exchange(s) shall not make available trading in such scrip in the normal rolling settlement.

4. MARGIN TRADING

4.1. Margin trading[15]

4.1.1. The stock brokers may provide Margin Trading Facility to their clients. Stock Brokers shall adhere to the framework as provided below for providing this facility to their investors :

4.2. Securities eligible for margin trading

4.2.1. Equity Shares and units of Equity ETFs[13] that are classified as 'Group I security' as mentioned at paragraph-1.1.3 of Chapter 4 on "Liquidity Categorization of Securities" in this Master Circular .

4.3. Margin Requirement

4.3.1. In order to avail margin trading facility, initial margin required shall be as under;

Category of Stock	Applicable margin
Group I stocks available for trading in the F & O Segment	VaR + 3 times of applicable ELM*
Group I stocks other than F&O stocks and units of Equity ETFs	VaR + 5 times of applicable ELM*

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

4.3.2. The initial margin payable by the client to the Stock Broker shall be in the form of cash, cash equivalent, or equity shares[16], with appropriate hair cut as specified in paragraph 1.1.2 of Chapter 4 on "Liquid Assets" in SEBI Master Circular for Comprehensive Risk Management Framework for Cash Market and Debt Segment.

4.3.3. The Stock brokers shall be required to comply with the following conditions:

[15] Circular No. CIR/MRD/DP/54/2017 dated June 13, 2017
[16] Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/65 dated May 29, 2024

4.3.3.1. 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 [17]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, if 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 favour of Trading Member in form of funded stock.[18]

4.3.3.2. Collateral and Funded stocks shall be marked to market on a daily basis;

4.3.3.3. In case of increase in the value of Collaterals, stock brokers may have the option of granting further exposure to their clients subject to applicable haircuts;

4.3.3.4. However, no such exposure shall be permitted on the increased value of funded stocks.

4.3.3.5. In case the funded stock is considered towards maintenance margin to the extent of cash collateral provided by the client, The Trading Member shall ensure that the funded stock considered is under Group 1 securities. The applicable margin shall be VaR + 5 times of Extreme Loss Margin, irrespective of whether the funded stock is available in F&O segment or not. 1818

4.3.4. Stock brokers shall ensure maintenance of the aforesaid margin at all times during the period that the margin trading facility is being availed by the client. In case of short fall, stock broker shall make necessary margin calls.

4.3.5. The exchange/stock broker, based on the risk assessment, shall have the discretion to impose/collect higher margin than the margin specified in para-4.3.4 above.

4.4. **Liquidation of Securities by the Stock Broker in Case of Default by the Client**

17 Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2022/166 dated November 30, 2022
18 Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/118 dated September 11, 2024

4.4.1. The stock broker shall list out situations/conditions in which the securities may be liquidated and such situations/conditions shall be included in the "Rights and Obligations Document". The broker shall liquidate the securities, if the client fails to meet the margin call to comply with the conditions as mentioned in this circular or specified in the "Rights and Obligations Document" specified by exchange.

4.4.2. However, the broker shall not liquidate or use in any manner the securities of the client in any situation other than the conditions stipulated at 4.4.1 above.

4.5. **Eligibility requirements for Stock brokers to provide margin trading facility to clients**

4.5.1. Only corporate brokers with a "net worth" of at least Rs.3.00 crore shall be eligible to offer margin trading facility to their clients.

4.5.2. The term "net worth" for the purpose of margin trading facility shall be as specified in SEBI (Stock Brokers) Regulations, 1992.

4.5.3. The broker shall submit to the stock exchange a half-yearly certificate, as on 31st March and 30th September of each year, from an auditor confirming the net worth. Such a certificate shall be submitted not later than 30th April and 31st October of every year.

4.6. **Source of Funds**[19]

4.6.1. Stock brokers may use own funds or borrow 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 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, 2013.

4.6.2. The broker shall not 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.

4.7. **Leverage and Exposure Limits**

[19] Circular No. CIR/MRD/DP/86/2017 dated August 01, 2017

4.7.1. At any point of time, the total indebtedness of a broker for the purpose of margin trading shall not exceed 5 times of his net worth, calculated as per the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992.

4.7.2. The maximum allowable exposure of the broker towards the margin trading facility shall be within the self-imposed prudential limits and shall not, in any case, exceed the borrowed funds and 50% of his "net worth".

4.7.3. While providing the margin trading facility, the broker shall ensure that:

4.7.3.1. Exposure to any single client at any point of time shall not exceed 10% of the broker's maximum allowable exposure, as specified in para 4.7.2 above.

