

Rights & Obligations of Stock Brokers & Clients for Margin Trading Facility (MTF)

As prescribed by NSE:

Client Rights:

1. Client shall receive all communications in a mode mutually agreed between the broker and the client regarding confirmation of orders/trades, margin calls, decision to liquidate the position / security.
2. Client shall be free to take the delivery of the securities at any time by repaying the amounts that was paid by the Stock Broker to the Exchange towards securities after paying all dues.
3. Client has a right to change the securities collateral offered for Margin Trading Facility at any time so long as the securities so offered are approved for margin trading facility.
4. Client may close / terminate the Margin Trading Account at any time after paying the dues.

Client Obligations:

1. Client shall, in writing in his own hand or in any irrefutable electronic method, agree to avail of Margin Trading Facility in accordance with the terms and conditions of Margin Trading Facility offered by the broker, method of communication for confirmation of orders/trades, margin calls and calls for liquidation of collateral/security/position.
2. Client shall inform the broker of its intent to shift the identified transaction under Margin Trading Facility within the time lines specified by the broker failing which the transaction will be treated under the normal trading facility.
3. Client shall place the margin amounts as the Stock Broker may specify to the client from time to time.
4. On receipt of 'margin call', the client shall make good such deficiency in the amount of margin placed with the Stock Broker within such time as the Stock Broker may specify.
5. By agreeing to avail Margin Trading Facility with the broker, client is deemed to have authorized the broker to retain and/or pledge the securities provided as collateral or purchased under the Margin Trading Facility till the amount due in respect of the said transaction including the dues to the broker is paid in full by the client.
6. Client shall lodge protest or disagreement with any transaction done under the margin trading facility within the timelines as may be agreed between the client and broker.

Stock Broker Rights:

1. Stock Broker and client may agree between themselves the terms and condition including commercial terms if any before commencement of MTF.
2. Stock broker may set up its own risk management policy that will be applicable to the transactions done under the Margin Trading Facility. Stock broker 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.
3. The broker has a right to retain and/or pledge the securities provided as collateral or the securities bought by the client under the Margin Trading Facility.
4. The broker may liquidate the securities if the client fails to meet the margin call made by the broker as mutually agreed of liquidation terms but not exceeding 5 working days from the day of margin call.

Stock Broker Obligations:

1. Stock broker shall agree with the client the terms and condition before extending Margin Trading Facility to such client. However, for clients who already have existing trading relationship and want to avail of Margin Trading Facility, stock broker may take consent in writing in his own hand or in any irrefutable electronic method after stock broker has communicated the terms and conditions of Margin Trading Facility to such existing clients.
2. The terms and conditions of Margin Trading Facility shall be identified separately, in a distinct section if given as a part of account opening agreement.
3. The mode of communication of order confirmation, margin calls or liquidation of position/security shall be as agreed between the broker and the client and shall be in writing in his own hand or in any irrefutable electronic method. Stock broker shall prescribe and communicate its margin policies on haircuts/ VAR margins subject to minimum requirements specified by SEBI and exchanges from time to time.
4. The Stock Broker shall monitor and review on a continuous basis the client's positions with regard to MTF. It is desirable that appropriate alert mechanism is set up through which clients are alerted on possible breach of margin requirements.
5. Any transaction to be considered for exposure to MTF shall be determined as per the policy of the broker provided that such determination shall happen not later than T + 1 day.
6. If the transaction is entered under margin trading account, there will not be any further confirmation that it is margin trading transaction other than contract note.

7. In case the determination happens after the issuance of contract, the broker shall issue appropriate records to communicate to Client the change in status of transaction from Normal to Margin trading and should include information like the original contract number and the margin statement and the changed data.
8. The Stock Broker shall make a 'margin call' requiring the client to place such margin; any such call shall clearly indicate the additional/deficient margin to be made good.
9. Time period for liquidation of position/security shall be in accordance declared policy of the broker as applicable to all MTF clients consistently. However, the same should not be later than 5 working (trading) days from the day of 'margin call'. If securities are liquidated, the contract note issued for such margin call related transactions shall carry an asterisk or identifier that the transaction has arisen out of margin call.
10. The daily margin statements sent by broker to the client shall identify the margin/collateral for Margin Trading separately.
11. Margin Trading Accounts where there were no transactions for 90 days shall be settled immediately.
12. The stocks deposited as collateral with the stock broker for availing margin trading facility (Collaterals) and the stocks purchased under the margin trading facility (Funded stocks) shall be identifiable separately and there shall not be any comingling for the purpose of computing funding amount;
13. Stock Broker shall close/terminate the account of the client forthwith upon receipt of such request from the client subject to the condition that the client has paid dues under Margin Trading Facility.

