

CIRCULAR

SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/118

September 11, 2024

To

All recognised Stock Exchanges

Sir/ Madam,

Sub: Allowing securities funded through cash collateral as maintenance margin for Margin Trading Facility (MTF).

1. SEBI has received representations from market participants through the Industry Standards Forum (ISF) to relax the requirement, under Chapter 1 at Para 4.3.3.1 of the Master Circular (Stock Exchanges and Clearing Corporations) dated October 16, 2023, allowing securities funded through cash collateral to be considered as maintenance margin for Margin Trading Facility (MTF).
2. Upon examination of the representations received, discussions were held with Stock Exchanges and representatives of the Brokers' Associations and ISF.
3. Pursuant to the same, in the interest of investors and to alleviate the burden of additional collateral towards maintenance margin for MTF and in order to promote the objective of 'Ease of Doing Business', the requirement under Chapter 1 at Para 4.3.3.1 of the Master Circular (Stock Exchanges and Clearing Corporations) dated October 16, 2023 stands amended as under:

"The stocks or units of Equity ETFs deposited as collateral with the stock broker for availing margin trading facility (Collaterals) and the stocks or units of Equity ETFs 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. 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 given to CC and such shares are pledged in favor of trading member in form of funded stock."

4. Further, a new Clause 4.3.3.5 shall be included in the SEBI Master Circular for Stock Exchanges and Clearing Corporations dated October 16, 2023, which shall read as follows:

“Incase the funded stock is considered towards maintenance margin to the extent of cash collateral provided by the client, the Trading Members shall ensure that the funded stock considered is under Group 1 securities. The applicable margin shall be VaR + 5 times the Extreme Loss Margin, irrespective of whether the funded stock is available in F&O segment or not.”

5. The extant Clause 4.8.1. of the SEBI Master Circular on Stock Exchanges and Clearing Corporations dated October 16, 2023 is modified to allow reporting of exposure under Margin Trading Facility by the Trading Members on or before 6:00 PM on T+1 day.
6. The Stock Exchanges are accordingly advised to:
 - 6.1. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately, as may be necessary/applicable.
 - 6.2. bring the provisions of this circular to the notice of their members and to disseminate the same on their website.
7. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities market.
8. The circular shall come into effect from October 01, 2024.
9. The circular is issued with the approval of the Competent Authority.
10. This circular is available on SEBI website www.sebi.gov.in under the categories “Legal → Circulars”.

Yours faithfully,

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