

# Spark PWM Private Limited

## Margin Trading Facility (MTF) Policy

Version: 1.0

Reference: PWMBP-011-COMP-OPS

Owner: Spark Group Compliance and Risk

Approver: Board of Directors

## Introduction

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SEBI vide its circulars - CIR/MRD/DP/86/2017 dated August 01, 2017, and vide CIR/MRD/DP/2017 dated June 13, 2017, outlined the framework for stockbrokers to provide Margin Trading Facility (MTF) to Clients. To facilitate the Trading Members and to provide better clarity, Exchanges also have provided a clarification on the various components of MTF (Nse: NSE/COMP/48531 & Bse: Notice no. 20210609-35).

## Objective

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The objective of this Policy is to have in place an effective mechanism to ensure that MTF is conducted within the extant framework prescribed by the regulators and in line with the Risk framework of the organisation.

## Regulatory limits:

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The limits within which the business will be conducted is as under:

**Total Indebtedness:** Shall not exceed 5 times of net worth of Spark PWM.

**Maximum allowable exposure:** Shall not exceed the borrowed funds + 50% of net worth of Spark PWM.

**Maximum Exposure to single client:** Shall not exceed 10% of maximum allowable exposure as stated above.

### Types of Stocks under MTF:

The types of stocks under MTF shall be :

- Collateral Stocks: MTF Stocks pledged by clients and identified for availing MTF.
- Funded Stocks: MTF Stocks purchased by clients and pledged back to Spark PWM.

### Criteria for selection of stocks eligible for MTF Funding (Funded Stocks).

1. Securities under Group 1 as defined by the Exchanges. This list is released/ updated every month.
2. The Stock should be listed in both the Exchanges.
3. The market cap for the stock should be above 1000 Cr.

On the basis of above mentioned criteria, we will categories all the approved stocks into 3 categories:

**Norms for Scrip Wise and Client Wise Exposure: -**

In Percentage terms of Maximum allowable Exposure.					
	Scrip Group	Overall	Per client	Proposed Applicable Margin%	Applicable Margin% by SEBI
NIFTY-50 scrips	A	8%	2%	VAR+ELM*3 TIMES	VAR+ELM*3 TIMES
FO Scrips apart from NIFTY -50 scrips	B	4%	1%	VAR+ELM*5 TIMES	VAR+ELM*3 TIMES
Other Scrips do not fall into Penny List	C	2.0%	0.5%	VAR+ELM*6 TIMES	VAR+ELM*5 TIMES
Mkt Cap > Rs. 1000 Cr					
Scrip belongs to GSM/ ASM	Others	0	0	N/A	N/A

**Regulatory Reporting:**

The Exchanges have prescribed three reports related to MTF which are required to be uploaded not later than 12 noon the next day.

- 1) **Client-Wise Scrip-wise report:** Name of client, Promoter(y/n), Name of stock (collateral/Funded Stock), Quantity financed, Amount financed.
- 2) **Report on consolidated Exposure:** A) total outstanding on the beginning of the day B) Add: fresh exposure taken during the day. C) less: Exposure liquidated during the day; Net outstanding at the end of the day.
- 3) **Report on Source of Funds:** A) out of net worth B) out of borrowed funds C) if borrowed, name of lenders and amount borrowed to be specified separately.

**Margins :**

- **Initial Margin** - Initial Margin can be paid by client in the form of Cash/Group I Securities. Margin in the form of cash shall be credited against Margin Trading purchase obligations. the Risk team reserves the right to charge higher initial margin/haircut than prescribed by SEBI/Exchanges. Such rates shall be published at the company website from time to time. The Risk team may disallow certain Group I Securities from Margin Trading or Collateral Margin Stock to client which shall be binding on the client. The Collateral margin Stock will be valued after applying a Haircut as below.

