

## Spark Private Wealth Management

### Margin Trading Facility (MTF) Policy

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Owner	Spark Group Compliance and Risk
Approved by	Board of Directors

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## Introduction

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 clarification on the various components of MTF (Nse: NSE/COMP/48531 & Bse: Notice no. 20210609-35).

## Objective

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 organization.

## Regulatory limits:

Maximum Allowable Exposure towards MTF:

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

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

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

Particulars		Amount
Total Network	A	Rs. 3 Crores
Total amount of borrowing for MTF	B	Rs. 1 crore
50% of Network	C=50% of A	Rs.1.5 cr. (50% of Rs. 3 crores)
Maximum exposure that can be provided	D= (B + C)	Rs 2.5 crores

## 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 the Company (Spark PWM Private Limited).

## Criteria for selection of stocks eligible for MTF Funding (Eligible 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.

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Based on 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 Mkt Cap > Rs. 1000 Cr	C	2.0%	0.5%	VAR+ELM*6 TIMES	VAR+ELM*5 TIMES
Scrip belongs to GSM/ ASM	Others	0	0	N/A	N/A

**Note:**

Based on Spark RMS's risk assessment, RMS may revise or increase the Margin and Haircut percentages beyond the levels prescribed by the exchange. Scrips are allowed for MTF based on the criteria mentioned above. However, if any scrip falls under Group 1 but does not meet the defined parameters, approval from both the Dealing Head and the RMS Head will be required before permitting the client to avail MTF funding.

**Regulatory Reporting:**

The Exchanges have prescribed three reports related to MTF which are required to be uploaded **before 6 p.m. of the following trading 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 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

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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.

	<b>Applicable Hair Cut</b>	
	<b>Scrip Group</b>	<b>Proposed Applicable Hair Cut%</b>
NIFTY-50 scrips	A	Higher of (VAR+ELM, 25%)
FO Scrips apart from NIFTY -50 scrips	B	Higher of (VAR+ELM, 33%)
Other Scrips do not fall into Penny List Mkt Cap > Rs. 1000 Cr	C	Higher of (VAR+ELM, 40%)

- **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**

Clients 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 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 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.
- If any shares move into the ASM/GSM category with 100% margin requirements, the client must clear the entire outstanding amount for such stocks within the next 5 trading days. Failing this, the RMS team will square off the position and transfer the debit to the normal ledger. As per exchange guidelines, the client must then clear the debit within 5 trading days.
- If any shares under existing MTF funding are removed from Group 1 eligibility, the client must repay the dues and outstanding amounts for such stocks within the next 30 days. If

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not complied with, the RMS team will close the position and transfer the debit to the normal ledger. As per exchange guidelines, the client must clear the debit within 5 trading days.

- **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.

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

**Stock Concentration:**

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 at the percentage value of single funded stock against the Value of Total Stocks and also the Client level exposure.
- Stock financed under Margin Trading at NSE/BSE can be sold only through Margin Trading at NSE/BSE respectively.

**Pledging of Shares:****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:**

At the time of placing an order, the client must select the MTF product. Based on the available margin and the required MTF margin, the order will be validated and placed on the respective exchanges. After market closes, the resulting positions must be updated in the Stock Pay-out.

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The delivery trades will not be automatically converted into MTF. There will be no post trade funding without consent of Head of Dealing.

### **Internal control**

- Audit Trail for margin calls
- Separate record of details of the funds used and sources of funds for the purpose of margin trading.
- Preservation of Records for minimum 8 years

### **Review and Record Maintenance**

The Policy shall be reviewed annually and presented to Board, and the Compliance Officer shall ensure compliance with the Circulars issued by SEBI and the Exchanges / Depository in this regard, from time to time.