

Let's Understand Margin Requirements and Margin Trading



Indian Securities Market - Overview



Starting Investment in Securities Market

Accounts Required



Bank Account



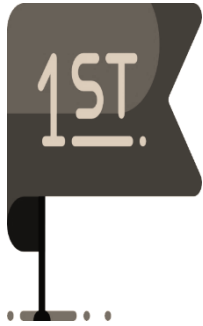
Trading or Broking Account



Demat Account

Many DPs offer a 3-in-1 account opening facility which gives you the convenience of opening a trading, demat and bank account – all together. Now many DPs are offering online demat account opening. Trading or Broking account is required only if you want to buy / sell shares through stock exchange.

About NSDL



1996

First Depository
in India



One of the largest Depositories in
world

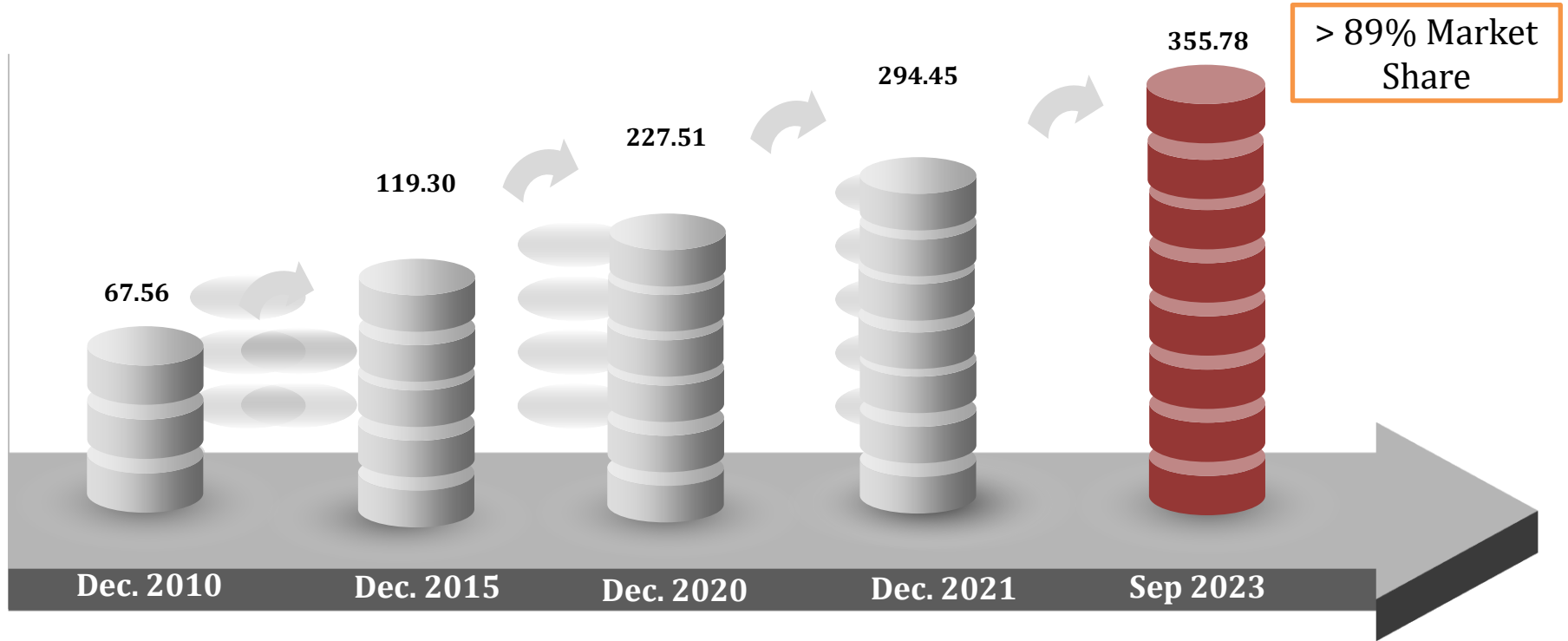