Termination of relationship:

1. The margin trading arrangement between the stock broker and the client shall be terminated; if the Stock Exchange, for any reason, withdraws the margin trading facility provided to the Stock Broker or the Stock Broker surrenders the facility or the Stock Broker ceases to be a member of the stock exchange.
2. The MTF facility may be withdrawn by the broker, in the event of client committing any breach of any terms or conditions therein or at any time after due intimation to client allowing such time to liquidate the MTF position as per the agreed liquidation terms without assigning any reason. Similarly, client may opt to terminate the margin trading facility in the event of broker committing any breach of any terms or conditions therein or for any other reason.
3. In the event of termination of this arrangement, the client shall forthwith settle the dues of the Stock Broker. The Stock Broker shall be entitled to immediately adjust the Margin Amount against the dues of the client, and the client hereby authorizes the Stock Broker to make such adjustment.
4. After such adjustment, if any further amount is due from the client to the Stock Broker, the client shall settle the same forthwith. Upon full settlement of all the dues of the client to the Stock Broker, the Stock Broker shall release the balance amount to the client.
5. If the client opts to terminate the margin trading facility, broker shall forthwith return to the client all the collaterals provided and funded securities retained on payment of all the dues by clients.

As prescribed by BSE:

1. Stock Broker/ Trading Member is eligible to provide Margin Trading Facility (MTF) in accordance with SEBI & Exchange Guidelines as specified from time to time.
2. Stock Broker/ Trading Member desirous of extending MTF to their clients is required to obtain prior permission of BSE. Stock Broker/ Trading Member may note that BSE has the right to withdraw the permission at any time.
3. Stock Broker/ Trading Member shall extend the MTF to the client, on such terms and conditions as specified by the Stock Exchange / SEBI from time to time. Stock Broker/ Trading Member and the client shall abide by the requirements of the margin trading framework, including rights and obligations, as prescribed by Stock Exchange/ SEBI/ Stock Broker/ Trading Member.
4. Stock Broker/ Trading Member shall intimate all the terms and conditions, including maximum allowable exposure, specific stock exposures etc., as well as the rights and obligations to the client desirous of availing MTF.
5. Stock Broker/ Trading Member may, at its sole and absolute discretion, increase the limit of initial and/or maintenance margin, from time to time. The Client shall abide by such revision, and where there is an upward revision of such margin amount, he agrees to make up the shortfall within such time as the Stock Broker/ Trading Member may permit. It may however, be noted that the initial/ maintenance margins shall never be lower than that prescribed by Stock Exchange/ SEBI.
6. Stock Broker/ Trading Member shall provide MTF only in respect of such shares, as may be permitted by Stock Exchange/ SEBI.
7. Stock Broker/ Trading Member shall liquidate the securities and other collateral, if the client fails to meet the margin call to comply with the margin requirement as specified by Stock Exchange/ SEBI/ Stock Broker/ Trading Member. In this regard, Stock Broker/ Trading Member shall also list down situations/ conditions in the which the securities may be liquidated (Stock Broker/ Trading Member to list down situations/ conditions):

8. Stock Broker/ Trading Member shall not use the funds of one client to provide MTF to another client, even if the same is authorized by the first client.
9. The stocks deposited as collateral with the Stock Broker/ Trading Member for availing margin trading facility (Collaterals) and the stocks purchased under the margin trading facility (Funded stocks) shall be identifiable separately and no comingling shall be permitted for the purpose of computing funding amount
10. IPF shall not be available for transactions done on the Stock Exchange, through MTF, in case of any losses suffered in connection with the MTF availed by the client.

The rights and obligations prescribed hereinabove shall be read in conjunction with the rights and obligations as prescribed under SEBI circular no. CIR/ MIRSD/ 16/ 2011 dated August 22, 2011.

As prescribed by Motilal Oswal Financial Services Ltd. (MOFSL)

1. Risk Management rules with regards to initial margin will be decided by Management from time to time and will be imposed and the same can be higher than the quantum prescribed by regulatory provisions. The client shall pay applicable initial margins or such other margins as are considered necessary by the stock broker or the Exchange or as may be directed by SEBI from time to time as applicable to Margin Trading segment in which the client trades.
2. 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 1 Equity ETFs, with appropriate hair cut as specified in SEBI Circular No. MRD/DoP/SE/Cir-07/2005 dated February 23, 2005..
3. Eligible Scrips under facility: The Margin Trading facility is applicable to Group I scrips or as specified by SEBI / Stock Exchange(s) from time to time.
4. In order to avail margin trading facility, minimum initial margin required shall be as under:

Category of Stock	Applicable margin
Group I stocks	VaR + 5 times of applicable ELM* OR VaR + 5 times of applicable ELM* + Adhoc Whichever is higher

