National Stock Exchange of India

Circular

Department: Compliance	
Download Ref No: NSE/COMP/64519	Date: October 11, 2024
Circular Ref. No: 78/2024	

To All Members,

Sub: Revision in FAQ's and reporting format of Margin Trading Facility (MTF)

This has reference to Exchange circular reference no. NSE/COMP/63876 dated September 11, 2024 and NSE/COMP/63887 dated September 12, 2024 regarding margin trading facility.

In view of the recent changes informed vide aforesaid circulars regarding margin trading facility, Exchange has revised relevant points of frequently asked questions (FAQ's) issued vide circular reference no. NSE/COMP/48531 dated June 09, 2021. Point no. 1, 6 to 8, 12, 15, 17, 20 to 22, 24, 27 and 28 of FAQ's are revised. Point no. 29 is added to existing FAQ's. Revised points are enclosed as Annexure A.

Further, revised format for daily reporting of margin trading is attached as Annexure B. Facility for testing the file upload as per revised format shall be shared shortly and a separate communication shall be issued by the Exchange in this regard.

All Members are advised to take note of the same.

For any support, please reach out to the helpdesk on 1800 266 0050 (Select IVR option 3) or email at memcompliance_support@nse.co.in.

For and on behalf of
National Stock Exchange of India Limited

Swati Sopare
Chief Manager

MARGIN TRADING FACILITY – FAQ

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.

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:
Group I stock other than F&O stocks and units of Equity ETFs: The applicable margin would be VaR + 5 times of applicable ELM*.	

	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.

* 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.

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

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.

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/54/20

				17 date June 13, 2017 and SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/118 dated September 11, 2024

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.

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.

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

MTF DAILY REPORTING FILE FORMAT

File naming convention for uploading: MTR_DDMMYYYY.TNN
where,
MTR is constant;
DDMMYYYY is date for which margin trading details are to be furnished;
T is constant;
NN is batch number (Format: 99)

The file shall be a single file with comma separated values containing 7 types of records:

1. Control Record
2. Summary Record
3. Detail Record
4. Collaterals Record
5. Collaterals Scrips' Detail Record
6. Cash Collateral Detail record
7. Declaration

1. Control Record:

Sr	Field	Length	Description
1.	Record Type	Number (2)	Default Value = '10'
2.	File Type	Char (3)	Default Value = 'MTR'
3.	Member Code	Char (5)	Member Code
4.	Batch Date	DDMMYYYY	Date for which margin trading details are to be reported. Should be the same as that in file name
5.	Batch number	Number (2)	The batch number of the file sent Should be the same as that in file name
6.	Total summary records	Number (9)	Total number of summary records
7.	Total detail records	Number (9)	Total number of detail records
8.	Total Value of Funded Shares	Number (15,2)	Total value of funded shares including value of funded quantity for maintenance margin (Format:9999999999999.99) Validation: this should match with total of point number 15 "Gross Funded stock Amount end day including value of funded quantity for maintenance margin" in Detail Record 20
9.	Total Value of cash collateral utilized for pay-in	Number (15,2)	Total Value of cash collateral utilized for pay-in (Format:9999999999999.99) Validation: it should match with point number 5 "Amount Used for Pay in of

			record number 60. It should also match with total value of point number 17 "Funded Stock Amount as maintenance margin end day" of Detail Record 20.
10.	Amount Funded / Exposure (8 – 9)	Number (15,2)	Validation: Total Value of Funded Shares minus Total Value of cash collateral utilized for pay-in. (Format:9999999999999.99) Should be zero or greater than zero. Should match with point 19 "Net Funded Stock Value (Net Exposure value) end day" of Detail Record 20.

2. Summary Record:

Sr	Field	Length	Description
1.	Record Type	Number (2)	Default Value = '30'
2.	Lender name	Char (30)	Name of the lender
3.	Lender Category	Number (2)	Lender category 01 - Own / self funds 02 - NBFCs 03 - SCBs (Scheduled commercial bank) 04 - Issuance of Commercial Paper 05 - Unsecured Long-term loans from Promoters and Directors
4.	Amount funded	Number (15,2)	Total amount borrowed/financed including self/own funds (Format: 9999999999999.99) Validation: **should match with the Amount Funded / Exposure (point no 10 of the record type 10)**