Investors present in more than
99% pin codes in India

Wide service network – all States
and UTs

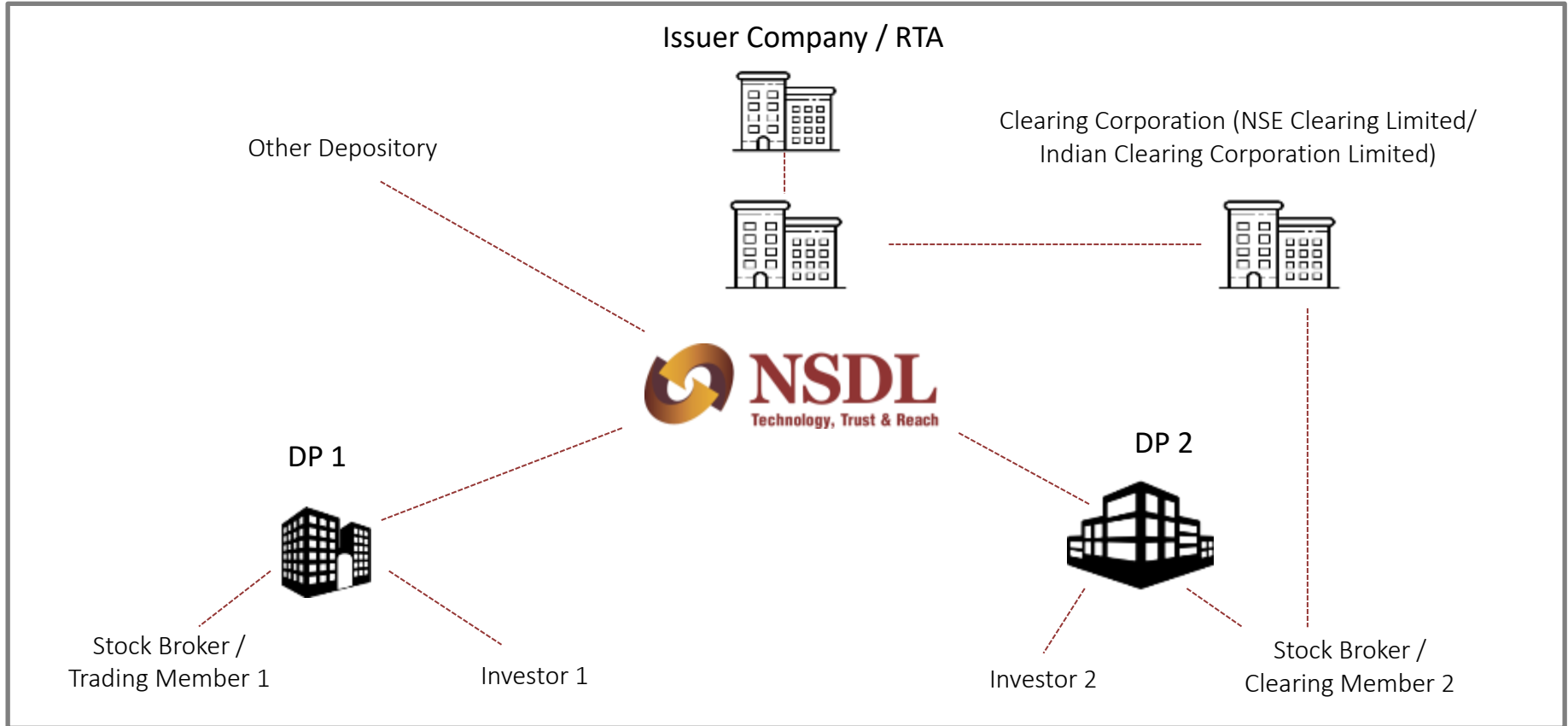
No. of Service Centres – 60,000+

Growing Custody Value



Total Value of All Assets Held In All NSDL Demat Accounts in ₹ Lakh Crore

Indian Securities Market - Depository System



Services offered by Depository Participant



*Even unlisted shares can be dematerialized. **Transfer of securities held in physical form not allowed w. e. f. April 1, 2019. Re-lodgement of transfer deeds which were submitted prior to this, but were rejected or returned, was allowed till March 31, 2021. Shares pending for transfer with listed company / its RTA shall be issued only in demat.

