	NSE/COMP/35125	NSE	June 15, 2017	Comprehensive Review of Margin Trading Facility
4	NSE/COMP/35260	NSE	June 30, 2017	Rights and Obligations for the purpose of margin trading facility.
5	CIR/MRD/DP/ 86/2017	SEBI	August 01, 2017	Margin Trading Facility-Clarification
6	NSE/COMP/35509	NSE	August 01, 2017	Uploading of Daily margin trading files
7	NSE/COMP/35521	NSE	August 03, 2017	Margin Trading Facility – Clarification.
8	NSE/COMP/36350	NSE	November 22, 2017	Uploading of Daily margin trading files
9	NSE/INSP/39732	NSE	December 21, 2018	Indicative Penalty structure for Margin Trading facility
10	NSE/COMP/50280	NSE	November 11, 2021	Uploading of daily margin trading files
11	NSE/COMP/54704	NSE	December 02, 2022	Inclusion of Equity Exchange Traded Funds as the list of the eligible securities under Margin Trading Facility
12	NSE/COMP/55573	NSE	February 10, 2023	Upload of Daily Margin Trading Files
13	NSE/COMP/63876	NSE	September 11, 2024	Clarification on Margin Trading Facility
14	SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/118	SEBI	September 11, 2024	Allowing securities funded through cash collateral as maintenance margin for Margin Trading Facility (MTF)

15	NSE/COMP/63887	NSE	September 12, 2024	Allowing securities funded through cash collateral as maintenance margin for Margin Trading Facility (MTF)

29. How should reporting be done in case of any corporate action like symbol change, bonus issue or stock split in securities funded under MTF?

A. I) In case of symbol or ISIN change, the member shall report margin trading as follows:

- Remove records with old symbol or ISIN from the file from effective date
- Reporting will be done for the new symbol or ISIN as below:

Opening balance for the day will be the same as closing amount and quantity of the old symbol or ISIN as of the previous day

- Purchase amount and quantity during the day should be the actual quantity/ amount that the member has purchased for the new symbol or ISIN during the day, if any.
- Quantity/ amount liquidated during the day should be the actual quantity/ amount that the member has liquidated for the new symbol or ISIN during the day, if any.
- End of day quantity/ amount should be computed accordingly

II) In case of stock split/bonus issue/consolidation/ scheme of arrangement, the member shall report margin trading as follows:

- The opening quantity and amount should be the same as closing quantity and amount of the previous day.
- Purchase amount and quantity during the day should be the actual quantity/ amount that the member has purchased during the day, if any.
- Quantity/ amount liquidated during the day should be the actual quantity/ amount that the member has liquidated for the new symbol or ISIN during the day, if any.
- The addition or reduction in quantity of scrip on account of corporate action shall be included in the corporate action quantity. Addition in quantity should be shown in positive value and reduction in quantity should be shown in negative value.
- End of day quantity/ amount should be computed accordingly