3. Detail Record:

Sr	Field	Length	Description
1	Record Type	Number (2)	Default Value = '20'
2	Client Name	Char (240)	Client Name
3	PAN	Char (10)	PAN Number
4	Symbol	Char (10)	Security Symbol
5	Series	Char (2)	Security Series
6	ISIN	Char (12)	ISIN of scrip
7	Gross Funded Stock Quantity begin day including funded	Number (9,3)	Begin Day Qty including funded quantity used for maintenance

	quantity for maintenance margin		margin.
8	Gross Funded stock Amount begin day including value of funded quantity for maintenance margin	Number (15,2)	Begin Day Amount including value of funded quantity used for maintenance margin. (Format: 9999999999999.99). Member should report value at cost (not at market value).
9	Funded stock Quantity during day	Number (9,3)	Fresh Qty During Day
10	Funded Amount during day	Number (15,2)	Fresh Amount During Day (Format: 9999999999999.99) Member should report value at cost (not at market value)
11	Funded Quantity liquidated/ released during day	Number (9,3)	Qty Liquidated/released During Day
12	Funded Amount liquidated/ released during day	Number (15,2)	Amount Liquidated/released During Day (Format: 9999999999999.99) Member should report value at cost (not at market value)
13	Corporate action Quantity	Char (9,3)	Addition in quantity on account of corporate action should be shown in positive value and reduction in quantity on account of corporate action should be shown in negative value
14	Gross Funded stock Quantity end day including funded quantity for maintenance margin	Number (9,3)	End Day Qty including funded quantity used for maintenance margin.
15	Gross Funded stock Amount end day including value of funded quantity for maintenance margin	Number (15,2)	End Day Amount including value of funded quantity used for maintenance margin. (Format: 9999999999999.99) Member should report value at cost (not at market value)
16	Funded Stock Quantity as maintenance margin end day	Number (9,3)	Quantity of Funded Stock being used towards maintenance margin if 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. (Rounded off to lower side, e.g. qty as 3.10 or 3.90, qty should be reported as 3).
17	Funded Stock Amount as maintenance margin end day	Number (15,2)	Cost of Funded Stock Amount being used towards maintenance margin

Validation: Total of this should match with total of point 5 "Amount Used for Pay in" of Record 60. |
| 18 | Net Funded Stock Quantity (Exposure Qty) end day | Number (9,3) | Net Quantity of Funded Stock as exposure. (Rounded off to higher side, e.g. qty as 3.10 or 3.90, qty should be reported as 4). Validation: should match with quantity in Column 14 minus quantity in Column 16. |
| 19 | Net Funded Stock Value (Net Exposure value) end day | Number (15,2) | Cost of Net Quantity of Funded Stock as exposure.

Validation: should match with value of Column 15 minus value of Column 17. |
20	Exposure Qty-Margin of which maintained in form of funded stock	Number (9,3)	Quantity from total Net Funded Stock Quantity (column 18) for which maintenance margin is maintained in form of funded stock (column 16). (Rounded off to higher side, e.g. qty as 3.10 or 3.90, qty should be reported as 4)
21	Category of Holding (Promoter/Promoter Group or Non Promoter)	Char (1)	Category in which the client falls w.r.t. the scrip the client is holding ('Y' if the client falls under Promoter or Promoter Group and 'N' if the client falls under Non Promoter)
22	Stock Exchange	Char (3)	Default Value= NSE

4. Collaterals Summary Record:

Sr	Field	Length	Description
1	Record Type	Number (2)	Default Value = '40'

2	Collateral-Cash	Number (15,2)	Enter Amount (Format: 9999999999999.99) Validation: should match with total of point 4 "Total Amount "of record number 60.
3	Collateral-Cash Equivalent	Number (15,2)	Enter Amount (Format: 9999999999999.99) Validation: total of Collateral-Cash Equivalent and Collateral-Scrips should match with total of point number 8 "Amount end day "of record number 50.
4	Collateral-Scrips	Number (15,2)	Enter Amount (Format: 9999999999999.99). Validation: total of Collateral-Cash Equivalent and Collateral-Scrips should match with total of point number 8 "Amount end day "of record number 50.

5. Collaterals Scrips & Cash Equivalent' Detail Record:

Sr	Field	Length	Description
1	Record Type	Number (2)	Default Value = '50'
2	Client Name	Char (240)	Client Name
3	PAN	Char (10)	PAN Number
4	Symbol	Char (10)	Security Symbol
5	Series	Char (2)	Security Series
6	ISIN	Char (12)	ISIN of scrip
7	Quantity end day	Number (9,3)	End Day Qty
8	Amount end day	Number (15,2)	End Day Amount (Format: 9999999999999.99)
9	Category of Holding (Promoter/Promoter Group or Non Promoter)	Char (1)	Category in which the client falls w.r.t. the scrip the client is holding ('Y' if the client falls under Promoter or Promoter Group and 'N' if the client falls under Non Promoter)
10	Stock Exchange	Char (3)	NSE or BSE

6. Cash Collateral Detail record

Sr	Field	Length	Description
1	Record Type	Number (2)	Default Value = '60'
2	Client Name	Char (240)	Client Name
3	PAN	Char (10)	PAN Number
4	Total Amount	Number (15,2)	Total amount of Cash collateral in form of margin (Format: 9999999999999.99)
5	Amount Used for Pay in	Number (15,2)	Cash Collateral collected in form of margin and used for pay in (Format: 9999999999999.99)
6	Balance Amount	Number (15,2)	Total Amount minus Amount Used for Pay in (Format: 9999999999999.99) Validation should be zero or greater than zero.

7. Declaration:

I hereby confirm that my exposure towards the margin trading facility has not exceeded the borrowed funds (if any) and 50% of my networth.