Key points on Anti-Money Laundering

Legislative and Regulatory References

- Prevention of Money Laundering Act, 2002
- Prevention of Money Laundering (Rules), 2005
- SEBI Master Circular – October 15, 2019

What is Money Laundering (ML)?

- Money Laundering is “the process in which the proceeds of crime are converted and disguised as legitimate assets”

What is Anti-Money Laundering (AML)?

- Anti-Money Laundering is “the initiative to effectively prevent, detect, control and report ML activities to the authorities”

What are Suspicious Transactions?

Transactions (including attempted transactions), that may involve proceeds from a predicate offence, do not have any economic rationale, made in circumstances of unusual or unjustified complexity or gives rise to a reasonable ground of suspicion that it may involve financing of activities relating to terrorism

Key Authorities – Financial Intelligence Unit (FIU-IND), Ministry of Home Affairs and the Enforcement Directorate

Key points for all Investors

Individuals:

- Provide officially valid documents for proof of identity and address
- Furnish correct information on income, occupation, business, marital status, etc.
- Provide accurate financial information – salary or business income as applicable
- Inform about any changes to the above information
- Invest only using own sources of funds, not third party funds
- Do not fall prey to any gimmicks or schemes from anyone

Non – Individuals:

- Provide officially valid documents for proof of identity and address
- Furnish information about Beneficial Owner(s), where applicable
- Furnish all other related documents (AoA, MoA, Partnership deed, ASL, etc.)
- Provide correct information about nature and type of business
- Changes to the above information may be duly informed to DPs

Cooperate with DPs who may seek any additional information for due diligence

Be diligent and aware about various money laundering schemes

Contact your DP or broker in case of any doubts

Be a Prudent Investor



Keep record of documents signed, account statements, contract notes received and payments made. Save important emails and take periodic back up of data.

Change password of your online accounts frequently.
Never share your passwords, OTP, CVV and PIN with any one.
Never click on suspicious links received via SMS, email or social media platforms.

Read SMS, emails, letters, statements, bills sent by your broker, bank, DP and NSDL. These are sent to you to keep you updated.

Accept the DIS only if serial number is pre printed and Client ID is pre stamped or pre printed. Keep DIS in safe custody.

Be a Prudent Investor




Inform your DP about any change in your Personal Information such as address, bank account immediately.

Always mention your Mobile Number and email ID in account opening form and keep them updated.

NSDL publications and presentations are available in Hindi, English and other languages at www.nsdl.co.in → Education

Schedule of Awareness Programs, Registration, Feedback and Webinar Recordings are available at www.nsdl.co.in → Education

Be a Prudent Investor – Don'ts



Never deal with any unregistered or unauthorised market intermediary. Check on the SEBI's website that your stock broker / authorised person, mutual fund distributor, investment advisor are registered with SEBI.

Never invest with borrowed money. Avoid unnecessary loans and credits.

Be a Prudent Investor

**Nominate Karo - Surakshit, Samajhdaar,
aur Atmanirbhar Niveshak Bano!**



Hurry! Last date is

December 31, 2023

NOMINATE YOUR LOVED ONES TODAY!!

**Opting-in/Opting-out of nomination is mandatory in your
Demat Account to avoid your account becoming inactive**



SCAN TO
KNOW
MORE



SCAN TO
NOMINATE
ONLINE*

*Applicable to single demat account holder (Resident Individual) who have not opted-in/opted-out for Nomination in their demat account.

Be a Prudent Investor

Do Not Fall Prey To Stock Tips, Hot Picks etc. Circulated on Twitter, Instagram, WhatsApp, Telegram, Unsolicited SMS, YouTube Channels etc.



Be a Prudent Investor – Consult a SEBI Registered Investment Advisor and Do Your Own Homework Before Investing

Be a Prudent Investor

Do Not Invest In Any Ponzi Scheme, Unregistered Collective Investment Scheme or Any Other Schemes Promising Unrealistic Returns



Be a Prudent Investor – Consult a SEBI Registered Investment Advisor and Do Your Own Homework Before Investing

The Financial Kaleidoscope – Free monthly newsletter



www.nsdل.co.in



Education



Newsletter – The
Financial Kaleidoscope

SEBI Investor Website

Learn to Manage Your Money For Financial Well-being



Money Matters : Lets Understand

This Section will provide you Understanding about Money Related Matters

More...



