

## **MARGIN TRADING FACILITY (MTF)**

### **Rights & Obligations / Terms & Conditions to avail MTF**

**The Rights & Obligation / Terms & Conditions for Margin Trading Facility (MTF)** prescribed hereunder form part of account opening form, shall be read in conjunction with the rights and obligations as prescribed under SEBI circular no. CIR/ MIRSD/ 16/ 2011 dated August 22, 2011, SEBI Circular No. CIR/MRD/DP/54/2017 Dated June 13, 2017, SEBI/HO/MIRSD/DOP/CIR/P/2020/28 Dated February 25, 2020 and the Rules, Regulations, Bye laws, Rights and Obligation, Guidelines, circulars issued by respective Stock Exchanges from time to time.

#### **A. The Client undertakes, authorizes, confirms and agrees to/that:**

1. Avail MTF in accordance with the terms and conditions of MTF offered by SMC Global Securities Limited (SMC).
2. Consent the Terms and Conditions herein through email / SMS from his email id / mobile number registered with SMC or by online mode by logging-in on the website of SMC in a secured manner or by physical mode.
3. SMC at all times shall have the liberty to exercise its right in its sole discretion to determine the extent to which the MTF to be made to the Client.
4. All outstanding dues under MTF shall carry Interest @ 0.07% per day unless mutually agreed otherwise.
5. Pay Brokerage, Statutory Charges and Other Charges as mutually agreed between the client & SMC within the prescribed limits as specified by SEBI / Exchanges.
6. If the transaction is entered under MTF, there will not be any further confirmation that it is margin trading transaction other than contract note.
7. Transaction/s to be considered for exposure to MTF shall be informed to SMC in writing or in any other irrefutable mode of communication not later than T+1 day, else the same shall be considered under normal trading facility. Additional exposure over debit balance (arising out of trade executed under normal trading facility), beyond fifth trading day reckoned from pay-in date, may be granted under MTF to the extent the Client is eligible and subject to availability of required margin. In such event, SMC in its discretion may identify the eligible/excess securities available with the client and mark as collateral towards MTF. All credit arising out of sale transaction under MTF shall be first adjusted towards the debit under normal trading facility, if any and subject to adequate margin being maintained for the outstanding MTF debit.
8. SMC shall not be bound to grant MTF to the Client (which decision shall be at the sole and exclusive discretion of SMC) and SMC shall not be required to provide any reasons thereof nor shall SMC be liable for any damages (whether direct or consequential or whether financial or non-financial) to the Client by reason of SMC refusal to grant MTF to the Client.

9. Client includes Individual, Company, Partnership firm, Trust, Hindu Undivided Family, Association of Person and Body of Individuals etc.
10. The dues, wherever mentioned herein, includes but not limited to outstanding balances, interest, statutory taxes, duties, charges, penalties etc in respect of MTF availed by the Client.
11. The terms / conditions / Obligations of the Client as amended from time to time shall be irrevocable and shall not be revoked by the death/dissolution/ winding up of the Client.
12. Accept all types of communications including order / trade confirmation, revision in margin, margin calls / decision to liquidate the position / security / collateral, Margin statements, margin policies on haircuts / VAR margin, Risk management policies, Rights & obligations, allowable exposure, specific stock exposure etc through the Client's E-mail / SMS, at the email id / mobile number of the Client registered with SMC or by way of logging-in on website of SMC in a secured manner or physical mode, based on client's preference.
13. The MTF shall be provided only in respect of Shares permitted by the SEBI/ Exchanges / SMC from time to time.
14. SMC may retain pledge of securities with SMC for availing MTF till the amount due in respect of the said transaction including the dues to SMC is paid in full by the Client.
15. SMC to hold and / or to appropriate the credit lying in the Client account/ Mutual Funds / IPO account of the Client towards the repayment of the outstanding dues thereof under MTF.
16. Ensure required margin is maintained for MTF at all point of time as specified by SEBI / Exchanges / SMC from time to time.
17. SMC at its sole and absolute discretion may increase / revise the limit of initial margin and maintenance margin, minimum transaction amount from time to time, subject to SEBI / Exchange / SMC requirements in this respect. The Client shall abide by such revision, and where there is an upward revision of such margin amount, the client agrees to make up the revised margin immediately, not later than 3 working days from the day of margin call, failing which SMC may exercise its discretion / right to liquidate the security / collateral and / or close out the position immediately.
18. Make good deficient margin / margin call by placing the further margin immediately, failing which SMC may exercise its discretion / right to liquidate the security / collateral and / or close out the position immediately depending upon the market conditions and / or the volatility.

19. Notwithstanding anything contained in clauses 17 and 18 above, SMC may, in its sole discretion, determine the time of sell / Securities to be liquidated, and / or which contract(s) is / are to be closed.

20. All losses and financial charges on account of such liquidation/closing out shall be charged to and borne by the client.

