

- **What margins are required to be collected by Trading Members from clients in Capital & Derivative Segments?**

VaR/SPAN margins and Extreme loss Margin (ELM) are mandatorily to be collected on an upfront basis (Advance of Trade). All other margins including Mark to Market Margin (MTM) or such other margins as may be prescribed from time to time shall be collected within:

- 'T+2' working days in case of CM and Commodities and
- "T+1" working day on the case of F&O and CDS.

- **In what form should a Trading Member collect the margins from its clients?**

Margin can be in the form of cash (Including Fixed Deposits received towards margin issued by any approved Bank and lien marked in favour of member)/bank Guarantee received towards margin issued by approved bank and discharged in member's favour/Securities in dematerialised form actively traded on National Exchanges not declared as illiquid securities by any such exchanges with appropriate Haircut or any other applicable forms as prescribed by SEBI/Exchanges from time to time

Following will be considered as upfront margin for meeting the Exchange's Margin requirement:

Margin Component	Considered as Upfront Margin	Considered as Limits for Trading
Cash	Yes	Yes
Stocks Collateral with Trading Member Client collateral account	Yes (till August 31, 2020)	Yes (till August 31, 2020)
Pledged Stocks	Yes	Yes

With effect from August 01, 2020, Client has to provide collateral in the form of securities, by way of 'margin pledge', created in the Depository system.

However SEBI has allowed the Trading Member to parallel accept client securities as collateral via Transfer of securities to Trading Member's Client Collateral Account as being done till now. This parallel system shall be functional only till **August 31, 2020**.

For Transactions undertaken under **Margin Trading Facility (MTF)** upfront margins collected in the form of funds and securities recorded in MTF books

Excess Margin/Collateral available in MTF ledger cannot be considered towards Margin on Non MTF transactions

No "POA Demat Account" stocks will be considered for upfront margin and Limits for Trading.

From August 31, 2020, securities will be accepted only by way of Margin Pledge. The client will need to ensure that he has sufficient collateral by way of (Margin Pledge) in his account as on August 31, 2020, by way of ledger credit and/or Margin Pledge, to avoid square off by our Risk Management System (RMS) because of shortage of margin.

- **How will margin be collected in case of intra-day transactions?**

No change in the current system as of now.

- **Whether Fund Balances/Securities of related entities of the client can be considered for collection and reporting margin?**

No

- **Will BTST be allowed to client**

Yes BTST will be allowed to client. However if client buys a particular share by paying upfront margin on T day then the client needs to pay Upfront margin for selling the same share on T+1 day.

- **Will Selling of POA stock be allowed**

Yes

- **Can SMIFS pass-on the charges related to Margin pledge, unpledged and invocation to the client?**

SMIFS will pass on the charges for margin pledge/unpledged/invocation to the respective client. We will confirm the rate later.

- **What will happen to the stock provided by client in SMIFS – Collateral account (existing Demat Accounts tagged as 'Client Margin/ Collateral') on August 31, 2020.**

All securities lying in the SMIFS's existing collateral Demat Accounts tagged as 'Client Margin/ Collateral Account' shall either be returned to the clients upon fulfilment of obligation or shall be disposed-off after giving notice of 5 days to the client, on or before August 31, 2020.

- **What are the changes that are required in the Power of Attorney (POA) given by the client for its Demat Account to the Member?**

SMIFS shall be amending the clauses mentioned in the POA w.r.t transfer of securities for margin purpose and shall simultaneously add the clauses related to execution of margin pledge.

Clients who have already given a POA to the Member for operating their Demat Account shall be intimated/informed about the above mentioned changes in the POA via an 'Addendum to the existing POA'.

- **Would any penalty be levied to the client in case of short margins in Cash Segment?**

Penalty for short margins in Cash Segment would be levied / applicable with effect from September 1, 2020.

Insufficient margins can lead to penalties being levied by the exchanges / squaring off of the client's positions, subject to the following conditions:

- If the TM/CM has collected minimum 20% upfront margin in lieu of VaR and ELM, then penalty for short collection shall not be applicable in Cash Segment.
- However, the TM/CM will continue to collect the upfront margin based on VaR and ELM.