Investment : Avenue to grow your money

This Section will provide you Essential Guide on Investment and Investment Asset Class

More...



Securities Market Investment : Lets Learn

This Section helps you to know about Investment avenues available in Securities Market

More...

Topics of Interest



Secure Your Investment Account



Nomination



SMS and Email Alerts to Investors



Apply in IPO through ASBA



Awareness Messages



Video Gallery



Investor Charter



Awareness Programs



Investor Support



Investor Alert



Events **
Ongoing Event-WIW 2023



Join us

Learn to Manage Your Money for Financial Well-being such as Personal Finance and forthcoming investor awareness programs, Financial Calculators, Financial Health Check-Up, etc. on SEBI's Investor website

<https://investor.sebi.gov.in>

SEBI's Mobile App for Investor Education



SAARTHI

SEBI SCORES Education

E Everyone

 Add to wishlist



If You are holding Securities in Paper form

1. Provide PAN, KYC information and Nomination to RTA / Company for all joint holders.
2. Get PAN and Aadhaar linked for all joint holders.
3. Folio may be frozen if not complied.
4. Electronic interface provided by company / RTA for various service requests like issuance of duplicate shares, transmission, change in name etc.
5. SEBI has prescribed 'Simplified and Standard Norms' for processing of various service requests [Form ISR – 1 and other forms available on website of listed company / RTA].

Grievances Redressal

1. Read Investor Charter at www.nsdl.co.in → Education
2. Lodge your complaint with SEBI at www.scores.gov.in/ or SEBI Mobile App – SCORES
3. For filing dispute for resolution by conciliation and arbitration, visit SEBI's Securities Market Approach for Resolution Through ODR (SMART ODR) Portal <https://smartodr.in/login>
4. SEBI Toll free helpline - 18002667575 / 1800227575
5. NSDL helpline - 022-48867000/022-24997000
6. Online submission of Grievances at www.nsdl.co.in → Query related to Demat
7. NSDL email for grievance - relations@nsdl.com
8. NSDL email for other information - info@nsdl.com



Margin and Margin Trading

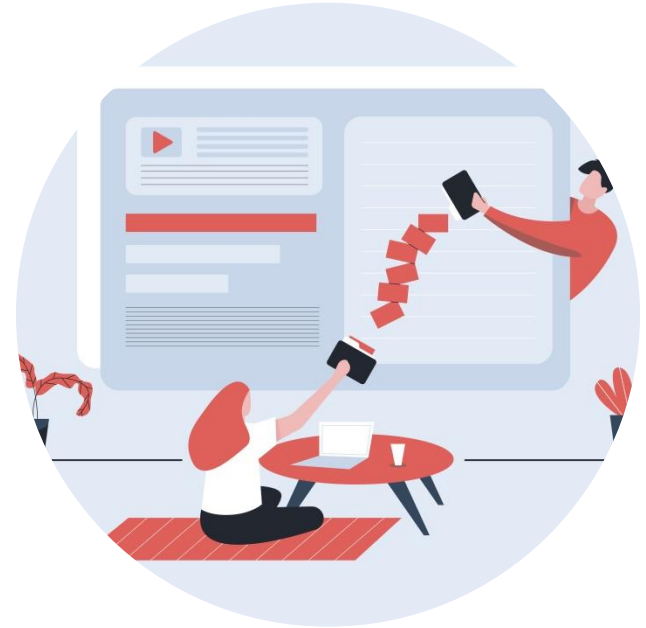
What is Margin?

1. Margin is the amount and / or security an investor must pay to his / her stock broker before executing a trade.
2. Margin requirements are prescribed by SEBI and enforced by the stock exchanges.
3. Margin requirements do vary for different kinds of securities and investor category.
4. In other words, margin refers to extent of leverage that a broker can offer to client while undertaking a trade in securities.



What is Margin Trading?