21. SMC may immediately without any notice liquidate the security / collateral and or close out the position in the happening of the following events:

- a. if any instrument for payment of Margin Money / Monies is / are dishonored;
- b. if the Client violates/breach any provision of this Arrangement or provides any incorrect or misleading information;
- c. if the Client has voluntarily or compulsorily become the subject of any proceedings under any bankruptcy or insolvency law or winding up or liquidation proceedings or has a receiver or liquidator appointed in respect of itself or its assets or makes an application or refers itself to any authority for being declared as a "sick company", relief undertaking, bankrupt or insolvent or seeking financial reconstruction or any other like scheme (by whatever name called) or is dissolved or there is a change in the constitution whether on account of the admission of a new partner or the retirement, death or insolvency of any partner or otherwise;
- d. the death, lunacy or other disability of the Client;
- e. if there is reasonable apprehension that the Client is unable to pay its outstanding dues or has admitted its inability to pay its dues, as they become payable;
- f. if the Client is convicted under any criminal law in force;
- g. if any Asset or any Security is seized or made subject to any distress, execution, attachment, injunction or other process order or proceeding or is detained or taken into custody for any reason;
- h. default under any other arrangement or facility with any Stock Broker is made by the Client;
- i. there exists any other circumstance, which in the sole opinion of SMC, is prejudicial to the interests of SMC;
- j. Order passed by any regulatory, courts, statutory bodies etc.

22. The MTF facility may be withdrawn by SMC, in the event of client committing any breach of any terms or conditions herein or at any time after due intimation to the client allowing such time to liquidate the MTF position as agreed herein, without assigning any reason.

23. In the event of termination of this arrangement, the client shall forthwith settle the dues of SMC. SMC shall be entitled to immediately adjust the Margin Amount against the dues of the client, and the client hereby authorizes SMC to make such adjustment. After such adjustment, if any further amount is due from the client to SMC, the client shall settle the same forthwith. Upon full settlement of all the dues of the client to SMC, SMC shall release the balance amount to the client.
24. SMC may release/ unpledged / transfer the securities utilized for MTF within 5 working days from the date of clearing the dues to SMC.
25. Lodge protest or disagreement with any transaction done under MTF within 24 hours from the date of receipt of such document / statements / contract notes/ any other communications.
26. Close / terminate the MTF at any time after clearing the dues of SMC.
27. Any dispute arising between the client and SMC in connection with the MTF, shall be referred to the investor grievance redressal mechanism, arbitration mechanism of the respective stock exchange.

**B. SMC undertakes, authorizes, confirms and agrees to/that:**

1. Client shall be free to take the delivery of the securities from its MTF a/c to normal trading a/c by repaying the amounts that was paid by SMC to the Exchange towards securities after paying all dues.
2. Client has a right to change the securities collateral offered for MTF at any time so long as the securities so offered are approved for margin trading facility.
3. SMC shall monitor and review on a continuous basis the client's positions with regard to MTF.
4. Additional exposure over debit balance (arising out of trade executed under normal trading facility), beyond fifth trading day reckoned from pay-in date, may be granted under MTF to the extent the Client is eligible and subject to availability of required margin. In such event, SMC in its discretion may identify the eligible/excess securities available with the client and mark as collateral towards MTF. All credit arising out of sale transaction under MTF shall be first adjusted towards the debit under normal trading facility, if any and subject to adequate margin being maintained for the outstanding MTF debit.
5. In case the client determines to convert a normal trade into MTF after the issuance of contract note, SMC shall issue appropriate records to communicate to the Client, the change in status of transaction from Normal to Margin trading and should include information like the original contract number and the margin statement and the changed data.
6. SMC when makes a 'margin call' to the client, shall clearly indicate the additional / deficient margin to be made good.

7. Whenever securities are liquidated by SMC, the contract note issued for such margin call related transactions shall carry an asterisk or identifier that the transaction has arisen out of margin call.
8. The daily margin statements sent by SMC to the client shall identify the margin/collateral for Margin Trading separately.
9. Margin Trading Account where there is no transaction for 90 days and no dues outstanding from the client shall be settled immediately.
10. The stocks deposited as collateral with SMC for availing MTF (Collaterals) and the stocks purchased under the MTF (Funded stocks) shall be identifiable separately and there shall not be any commingling for the purpose of computing funding amount.
11. SMC shall close/terminate the account of the client forthwith upon receipt of request from the client subject to the condition that the client has paid the dues under MTF.
12. The margin trading arrangement between SMC and the client shall be terminated; if the Stock Exchange, for any reason, withdraws the MTF provided to SMC or SMC surrenders the facility or SMC ceases to be a member of the stock exchange.
13. The Client may opt to terminate the MTF in the event of SMC committing any breach of any terms or conditions herein or for any other reason.
14. If the client opts to terminate the MTF, SMC shall return to the client all the collaterals provided and funded securities retained forthwith, but not later than 5 working days from the date of termination, on payment of all the dues by the client.
15. SMC shall not use the funds of one client to provide MTF to another client, even if the same is authorized by the first client.
16. SMC has opened separate demat account for MTF funded stock which is to be tagged as 'Client Securities under Margin Funding Account'. Such funded stocks shall be held by the SMC only by way of pledge in the said account from the BO account of the respective client. The funded stock pledged in 'Client Securities under Margin Funding Account' shall not be available for pledge with any other Bank/ NBFC. The funded stock shall be unpledged by the SMC, to the extent of the payment made by the client, within one working day of the receipt of the payment. In case of multiple funded stocks, the stocks to be unpledged can be identified in terms of the internal policy of the SMC (which has been informed to the client) or as per the instruction of the client.
17. Stocks bought under MTF will have to be pledged compulsorily and will be tagged as Margin Funding Pledge.
18. On T+1 (Trading day +1 day), SMC will initiate a pledge request at Beginning of the day. A link will be sent by the depository on the registered mobile/e-mail id.
19. Client need to accept this pledge request by authorizing it via OTP latest by 12 PM (Noon) on T+2 (settlement date).
20. SMC may keep the securities pledged as collateral/margin for availing margin trading facility and normal trades under the same "Client Securities Margin Pledge Account" opened for the purpose of margin pledge/repledge. However, SMC shall record the

