

## Part A Right & Obligation Prescribed by NSE

### RIGHTS & OBLIGATIONS OF STOCK BROKERS & CLIENTS FOR MARGIN TRADING FACILITY

#### (MTF)

#### CLIENT RIGHTS

1. Client shall receive all communications in a mode mutually agreed between the broker and the client regarding confirmation of orders/trades, margin calls, decision to liquidate the position / security.
2. Client shall be free to take the delivery of the securities at any time by repaying the amounts that was paid by the Stock Broker to the Exchange towards securities after paying all dues.
3. Client has a right to change the securities collateral offered for Margin Trading Facility at any time so long as the securities so offered are approved for margin trading facility.
4. Client may close / terminate the Margin Trading Account at any time after paying the dues.

#### CLIENT OBLIGATIONS

1. Client shall, in writing in his own hand or in any irrefutable electronic method, agree to avail of Margin Trading Facility in accordance with the terms and conditions of Margin Trading Facility offered by the broker, method of communication for confirmation of orders/trades, margin calls and calls for liquidation of collateral/security/position.
2. Client shall inform the broker of its intent to shift the identified transaction under Margin Trading Facility within the time lines specified by the broker failing which the transaction will be treated under the normal trading facility
3. Client shall place the margin amounts as the Stock Broker may specify to the client from time to time.
4. On receipt of 'margin call', the client shall make good such deficiency in the amount of margin placed with the Stock Broker within such time as the Stock Broker may specify.
5. By agreeing to avail Margin Trading Facility with the broker, client is deemed to have authorized the broker to retain and/or pledge the securities provided as collateral or purchased under the Margin Trading Facility till the amount due in respect of the said transaction including the dues to the broker is paid in full by the client.
6. Client shall lodge protest or disagreement with any transaction done under the margin trading facility within the timelines as may be agreed between the client and broker.

#### STOCK BROKER RIGHTS

1. Stock Broker and client may agree between themselves the terms and condition including commercial terms if any before commencement of MTF.
2. Stock broker may set up its own risk management policy that will be applicable to the transactions done under the Margin Trading Facility. Stock broker may make amendments there to at any time but give effect to such policy after the amendments are duly communicated to the clients registered under the Margin Trading Facility.
3. The broker has a right to retain and/or pledge the securities provided as collateral or the securities bought by the client under the Margin Trading Facility.

4. The broker may liquidate the securities if the client fails to meet the margin call made by the broker as mutually agreed of liquidation terms but not exceeding 5 working days from the day of margin call.

### **STOCK BROKER OBLIGATIONS**

1. Stock broker shall agree with the client the terms and condition before extending Margin Trading Facility to such client. However, for clients who already have existing trading relationship and want to avail of Margin Trading Facility, stock broker may take consent in writing in his own hand or in any irrefutable electronic method after stock broker has communicated the terms and conditions of Margin Trading Facility to such existing clients.
2. The terms and conditions of Margin Trading Facility shall be identified separately, in a distinct section if given as a part of account opening agreement.
3. The mode of communication of order confirmation, margin calls or liquidation of position/security shall be as agreed between the broker and the client and shall be in writing in his own hand or in any irrefutable electronic method. Stock broker shall prescribe and communicate its margin policies on haircuts/ VAR margins subject to minimum requirements specified by SEBI and exchanges from time to time.
4. The Stock Broker shall monitor and review on a continuous basis the client's positions with regard to MTF. It is desirable that appropriate alert mechanism is set up through which clients are alerted on possible breach of margin requirements.
5. Any transaction to be considered for exposure to MTF shall be determined as per the policy of the broker provided that such determination shall happen not later than T + 1 day.
6. If the transaction is entered under margin trading account, there will not be any further confirmation that it is margin trading transaction other than contract note.
7. In case the determination happens after the issuance of contract, the broker shall issue appropriate records to communicate to 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.
8. The Stock Broker shall make a 'margin call' requiring the client to place such margin; any such call shall clearly indicate the additional/deficient margin to be made good.
9. Time period for liquidation of position/security shall be in accordance declared policy of the broker as applicable to all MTF clients consistently. However, the same should not be later than 5 working (trading) days from the day of 'margin call'. If securities are liquidated, 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.
10. The daily margin statements sent by broker to the client shall identify the margin/collateral for Margin Trading separately.
11. Margin Trading Accounts where there was no transactions for 90 days shall be settled immediately.
12. The stocks deposited as collateral with the stock broker for availing margin trading facility (Collaterals) and the stocks purchased under the margin trading facility (Funded stocks) shall be identifiable separately and there shall not be any comingling for the purpose of computing funding amount;
13. Stock Broker shall close/terminate the account of the client forthwith upon receipt of such request from the client subject to the condition that the client has paid dues under Margin Trading Facility.