1. It is a facility provided by stock broker to clients whereby an client can buy or sell securities without paying 100% amount upfront towards purchase consideration or 100% shares that are sold.
2. The part paid by the investor is called 'Margin' and the portion that is not paid is the leverage given to client by the broker.
3. Investor can pay the margin in form of cash payment or by depositing securities. Securities provided as margin are also known as 'Collateral'.



What is the Purpose behind Margin Requirements?

1. Margin requirements help investors to buy securities of their choice without paying the full amount of money beforehand.
2. Margin Trading helps in increasing trade volumes.
3. By enforcing margin requirements, exchange controls the trading activity in the market.
4. Margin requirements are used by exchanges to manage settlement risks.

Types of Margins for Cash Segment

1. Value at Risk (VaR) Margin or Initial Margin

- It is intended to cover the largest loss that can be encountered on 99% of the days. For liquid stocks, the margin covers one-day losses while for illiquid stocks, it covers three-day losses to allow the exchange to liquidate the position over three days.

2. Extreme Loss Margin (ELM) Margin

- It is a second line of defence to cover extended losses that go beyond 99% risk which is covered under the VaR margin.

3. Mark to Market (MTM) Margin

- MTM is calculated on all open positions of an investor on any trading day as difference between transaction price and the closing price of the share. If the closing price is less than the transaction price, then the notional loss needs to be paid to the exchange.

4. Peak Margin

What is Peak Margin?

1. Peak Margin is the minimum margin that must be collected by brokers from their clients in advance of placing any intraday / delivery order in the Cash and Derivatives segments.
2. Clearing corporations take atleast four random snapshots of all margin status during the trading session.
3. Brokers gets margin calls from clearing corporation as per their aggregate trading volumes etc. They need to fulfil their margin obligations and report to clearing corporation.
4. The highest margin requirement that emerges from the different snapshots would become the 'Peak Margin' for the day.
5. Penalty may be imposed by Clearing Corporation on broker if peak margin requirement is more than the available margin.

Implementation of Peak Margin

Phase 1

- 25% of the upfront margin to be available before the trade is being executed from December 1, 2020, to February 28, 2021.

Phase 2

- 50 % of the upfront margin to be available before the trade is being executed from March 1, 2021 to May 31, 2021.

Phase 3

- 75 % of the upfront margin to be available before the trade is being executed from June 1, 2021 to August 31, 2021.