4.7.3.2. Exposure towards stocks and/or units of Equity ETFs purchased under margin trading facility and collateral kept in the form of stocks and/or units of Equity ETFs are well diversified. Stock brokers shall have appropriate Board approved policy in this regard.

4.7.3.3. For the purpose of applicable haircuts for units of Equity ETFs as collateral for MTF, it is clarified that the haircuts applicable to Liquid (Group I) Equity Shares as sp Chapter 4 on "Liquid Assets" in SEBI Master Circular for Comprehensive Risk Management Framework for Cash Market and Debt Segment.

4.8. **Disclosure Requirement**

4.8.1. The stock broker shall disclose to the stock exchanges details on gross exposure towards margin trading facility including name of the client, Category of holding (Promoter/promoter group or Non-promoter), clients' Permanent Account Number ("PAN"), name of the scrips (Collateral stocks including units of Equity ETFs and Funded stocks) and if the stock broker has borrowed funds for the purpose of providing margin trading facility, name of the lender and amount borrowed, on or before 6 pm[20] on T+1 day. The format for this disclosure by the stock broker to the stock exchange is enclosed at Annexure 1

4.8.2. The stock exchange/s shall disclose the scrip wise and Equity ETF wise gross outstanding in margin accounts with all brokers to the market. Such disclosure regarding margin trading done on any day shall be made

[20] Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/118 dated September 11, 2024

available after the trading hours on the following day, through its website. The formats for such disclosure by the stock exchange is enclosed at Annexure 2

4.8.3. The stock exchanges shall also put in place a suitable mechanism to capture and maintain all relevant details including member-wise, client-wise, scrip-wise information regarding outstanding positions in margin trading facility and also source of funds of the stock brokers, on the exchanges both on daily as well as on cumulative basis.

4.9. **Rights and Obligations for Margin Trading**

4.9.1. The stock exchanges shall frame a Rights and Obligations document laying down the rights and obligations of stock brokers and clients for the purpose of margin trading facility. The Rights and Obligations document shall be mandatory and binding on the Broker/Trading Member and the clients for executing trade in the Margin Trading framework.

4.9.2. The broker/exchange may modify the Rights and Obligations document only for stipulating any additional or more stringent conditions, provided that no such modification shall have the effect of diluting any of the conditions laid down in the circular or in the Rights and Obligations document.

4.10. **Maintenance of Records**

4.10.1. The stock broker shall maintain separate client-wise ledgers for funds and securities of clients availing margin trading facility

4.10.2. The stock broker shall maintain a separate record of details of the funds used and sources of funds for the purpose of margin trading.

4.10.3. The books of accounts, maintained by the broker, with respect to the margin trading facility offered by it, shall be audited on a half yearly basis. The stock broker 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. The certificate is in addition to the certificate on net worth specified in para 4.5.23 above.

4.11. **Other Conditions**

4.11.1. A broker shall take adequate care and exercise due diligence before providing margin trading facility to any client.

4.11.2. Any disputes arising between the client and the stock broker in connection with the margin trading facility shall have the same treatment as normal trades and should be covered under the investor grievance redressal mechanism, arbitration mechanism of the stock exchange.

4.11.3. SGF and IPF shall be available for transactions done on the exchange, whether through normal or margin trading facility. However, any losses suffered in connection with the margin trading facility availed by the client from the stock broker shall not be covered under IPF.

4.11.4. The stock brokers wishing to extend margin trading facility to their clients shall be required to obtain prior permission from the exchange where the margin trading facility is proposed to be offered. The exchange shall have right to withdraw this permission at a later date, after giving reasons for the same.

5. Market Maker

5.1. Guidelines for Market Maker[21]

5.1.1. The Market Maker shall operate under the regulatory framework as envisaged and laid out herewith in these guidelines. The Exchange would act as a Self-Regulatory Organisation ("SRO") for the purposes of monitoring and effective operations of the Market Makers. The Exchanges have been accorded flexibility to make modifications to the scheme to make it more attractive to the Market Maker to take up commitments under this scheme, however, the terms of selection of scrips, the capital adequacy norms and the risk containment measures such as the price bands and margins would not be altered from those stipulated in these guidelines.

5.1.2. **Criterion for selection of scrips for Market Making**

5.1.2.1. The stock exchanges shall formulate its own benchmarks for selecting the scrips for market making, however, the shares satisfying any of the following criteria would not be eligible for market making:

5.1.2.1.1 Shares included in the BSE Sensex of the Stock Exchange, Mumbai and the Nifty 50 of the NSE;

[21] Circular No. SMDRP/POLICY/CIR-04/2000 dated January 20, 2000.