## **TERMINATION OF RELATIONSHIP**

1. The margin trading arrangement between the stock broker and the client shall be terminated; if the Stock Exchange, for any reason, withdraws the margin trading facility provided to the Stock Broker or the Stock Broker surrenders the facility or the Stock Broker ceases to be a member of the stock exchange.
2. The MTF facility may be withdrawn by the broker, in the event of client committing any breach of any terms or conditions therein or at anytime after due intimation to client allowing such time to liquidate the MTF position as per the agreed liquidation terms without assigning any reason. Similarly, client may opt to terminate the margin trading facility in the event of broker committing any breach of any terms or conditions therein or for any other reason.
3. In the event of termination of this arrangement, the client shall forthwith settle the dues of the Stock Broker. The Stock Broker shall be entitled to immediately adjust the Margin Amount against the dues of the client, and the client hereby authorizes the Stock Broker to make such adjustment.
4. After such adjustment, if any further amount is due from the client to the Stock Broker, the client shall settle the same forthwith. Upon full settlement of all the dues of the client to the Stock Broker, the Stock Broker shall release the balance amount to the client.
5. If the client opts to terminate the margin trading facility, broker shall forthwith return to the client all the collaterals provided and funded securities retained on payment of all the dues by clients.

## **Part B right and obligation prescribed by BSE**

### **RIGHTS AND OBLIGATIONS RELATING TO MARGIN TRADING FACILITY PROVIDED BY STOCK BROKER/ TRADING MEMBER TO CLIENTS**

1. Stock Broker/ Trading Member is eligible to provide Margin Trading Facility (MTF) in accordance with SEBI & Exchange Guidelines as specified from time to time.
2. Stock Broker/ Trading Member desirous of extending MTF to their clients is required to obtain prior permission of BSE. Stock Broker/ Trading Member may note that BSE has the right to withdraw the permission at anytime.
3. Stock Broker/ Trading Member shall extend the MTF to the client, on such terms and conditions as specified by the Stock Exchange / SEBI from time to time. Stock Broker/ Trading Member and the client shall abide by the requirements of the margin trading framework, including rights and obligations, as prescribed by Stock Exchange/ SEBI/ Stock Broker/ Trading Member.
4. Stock Broker/ Trading Member shall intimate all the terms and conditions, including maximum allowable exposure, specific stock exposures etc., as well as the rights and obligations to the client desirous of availing MTF.
5. Stock Broker/ Trading Member may, at its sole and absolute discretion, increase the limit of initial and/or maintenance margin, from time to time. The Client shall abide by such revision, and where there is an upward revision of such margin amount, he agrees to make up the shortfall within such time as the Stock Broker/ Trading Member may permit. It may however, be noted that the initial/ maintenance margins shall never be lower than that prescribed by Stock Exchange/ SEBI.
6. Stock Broker/ Trading Member shall provide MTF only in respect of such shares, as may be permitted by Stock Exchange/ SEBI.
7. Stock Broker/ Trading Member shall liquidate the securities and other collateral, if the client fails to meet the margin call to comply with the margin requirement as specified by Stock Exchange/ SEBI/ Stock Broker/ Trading Member. In this regard, Stock Broker/ Trading Member shall also list down situations/ conditions in the which the securities may be liquidated (Stock Broker/ Trading Member to list down situations/ conditions):
8. Stock Broker/ Trading Member shall not use the funds of one client to provide MTF to another client, even if the same is authorized by the first client.
9. The stocks deposited as collateral with the Stock Broker/ Trading Member for availing margin trading facility (Collaterals) and the stocks purchased under the margin trading facility (Funded stocks) shall be identifiable separately and no comingling shall be permitted for the purpose of computing funding amount
10. 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.

