



Margin Trading Facility (MTF)

Introduction:

MATALIA STOCK BROKING PVT. LTD., in short, “**MSBPL**”, a member of the National Stock Exchange of India Limited (NSE), BSE Limited (BSE) is eligible to provide Margin Trading Facility (MTF) in NSE/BSE and offers Margin Trading Facility to its Clients as per the revised guidelines issued by SEBI, vide their circular no. SEBI Circular No. CIR/MRD/DP/54/2017 dated June 13, 2017, & CIR/MRD/DP/86/2017 dated August 01, 2017, and the Rules, Regulations, Bye-laws, Rights and Obligations, Guidelines, circulars & clarifications issued by SEBI & exchange(s) thereafter from time to time.

Source of Funds

- Own funds
- Borrowed funds from scheduled commercial banks and/or NBFCs regulated by RBI, borrow funds by way of issuance of Commercial Papers (CPs) and by way of unsecured long-term loans from promoters and directors. The borrowing by way of issuance of CPs shall be subject to compliance with relevant RBI Guidelines. The borrowing by way of unsecured long-term loans from the promoters and directors shall be subject to compliance with appropriate provisions of the Companies Act, 2013.
- Shall not be permitted to borrow funds from any other source, other than the sources stated above.
- Not permitted to 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.

Total Indebtedness of stock broker under MTF: Not to exceed 5 times of net worth.

Maximum Allowable exposure under MTF: Not to exceed the borrowed funds+50% of net worth.

Maximum Exposure to Single Client: Not to exceed 10% of maximum allowable exposure under MTF.

Maintenance of Records & Half Yearly Audit

- Separate client-wise ledgers for funds and securities under MTF.
- Half-yearly audit certificate and net worth certificate to be submitted within one month from the close of the half-year.

Disclosure Requirement

Three Reports on MTF are to be uploaded to the stock exchange not later than 12 noon of the next day.

- Client wise Scrip wise report
- Report on consolidated Exposure
- Report on the source of funds

Basic of MTF Trading

Margin Trading Facility (MTF) is a facility offered to investors in buying shares and securities (Only MTF Approved) from the available resources by allowing the investor to pay a portion of the total transaction value called margin.

Investors who wish to avail of the MTF need to undertake by signing/accepting additional Terms and Conditions. It ensures that investors are completely aware of the risk and rewards of trading in it.

Features of MTF:

- Allows investors to create a leverage position in Cash Segment (NSE CASH & BSE CASH)
- MTF is a leveraged product where you are buying shares beyond your purchasing power. This means both your profits and losses are multiplied (due to leverage).
- The positions can be created against the margin amount which can be in the form of cash or shares as collateral.
- Customers can carry position for up to 360 days
- Since it is a leveraged product, MTF is offered in select stocks only. The Securities and Exchange Board of India (SEBI) identifies the securities where MTF is allowed

Benefits for Investors:

- MTF is ideal for investors who are looking for benefit from the price movement in the short-term but not having sufficient cash balance.
- Utilization of securities available in portfolio/Demat Account (using them as shares as collateral).
- Maximum utilization of capital deployed
- MTF enhances the buying power in the cash market
- Prudently regulated by the regulator and exchanges.

It is of paramount importance that one should understand their risk-return profile before entering an MTF offering. It is also equally prudent that one should not get overboard on leveraged trading under MTF.

Normally clients buy and sell stocks with their own money. However, some specific stocks may look attractive at some point in time either because of market conditions or some sector/company-specific news. If clients don't have the required funds to trade in a particular stock, then the client can opt for MTF. MTF helps clients to trade in stocks where they are required to put in a certain percentage as the margin amount (similar to a down payment in any loan product). This margin amount will vary from stock to stock, **MSBPL** MTF will fund the rest of the transaction so that the clients are able to purchase these shares with an interest charged as and when clients give consent and register themselves for MTF Segment and avail the MTF. The interests are applied to the Margin Trading Account unless the clients decide to make payment.

There are restrictions on the stocks, clients can buy on Margin Trading. The Securities and Exchange Board of India regulates which stocks are marginable. As a general rule and practice, we don't allow clients to purchase penny stocks or Initial Public Offerings (IPO) on Margin as the risks involved with these types of stocks is high. MSBPL can independently decide not to margin certain stocks. The buying power of a margin trading account changes daily depending on the price movement of the marginable securities in the account.