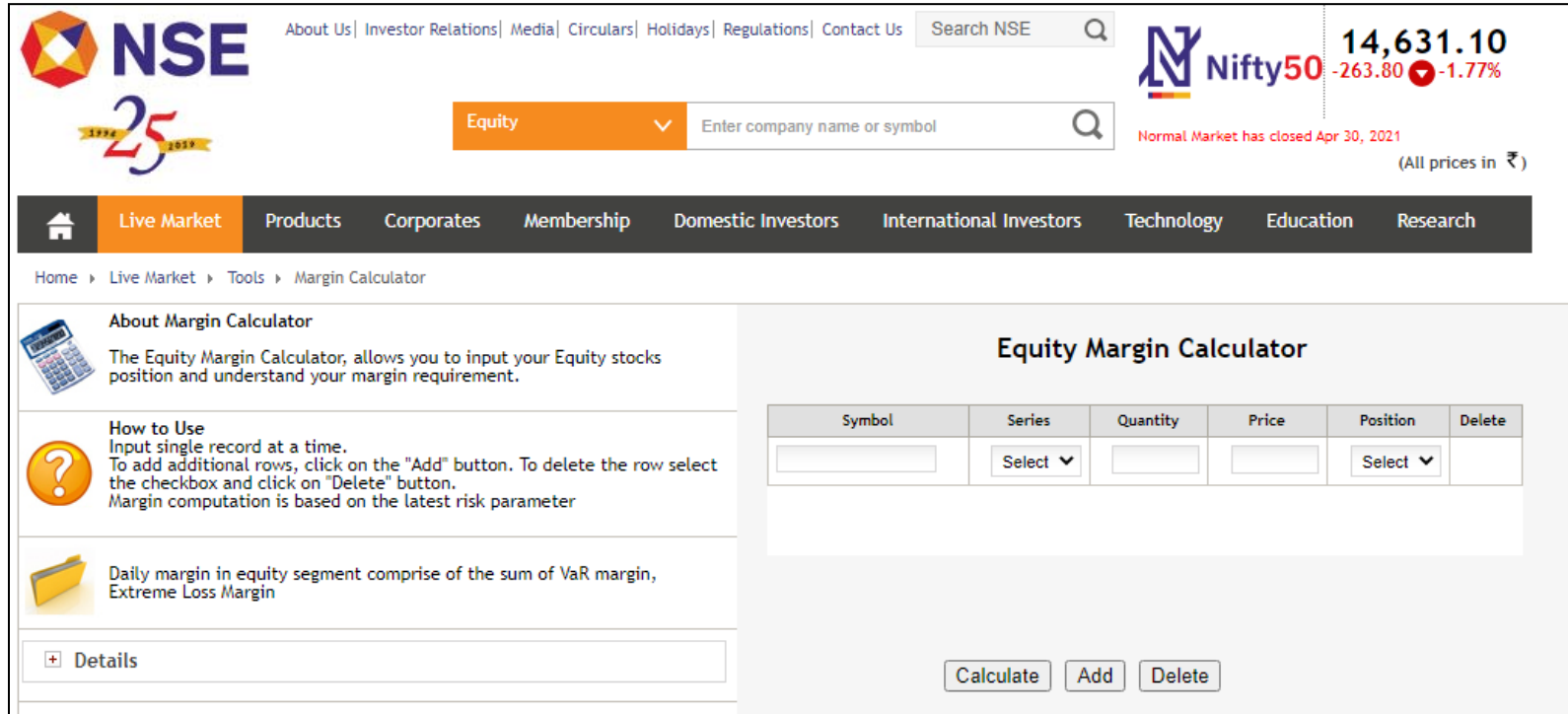
Phase 4

- 100 % of the upfront margin to be available before the trade is being executed from September 1, 2021.

How to Calculate Margin?

1. Stock exchanges provide online margin calculation tools on their website.
2. Most brokers also enable clients to know the margin requirement before undertaking the trade through their website and mobile apps.
3. Certain margins are dynamic and changes depending upon the market movements.
4. SEBI has prescribed norms for various kinds of margins.
5. Margin applicable to brokers are collected from brokers by clearing corporations.
6. Brokers are required to collect margins from their clients. They can prescribe stricter norms for certain clients.

How to Calculate Margin? Example



The screenshot shows the NSE website interface. At the top, there is a search bar for NSE and a Nifty50 index display showing 14,631.10 with a change of -263.80 (-1.77%). Below the search bar is a navigation menu with options like Live Market, Products, Corporates, etc. The main content area is titled "Equity Margin Calculator" and contains a table for inputting stock data and buttons for "Calculate", "Add", and "Delete".

NSE 25 1992 2019

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Equity Enter company name or symbol

Nifty50 14,631.10 -263.80 -1.77%

Normal Market has closed Apr 30, 2021 (All prices in ₹)

Home > Live Market > Tools > Margin Calculator

About Margin Calculator

The Equity Margin Calculator, allows you to input your Equity stocks position and understand your margin requirement.

How to Use

Input single record at a time.
To add additional rows, click on the "Add" button. To delete the row select the checkbox and click on "Delete" button.
Margin computation is based on the latest risk parameter

Daily margin in equity segment comprise of the sum of VaR margin, Extreme Loss Margin

Symbol	Series	Quantity	Price	Position	Delete
<input type="text"/>	Select ▼	<input type="text"/>	<input type="text"/>	Select ▼	<input type="checkbox"/>

Calculate Add Delete

+ Details

What is Daily Margin Statement?

1. All stockbrokers are required to send a daily margin statement to their clients.
2. This statement provides details of various margin applicable to trades undertaken by client through that broker.
3. It includes -
 - i. Client code and name, Trade day (T)
 - ii. Total margin deposit placed by the client up to day T-1 (with break-up in terms of cash, Fix Deposit Receipt, Bank Guarantee and securities)
 - iii. Margin utilized up to the end of day T-1
 - iv. Margin deposit placed by the client on day T (with break-up in terms of cash, Fix Deposit Receipt, Bank Guarantee and securities).
 - v. Margin adjustments for day T
 - vi. Margin status (balance with the Broker / due from the client) at the end of day T

How to Read Margin Statement?