The rights and obligations prescribed hereinabove shall be read in conjunction with the rights and obligations as prescribed under SEBI circular no. CIR/ MIRSD/ 16/ 2011 dated August 22, 2011.

## **Part C... The term & Condition prescribed by LISPL for Margin Trading Facility as given below.....**

1. The initial margin payable by the client to LISPL shall be in the form of cash, cash equivalent or Group 1 equity shares, with appropriate hair cut as specified in SEBI master Circular No. SEBI/HO /MRD/DP/CIR/P/2016/135 dated December 16, 2016. Such margin can be changed from time to time or may be decided by the management of LISPL. Such margin prescribed by LISPL may be higher than the quantum prescribed by regulatory provisions. The client shall pay applicable initial margin or such other margins as are considered necessary by the stock broker or as may be directed by SEBI / exchange(s) from time to time as applicable to margin trading segment in which the client trades.
2. As per SEBI circular No. CIR/MRD/DP/54/2017 dated June 13, 2017, Equity Shares that are classified as "Group I Security" by SEBI only shall be eligible for MTF. LISPL, at its discretion, may not provide funding under MTF to certain equity shares though classified to be "Group I Security" by SEBI. Equity shares shortlisted by SEBI/EXCHANGE for funding (Approved List) shall be as displayed on LISPL website **WWW.LAKSHMISHREE.COM** from time to time. In order to avail of margin facility, the minimum initial margin required to be provided by the Clients, as prescribed by SEBI/Stock Exchanges, is as under: **VaR + 3 times of applicable ELM** in case of F & O Stocks (i.e., stocks available for trading in the F&O Segment. **VaR + 5 times of applicable ELM** in case of stocks other than F & O Stocks. VaR and ELM shall mean VaR and ELM as applicable to respective stocks in the cash segment.
3. Leverage & exposure: LISPL shall provide exposure to client based on exposure limit as prescribed by SEBI/exchange(s) from time to time. However based on market conditions and the risk perception about the market, LISPL may set the exposure limit on the basis of available collaterals which may comprise of ledger balance and stocks (after suitable margin haircut). In case overall position in particular scrip or across all scrip has reached the particular limit, then client may not be allowed to take further position. Collateral provided by client towards margin shall be free from any lien and be totally unencumbered.
4. Initial margin, increased margin, margin shortage, margin calls, maximum allowable exposure, maximum stock specific exposure, trade confirmation, square off intimation and such other information in relation to MTF shall be communicated electronically through one or many or all of the following modes, viz email, SMS & telephone calls.
5. The margin requirement of client may be changed due to but not limited to, the following Factors -, market volatility, risk management policy of LISPL. LISPL will communicate / advise the parameters for the calculation of the margin / collateral requirement as rate(s)/Percentage(s) of the haircut and/or as VAR / ELM requirement through any one or more means or methods such as by messaging on the computer screen of the client's computer by informing the client through employees / agents of LISPL, by publishing /displaying it on the website of LISPL/ making it available as a download from the website of LISPL; or any other suitable or applicable mode or manner. The client shall monitor his /her / its position (including valuation of collaterals) on his / her / its own and provide the require / deficit margin / collateral as required from time to time whether or not any margin call or such other separate communication to that effect is sent by LISPL To the client and / or whether or not such communication is received by the client to avoid any liquidation.
6. The client agrees that LISPL shall not be responsible for variation, reduction or imposition or the client's inability to create any position through LISPL's trading system on account of any such variation, reduction or imposition of limits. The client further agrees that LISPL may at anytime, at its sole discretion and without prior notice prohibit or restrict the client's ability to create position in securities through LISPL or it may liquidate the position/sell shares or subject any position by the client to a review before its creation and may refuse to create position due to the reason of lack of margin/collateral market perception and any other such reasons which LISPL may deem appropriate in the circumstances. The client agrees that the financial charges and losses, if any on account of such refusal, liquidation or due to delay caused by such review under MTF or otherwise, shall be borne exclusively by the client alone.
7. In addition to powers granted by way of power of attorney of executed at the time of account opening, the client hereby authorize LISPL to transfer or pledge the stock held in the demat account with LISPL. LISPL has a right to lien and / or pledge the securities / collaterals and its corporate benefits, if any, lying in demat account of client, or the securities bought by the client under the margin trading facility and shall continue to hold / pledge till the amount due in respect of the said transaction including the dues to LISPL is paid in full by the client.
8. Margin requirement on shares purchased under MTF shall be computed by grossing applicable margin i.e., minimum initial margin plus increased margin, if any, on each stock and shortage computed accordingly by deducting available margin from gross margin. Collateral shares and shares purchased under MTF (Funded Shares) shall be marked to market daily for the purpose of computing the margin/shortage of margin.
9. Applicable minimum initial margin and increased margin, if any, shall be kept supplied at all times by the clients in respect of the stocks purchased under the MTF. Client shall pay any shortage in the required margin immediately on receiving demand (margin call) and in any case not later than 09.30 A.M on the trade day following the day of making the margin call (prescribed time) failing which LISPL shall be at liberty to liquidate the funded shares and/or collateral shares to recover the dues outstanding in the account of the clients. In case of extreme volatility in the market, LISPL may demand payment of margin forthwith and prescribed time for making margin payment shall be construed accordingly. Decision of LISPL in relation to market volatility shall be final and binding without LISPL having to provide any reason for the decision to the Client.
10. If required margin is not provided within the prescribed time, client shall be treated as Client in margin default. LISPL shall not be obliged to notify the Client in margin default of the liquidation of shares, ahead of liquidation. LISPL shall be obliged to liquidate shares proportionate to the shortage in margin.
11. Client in margin default shall continue to be in margin default, until the required margin is furnished in full to eliminate the shortage. Partial payment of margin or a change in the required margin shall not extend the time stipulated for making margin payment which will run from the time of making margin call to the Client.
12. In case margin is reduced by an amount equal to applicable ELM component of the total margin due to market volatility within a trading day (i.e. available margin becomes equal to or less than applicable VAR margin), LISPL reserves the right to liquidate the collaterals and/or funded shares forthwith without prior notice to the Client.
13. MTF Clients purchasing shares not specified in LISPL Approved List of Group 1 securities shall be required to 100% margin upfront for such purchases.