	Applicable Hair Cut	
	Scrip Group	Proposed Applicable Hair Cut%
NIFTY-50 scrips	A	As per Exchange VAR

	Applicable Hair Cut	
	Scrip Group	Proposed Applicable Hair Cut%
FO Scrips apart from NIFTY -50 scrips	B	As per Exchange VAR
Other Scrips do not fall into Penny List	C	As per Exchange VAR

- Maintenance Margin** Total stocks under MTF for a client means aggregate funded stocks plus collateral margin stocks for such client. At the End of Day (EOD) collateral margin stocks shall be valued at Last traded price and funded stocks at cost price or last traded price whichever is lower exchange wise. If the required margin is less than Available margin at the respective exchanges, then maintenance margin calls shall be made to the client for bringing deficit. The Client shall meet the maintenance margin call in the form of Ledger Credit or pledging in favour of approved securities.

### **Order Placement**

Client shall place orders through the normal ODIN terminal or Online using the existing client code. MTF orders can be placed only in eligible stocks as defined by the criteria set above. Margin applicable on stocks purchased/to be purchased shall be termed as "Required Margin" which should not exceed the "Available Margin."

### **Margin Calls:**

#### **Failure to Meet Margin Calls by client:**

The following action should be taken in the event of a failure to meet the margin calls:

- Maintenance Margin Call:** The Company/ Risk team may, at its discretion, liquidate any of the funded/Collateral stocks to maintain the desired Maintenance Margin levels.
- MTM Margin Call:** The Company/ Risk team may, at its discretion, liquidate whole or part of any of the funded/Collateral stocks to recover the ledger debit plus accrued interest under the Margin Trading facility & maintain the 80% level. Such liquidation shall be effected any time not later than 5 trading days from the trading day succeeding the date of margin call.

#### **Liquidation on failure to meet maintenance margin:**

If maintenance margin call is not fulfilled by client, funded stocks may be partially liquidated to equalize the "Required margin at MTF" with "Available Margin at MTF". Such liquidation shall be done any time but not later than 5 working/trading days from the date of Margin Call, provided the part/whole of the shortage remained on the day prior to the day of such liquidation.

If no trade transactions are executed under MT-NSE for more than 90 days, funded stocks and/or collateral stocks may be liquidated at the discretion of the Company/ Risk team to clear the debit balance. Alternatively, the client may clear the debit balance and take delivery of the funded stocks.

Spark PWM shall in case of any unrecovered debit after the above liquidation. It shall liquidate the stock pledged created in non MTF category.

## **Stock Concentration :**

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The Company may, at its discretion, prescribe restrictions on Stock Concentration to be applied to client(s) in terms of Stock Value and/or Holding Quantity. the Company reserves the right to measure the stock concentration at such conditions and at such points of time as it may deem fit.

Funded stocks shall be monitored as below:

- Concentration in a stock shall be measured at EOD by arriving the percentage value of single funded stock against the Value of Total Stocks and also the Client level exposure. Please refer to the table norms for Scrip Wise and Client Wise Exposure
- Stock financed under Margin Trading at NSE/BSE can be sold only through Margin Trading at NSE/BSE respectively.

## **Pledging of Shares :**

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### **MTF Collateral Stocks**

- The approved stocks from Stock Exchanges for MTF facility will be allowed to be pledged towards MTF Collateral and Haircut will be charged as per the Hair Cut mentioned above.
- Shares which are accepted for Pledge for MTF will be available as margin from next trading day.

### **MTF Funding Stocks:**

- Advance MTF Pledge instruction will be initiated on Purchase of Stock under MTF on Trade date and validity of the Pledge instruction will be till T day.
- Client has to accept the Pledge request on the T Day between 4PM to 9P.M by advance pledge authentication.
- Shares are transferred to clients Demat account on T+1 day (Settlement day) and these shares will be pledged to MTF funding Pledge account based on the acceptance of OTP by the client done on T day as per point 2 above.

## **Review and Record Maintenance**

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The Board of Directors shall undertake a periodic review of the Policy and the Compliance Officer shall ensure compliance with the Circulars issued by SEBI and the Exchanges / Depository in this regard, from time to time.