Interest Charges:

Interest on funded amounts under MTF can be charged up to 20% per annum. The applicable rate shall be determined on a client-to-client basis.

Securities Eligible for Margin Trading

Securities Board of India (SEBI) and Stock Exchange(s) monitor tightly the securities eligible under the MTF and the margin required (through cash or shares as collateral) on such securities are prescribed by them from time to time. Currently, the securities forming part of "Group I Securities" are included in MTF.

Equity Shares that are classified as "Group I Security" as per SEBI Master Circular No. SEBI/ HO/ MRD/ DP/ CIR/ P/ 2016/ 135 dated December 16, 2016, shall be eligible for Margin Trading Facility.

MSBPL reserves the right to include or exclude any Securities from the "MTF Approved Category List" as per the discretion of Risk Management of the Company without any prior intimation.

Margin Requirement

Category of Stock	Initial margin applicable	Form of Margin Acceptance
Group I stocks available for trading in the F & O Segment	VaR + 3 times applicable ELM*	In the form of Cash and/or Group-I Equity Securities, available in F&O, with an appropriate haircut.
Group I stocks other than F & O stocks and units of Equity ETFs	VaR + 5 times applicable ELM*	

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

The Initial Margin payable by the client shall be in the form of Cash and/or Group I Equity Securities, available in F&O, with an appropriate haircut. Where the margin is made available by way of securities MSBPL is empowered to decline its acceptance of any securities as margin and/or to accept it at such reduced value as MSBPL may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as MSBPL may deem fit in its absolute discretion.

Applicable Margin on the securities purchased i.e. "Funded Securities" under MTF shall be computed by grossing applicable margin i.e. minimum initial margin plus maintenance margin, if any, on each security and accordingly shortage shall be computed by deducting available margin from gross margin. Collateral shares at MSBPL Collateral VaR and Funded Shares at MSBPL MTF VaR shall be marked to market daily for the purpose of computing the margin/shortage of margin.

Subject to Regulatory Requirements, MSBPL, at its sole and absolute discretion, may increase/ revise the limit of initial margin and maintenance margin, and minimum transaction amount from time to time. The Client shall abide by such revision, and where there is an upward revision of such margin amount, the Client agrees to make up the revised margin immediately. The Client shall make up the revised margin within **3 working (Trading) days** from the day of the margin call, failing which MSBPL in its discretion may exercise its right to liquidate the security/collateral and/or close out the position immediately.

MSBPL shall ensure maintenance of the aforesaid margin at all times during the period that the MTF is being availed by the Client. In case of a shortfall, MSBPL shall make necessary Margin Calls.

MSBPL based on the Risk Assessment, shall have the discretion to impose/collect higher Margin.

Margin Call

The Client shall maintain the Minimum Margin with MSBPL at all times, If the Client is intimated about the Margin shortage through any of the mutually agreed modes of communication, then the Client shall make good such deficiency in the amount of margin placed with MSBPL. A margin call will be made if the Margin available falls below the minimum margin required.

Leverage and Exposure Limits

While providing MTF, MSBPL shall ensure that:

- i. Exposure to any single Client shall be depending on the financial soundness of the Client, the maximum exposure will decide by MSBPL and will update by the customer.

- ii. The pre-determined exposure limit would be at the sole discretion of MSBPL and can be considered for enhancement on a case-to-case basis.
- iii. Exposure towards stocks purchased under MTF and collateral kept in the form of stocks should be well diversified.

Additional Terms for Margin Trading Facility (MTF)

a. Discretionary Access:

MSBPL reserves the right to deny the Margin Trading Facility (MTF) to any Client, at its sole discretion, with or without assigning any reason.

b. Withdrawal of Facility:

MSBPL may withdraw the Margin Trading Facility extended to any Client at any time without prior notice.

c. Settlement Upon Withdrawal:

In the event of withdrawal of the MTF, the concerned Client must immediately settle all open positions and clear any outstanding dues.

d. Liability Disclaimer:

MSBPL shall not be liable for any loss incurred by the Client due to system or technical failures, subject to applicable laws and regulations.