



भारतीय प्रतिभूति और विनियम बोर्ड  
Securities and Exchange Board of India

**CIRCULAR**

CIR/MRD/DP/ 86/2017

August 01, 2017

To,  
All Stock Exchanges

Dear Sir/Madam,

**Sub: Margin Trading Facility- Clarification**

1. SEBI vide circular CIR/MRD/DP/54/2017 dated June 13, 2017 prescribed comprehensive framework for permitting stock brokers to provide margin trading facility to their clients.
2. Representations have been received from the Stock brokers and their Association requesting to enable them to utilize funds from sources other than Banks and Non-Banking Financial Company (NBFCs) for extending margin trading facility. Stock brokers have further represented that currently various sources of borrowing by way of issuance of Commercial Paper (CP) & unsecured loans from directors & promoters are available for brokers in the normal course of business. Therefore Stock brokers have requested that for the purpose of providing Margin Trading facility also, they may be allowed to borrow funds from these sources.
3. Accordingly, it is clarified that Stock brokers may borrow funds by way of issuance of CP and by way of unsecured long term loans from their promoters and directors. The borrowing by way of issuance of CPs shall be subject to compliance with appropriate RBI Guidelines. The borrowing by way of unsecured long term loans from the promoters and directors shall be subject to the appropriate provisions of Companies Act.
4. A stock broker shall not be permitted to borrow funds from any other source, except the sources stated at para 3 above.
5. The conditions stated at para 14 of circular dated June 13, 2017 shall stand modified as above. All other conditions stated in the circular CIR/MRD/DP/54/2017 dated June 13, 2017 remain unchanged.

6. The Stock Exchanges are advised to:-

- 6.1. take necessary steps and put in place necessary systems for implementation of this circular.
- 6.2. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.
- 6.3. bring the provisions of this circular to the notice of the member brokers of the stock exchange and also disseminate the circular on the website.

7. This circular is being issued in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

**Susanta Kumar Das**  
**Deputy General Manager**  
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