securities pledged as collateral for transactions undertaken under Margin Trading facility (MTF) in the MTF books.

21. SMC collect the upfront margin as per the Margin Trading facility guidelines issued by SEBI/Exchange from time to time even if the upfront margin amount in such case is more than the margin requirement in cash market segment of clearing corporation i.e. 20% of the transaction value.
22. Investor Protection Fund (IPF) shall not be available for transactions done on the Stock Exchange, through MTF, in case of any losses suffered in connection with the MTF availed by the client.

**C. Margin Required & Eligible Securities for MTF:**

1. Securities specified under “**MTF Approved Category List**” by SMC from time to time which must be a part of ‘Group I security’ as per Exchanges /SEBI shall be eligible for margin trading facility. SMC reserves the right to include or exclude any Securities from its “MTF Approved Category List” as per the discretion of Risk Management Committee without any prior intimation.
2. SMC reserves the right to transfer any of the trades done in the normal market in the “MTF Approved Category List” to MTF trades at its discretion.
3. The client shall maintain the following initial margin, in order to avail margin trading:

<b>Category of Stock</b>	<b>Applicable Margin</b>
Group I stocks available for trading in the F & O Segment	VaR + 3 times of applicable ELM or SMC MTF VaR (whichever is higher)
Group I stocks other than F&O stocks	VaR + 5 times of applicable ELM or SMC MTF VaR (whichever is higher)

4. The Client shall maintain the Maintenance Margin with the member at all the times.
5. The Initial Margin payable by the client shall be in the form of cash, cash equivalent, or Group I Equity securities with appropriate hair cut. Where the margin is made available by way of securities, the SMC is empowered to decline its acceptance of any securities as margin and/or to accept it at such reduced value as the SMC may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as the stock broker may deem fit in its absolute discretion.
6. Applicable Margin on the securities purchased i.e. “Funded Securities” under MTF shall be computed by grossing applicable margin i.e. minimum initial margin plus maintenance margin, if any, on each security and accordingly shortage shall be computed by deducting available margin from gross margin. Collateral shares and Funded Shares shall be marked to market daily for the purpose of computing the margin/shortage of margin.

**Margin Call**

7. If the Client is intimated about the Margin shortage through any of the mutually agreed mode of communication, then the client shall make good such deficiency in the amount of margin placed with SMC. Margin call will be made if Margin available falls below 70 % of the margin required.

### **Liquidation/Squaring-off of MTF Securities/Positions by SMC**

8. MTF Securities/Position may be liquidated/squared off immediately in case of any of the following situations/conditions, without any further intimation:
- a) If the value of the Margin deposited by client with SMC to purchase stocks under MTF (Funded stocks), falls below the 60 % of the margin required.
  - b) If the shortage of the Maintenance margin (70% of Margin required) continued for 5 trading days.
  - c) If the client fails to meet the margin call and margin shortage continued for 3 trading days from the day of margin call.
  - d) Failing to authenticate OTP for MTF stock pledging, his/her MTF Pending Purchase may be squared off on T+3 day by giving message and e-mail on client's registered mobile number and e-mail ID.
  - e) In case of funded position which were categorised as Group-1 at the time of purchase moves out of Group-1 category due to transferred in T2T segment, ASM/GSM category or any other reason specified by the exchanges, SMC will liquidate such funded position not later than 20 days from the date of notification by exchange. In case of suspension, SMC will initiate liquidation of such funded position with immediate effect from the date of notice of suspension so that the position is liquidated fully before the date of such suspension respectively.

#### **D. All records Maintained by SMC for MTF:-**

- a) SMC maintain the separate client wise ledgers for funds and register of securities (collateral and funded stocks) of clients availing margin trading facility.
- b) Separate record of details of the funds used and sources of funds for the purpose of margin trading.
- c) Books of accounts, maintained by the SMC, with respect to the margin trading facility offered by it, shall be audited on a half-yearly basis and SMC 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.