Further, please note that SMIFS is authorised to sell part or full stocks/position in the client's trading account in case margin requirements are not met.

- **Is there any penalty that cannot be passed on by the Member to the clients?**

Member cannot pass on the penalty w.r.t. short collection of upfront margin to the client.

However in case of failure (cheque not cleared or margin* requirement not met by the client) on part of the client resulting which penalty is levied by the Clearing Corporation on the member for short reporting of client upfront margins/ margin on consolidated crystallized obligation/MTM losses, member may pass on the actual penalty to the client, provided he has evidences to demonstrate the failure on part of the client. Wherever penalty for short reporting of upfront margin/ margin on consolidated crystallized obligation/ MTM losses is being passed on to the client relevant supporting documents for the same should be provided to the client.

- **When will the client get back the securities that have been provided by him/her/it to SMIFS in its collateral account?**

All the securities that have been provided by the client to SMIFS as collateral will be returned back to the client, in a phased manner, on or before August 31, 2020.

- **How can the client opt for / create a Margin Pledge through SMIFS?**

1. In order to create Margin Pledge, the client or SMIFS (as a POA holder) will need to instruct the Depository Participant (DP) i.e. SMIFS (DP division) for the same.
2. On initiation on Margin Pledge by The DP division of SMIFS, Client would receive a link for OTP Authentication.
3. Client will have to enter his/her/its PAN and OTP received on his/her/its registered mobile number or email ID by tapping the link provided by the Depository and authenticate the same.

Please note that the OTP will be valid for only 15 minutes, post its generation.

- **How will the Margin Pledge instruction be generated by client on his own?**

Client can initiate margin pledge with SMIFS by submitting electronic instructions via SPEED-e (for NSDL Demat Accounts) / easiest (for CDSL Demat Accounts).

Please note the following:

- Margin pledge transaction can be executed only if the client has registered for SMS alert facility provided by the depositories or has a valid and active email id registered in his Demat Account.
 - Client will need to ensure that the Email ID and Mobile Number are updated in the aforementioned account(s) such that OTP verification is done smoothly.
 - Once the Pledge is confirmed through OTP verification, limits against pledged shares (after applying haircut), will be provided to the client on the next day of OTP authentication, provided the client has completed the OTP authentication by 7:00 pm on the previous day.
- **What will happen after August 1, 2020 when shares are received from the exchange against client buying?**
 1. Pay-out will be received from the Exchange on T+2.
 2. Once the pay-out has been received, SMIFS will transfer the stocks to the client's linked Demat Account upon the fulfilment of fund obligation by the client.
 3. Further the client will need to pledge the stocks through the OTP authentication mechanism, on the same day itself, to get the benefit of margin against those stocks. Till August 31, 2020 client can also request helpdesk for transfer of shares to SMIFS – Client collateral account for additional margin.
- **Will the client be provided any limit against unpledged securities?**

Limit against the client's unpledged securities, lying in his/her/its Demat Account, irrespective of POA shall not be provided.
- **With the onset of Margin Pledge, how will movement of securities take place?**

With the onset of margin pledge, the securities will remain in the client's Demat Account only. It will not be moved to SMIFS collateral account.
- **Will the POA provided by the client be considered for margin reporting in regards to the shares lying in the client's Demat Account?**

If the client has provided POA in favour of SMIFS, then with effect from August 01, 2020, the shares lying in client's Demat Account, will not be considered for margin reporting.

- **In which Demat Account client can pledge his securities in favour of SMIFS for the margin purpose.**

Below are the details of the Demat Account(s) in which the client pledge securities for margin with SMIFS:

Account Name	Segment	Depository	DP ID	Client ID
Corporate TM/CM Client Securities Margin Pledge Account	NSE - CM	CDSL	12016000	00051473
Corporate TM Client Securities Margin Pledge Account	NSE - F&O	CDSL	12016000	00051488
TM-Client Securities under Margin Funding Account	NSE - CM - MTF	NSDL	IN301629	10141312
TM/CM-Client Securities Margin Pledge Account	NSE - CM	NSDL	IN301629	10141304
TM-Client Securities Margin Pledge Account	NSE - F&O	NSDL	IN301629	10141290
TM-Client Securities Margin Pledge Account	MCX	NSDL	IN301629	10141329