Format – Daily Margin Statement to be issued to clients

Client Code:

Client Name:

Exchange:

Seg	Trade day	Margins available till T day					Margin/MTM required by Exchange/CC end of T & T+1 day respectively			Excess / Shortfall w.r.t. Requirement by Exchange / CC	Additional Margin required by member as per RMS	Margin Status (Balance with Member / Due from client)
		Funds	Value of Securities (after haircut)	Bank Guarantees / FDR	Any other approved form of Margins*	Total Margins Available (E)	Total upfront Margin	MTM	Total Requirement			
		A	B	C	D	E=(A+B+C+D)	F	G	H=(F+G)	I=E-H	J	K=(I-J)

*approved form as may be specified by the Exchange/CC from time to time

Notes:

1. Daily Margin Statement to be issued on T day itself
2. Daily Margin statement to mention the name, email id, telephone number and address of compliance officer
3. Detailed exhibits for the margin collected to be provided to the clients. In case of securities (scrip name, qty, value) Bank Guarantee (BG no, amount, expiry date) and FDR's (FDR No., Amount and Maturity date)

How to fulfil Margin Requirement?

1. Once you know your margin obligation, you should fulfil it at the earliest to avoid penal interest.
2. If a client does not pay the margin obligation and broker is penalised by clearing corporation due to this, then the broker may pass on the actual penalty to the client.
3. Margin in form of cash can be paid by depositing amount in designated bank account of broker.
4. Margin in form of securities must be paid by creating a 'Margin Pledge' in favour of the broker.

How to fulfil Margin Requirement?

1. Free and unencumbered Balances (funds and securities) available with the Broker in different segments of the Exchange.
2. Bank guarantee issued by any approved bank and discharged in favor of the Broker.
3. Fixed deposit receipts issued by any approved bank and lien marked in favor of the Broker.
4. Margin Pledge of eligible Securities in dematerialized form with appropriate hair cut.
5. Units of liquid mutual funds in dematerialized form, Government securities and Treasury bills in electronic form with appropriate hair cut.
6. Securities given as margin which are sold in the cash market and the securities are in the pool account of the Trading Broker but are not given as early pay-in, benefit of margin be given to the client till T+1 day from the sale of securities without any hair cut.

How to fulfil Margin Requirement?

7. Free and Unencumbered funds / securities in the demat or bank account of the client for which the client has given POA in favor of the broker may be considered as fulfilment of margin requirements by client if broker or its associate company is a DP.
8. Securities received in pay out shall be considered only after it is actually received from the clearing corporation.
9. Early pay- in received from clients may be considered while calculating the ledger balance for the purpose of reporting of margins till T+1.

Margin Requirement for Buy Today, Sell Tomorrow

In case client buys a share on T day with upfront payment of applicable margin and if client sells the same shares on T+1 day, then

1. Client needs to pay separate margin for sale trades also, as Buy and Sell trades are executed in different settlements.
2. Broker may choose to pay for the buy position of client (buy value – margin paid by the client) and collect the payout of shares on T+2 day in Client Unpaid Securities Account (CUSA).
3. Broker may deliver the shares from CUSA on T+3 day towards pay-in for sale trade on T+1 day.
4. Broker may also choose to post the buy and sale value of shares to client's account upon execution of sale transaction, which could be used towards margin for subsequent trades of the client.
5. Securities received in pay out and available in CUSA account (reduced by the minimum 20% haircut) after adjusting any debit balances in client ledger shall be considered for collection and reporting of margin.

What is Margin Pledge?



1. W.e.f. August 1, 2020, collaterals in form of securities can be accepted by stock brokers in form of margin pledge created on the securities held in client's demat account.
2. Instruction to create margin pledge on securities can be given by client or by the person holding the Power of Attorney, in physical form or electronically through SPEED-e.
3. Such margin pledge can be created in favour of a specially designated demat account of the stock broker (opened as TM – Client Securities Margin Pledge Account or TM / CM – Client Securities Margin Pledge Account).