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

5. The above mentioned rates of VAR margin are minimum and the same can extended on case to case basis.
6. As per prevailing Regulatory guidelines, securities so purchased by client under MTF segment shall be released to clients demat account followed by creation of an auto-pledge (i.e. without the requirement of a specific instruction from the client) in favour of MOFSL "Client Securities Margin Funding Account". Accordingly, MOFSL shall, on the basis of MTF trades executed by clients, give instruction to the Clearing corporation (CC) to create pledge in favour of MOFSL's "Client Securities Margin Funding Account". Clients are also required to pledge Collaterals towards margin requirement in MTF segment in favour of MOFSL "Client Securities Margin Pledge Account" by providing OTP through margin pledge mechanism.
7. MOFSL shall shift the position in MTF segment on T day. In case MTF shares are not received from clearing corporation due to market/internal shortage or due to any other reason, the position will be shifted from MTF segment to normal capital market segment.
8. Client have to ensure Collaterals are pledged in favour of MOFSL. These securities pledged in favour of MOFSL cannot be further pledged / repledged with Banks / NBFC / Other institutions. As per prevailing guidelines, Collaterals pledged in favour of MOFSL can be further repledged with Clearing Corporations / Clearing Members. However, funded securities pledged in favour of MOFSL cannot be further repledged with Clearing Member / Clearing Corporations.
9. Limits & Exposure: MOFSL will provide exposure to client based on maximum allowable exposure limit as prescribed by SEBI/Exchange(s) from time to time. However, based on Market conditions and the risk perception about the market the stock broker may set the Exposure limits on the basis of available base capital which may comprise of Ledger and stocks (after suitable margin cut). The limits may be allowed on a multiplier basis to the available capital or actual VAR margin basis or a specified margin depending on the Market conditions. However, on exceptional situations MOFSL may use its own discretion in providing the limits and may change for a client depending on market condition. In case overall position in a particular scrip or across all scrips has reached the particular specified limit prescribed by broker, then client may not be allowed to take further position.
10. MOFSL may close the existing / partial position of a client if the margin cover falls below minimum prescribed margin limits as specified by SEBI / Exchange(s) / MOFSL guidelines. Since MTF is a leveraged product i.e. partial trade value is funded by MOFSL, in the event of margin shortfall and RMS selling, MOFSL may liquidate such number of MTF shares that is sufficient to maintain upfront margin requirement and also recover MOFSL's MTF funded component.

11. In case if debit / margin shortfall still exists upon closing the position, collaterals pledged by client shall also be liquidated to recover the debits / margin shortfall.
12. In case if the MOFSL has sufficient Margin cover on behalf of its client, it may still decide based on the market conditions and risk perception not to allow further position or may close the existing position of a client.
13. Existing MTF positions in Group I securities shall be closed out once such scrips are moved out from Group I criteria by Exchanges. Also collaterals pledged in favour of MOFSL has to be part of Group I List and should be replaced once such stocks pledged as collaterals are removed from Group I criteria by Exchanges. Failure to replace such collaterals may lead to margin shortfall on the MTF position and necessary RMS action.
14. The above liquidation of position / collateral may be carried out by MOFSL at any point of time but not later than T+5 working day from the day of Margin Call.
15. If Safety cover (Excess of stocks over debits) is less than 5% of the deposits/available margin RMS selling can be done even before above stipulated days.
16. There may be scenarios wherein a client holds securities purchased under MTF and the client's trading and demat account has been suspended due to a regulatory action (SEBI debarred/KRA non-compliance/other regulatory order). In such a scenario the client may not be able to sell his MTF securities in the event of adverse market conditions owing to suspension of trading and demat account. This may result in huge losses to the client as well as to MOFSL. To mitigate the risk of such huge losses, MOFSL may, on becoming aware of such a regulatory action against the client, liquidate all MTF securities held by the client at the earliest without providing sufficient prior intimation.
17. There may be scenarios wherein a deceased client has an open MTF position. Such an open MTF position needs to be closed either through liquidation or by converting to delivery. Depending on the circumstances of the case, MOFSL may, on a case to case basis, decide the manner in which the MTF position has to be closed.
18. The Client agrees that he will be remain informed by visiting Exchange websites about changes in the eligible stocks / collaterals that can be purchased / furnished for the Margin Trading Facility. The customer further agrees that he will take necessary action to replenish the stocks as collaterals in case of any margin shortfall to avoid any RMS Actions.
19. In addition to what the client has agreed in the agreement, MOFSL may terminate a client with immediate effect, but not limited to the following reasons –
 - If the client is debarred by SEBI or any other regulatory authority.
 - As a part of surveillance measure, if a client appears to be indulging in manipulative practices.
 - Under the circumstances when there is a reasonable ground to believe that the client is unable to clear its dues or has admitted its inability to pay its debt.
 - If the client violates any of the terms of the agreement.
20. In case of debit balance outstanding, MOFSL will charge interest on this balance at the rate of upto 24% p.a.
21. In case client is already availing Margin Trading Facility with other brokers, client needs to inform MOFSL before availing this facility with MOFSL.
22. Collateral/Securities pledged by client towards Margin should be totally unencumbered.
23. Any disputes arising between the client and MOFSL in connection with the margin trading facility shall have the same treatment as normal trades and will be covered under the investor grievance redressal mechanism, arbitration mechanism of the stock exchange.
24. Clients are required to upfrontly inform their status whether they are Promoter or Promoter Group with regards to the scrips availed under Margin Trading Facility for both Funded Stocks and Collateral Stocks. The same is required to be disclosed to Exchanges and regulators on daily basis by Brokers.
25. The demat accounts where shares (funded stock as well as collaterals) can be pledged / repledged for Margin trading facility are made aware to client.