How to Submit Margin Pledge Instruction?

There are three ways to submit Margin Pledge Instruction –

1. You may fill up, sign and submit Form 43 – Margin Pledge Form in paper form to your DP.
2. You may submit Margin Pledge Instruction electronically using NSDL SPEED-e platform, if you are a registered user (password user or e-token user).
 - ✓ If you wish to register for SPEED-e, visit www.eservices.nsdl.com and click on 'New user registration' and then select SPEED-e.
 - Once created, margin pledge instruction will wait for pledgor's confirmation to become effective. If Pledgor has opted for automatic confirmation of pledge instruction, then margin pledge instruction created as above will become effective immediately.
 - **Take care to**
 - ✓ Create Margin Pledge for securities which are approved by your stock broker for margin purpose.
 - ✓ Create Margin Pledge for quantity according to value of the security and haircut applicable.

How to Submit Margin Pledge Instruction?

3. Your stock broker (Trading Broker) may initiate Margin Pledge instruction on your behalf if you have given a Power of Attorney (POA) in his favour.

- In this case, you will need to confirm the Margin Pledge instruction using OTP received on your registered mobile number or registered email ID.

Or

- you can login to SPEED-e and confirm the instruction available.

Margin Pledge Confirmation

Confirm Pledge

Verify the information displayed and if satisfied, confirm the instruction to create pledge with the OTP received.

Receive OTP

After successful PAN authentication, One Time Password (OTP) will be sent to client through SMS and email.



Receive Confirmation Link

On receipt of margin pledge instruction, NSDL shall send a link to 'Confirm Margin Pledge Transaction' through SMS and email to Client.

Click the Link

Client needs to Click the link received – which will lead to a NSDL web page.

Authenticate With PAN

Client should authenticate the instruction with PAN.

Be a Prudent Investor

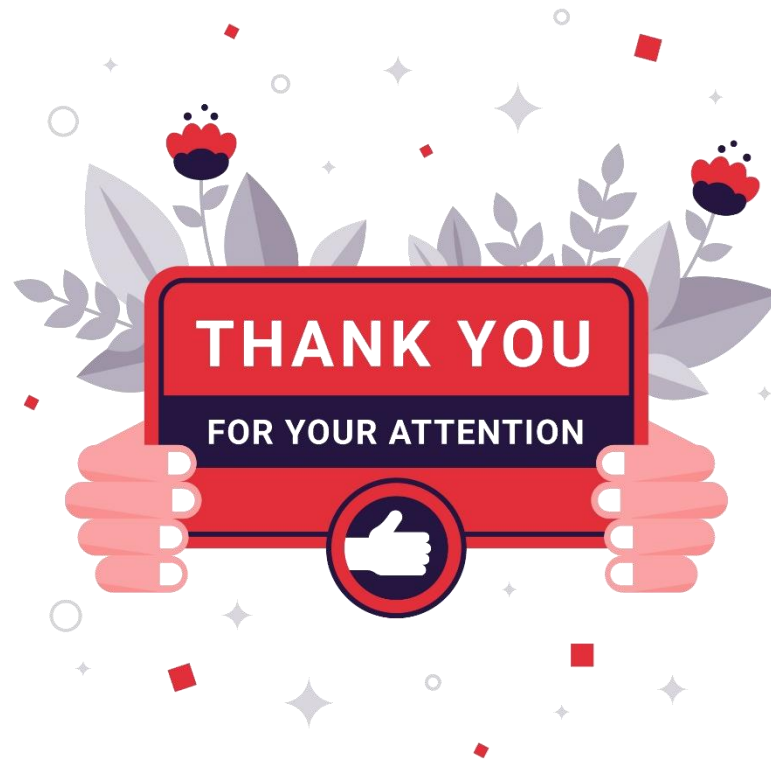


Happy Investing

Demat Ki Paathshala - An initiative by NSDL for Investor Education

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this program at www.nsdل.com.in / info@nsdl.com