14. If any shares are delisted from Group 1 Approved List, Client shall be required to make payment of full purchase consideration against such shares on receiving margin call within the prescribed time, failing which LISPL shall be at liberty sell such shares without further notice to the Client.
15. If a Client is debarred by orders of lawful authority from trading in the securities market, LISPL shall liquidate collateral and funded shares of the Client to recover its dues to the full extent forthwith.
16. In case of death of a Client, LISPL shall be entitled to liquidate the collateral and funded shares under MTF and recover the unpaid outstanding due.
17. Any loss arising from liquidation of the shares shall be charged to the account of Client. Client shall forthwith pay LISPL any unpaid dues outstanding in the account after liquidation of the shares.
18. LISPL reserves the right to withdraw MTF with respect to any Client without assigning any reason after giving a reasonable notice to the Client in which case dues if any outstanding in the account of the Client shall become payable immediately. Failure to make payment of the outstanding dues shall result in liquidation of collateral and/or funded shares held in Client's account.
19. Client may terminate the MTF account after paying all dues in the MTF account.
20. The stocks deposited as margin collateral and funded stock shall be identifiable separately and no compiling shall be permitted for the purpose of computing funding amount.
21. LISPL may at its option allow Client to buy further shares under MTF on the basis of increase in the value of collateral shares, subject to applicable hair cut. Further purchase shall not be permitted on the basis of increase in the market value of funded shares.
22. 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.
23. LISPL shall restrict the maximum gross exposure as well as individual stock-wise exposure of a client under the MTF at any point in time according to its internal policies and market views without assigning any reasons to the client. Furnishing applicable margin shall not by itself entitle the Client to seek exposure beyond the limit restricted by LISPL.
24. Admitting Clients for MTF shall be at the discretion of the Stock Broker/Trading Member. Clients request for admission to MTF may be disallowed without assigning any reason.
25. By agreeing to avail of MTF, the Client shall be deemed to have authorized LISPL to retain and/or pledge the shares purchased under MTF (funded shares) and collateral shares provided as margin till the amount due in respect of the purchase and all other dues are paid in full by the Client.
26. LISPL shall maintain separate ledgers for funds and securities of the client availing of MTF.
27. Client agree to pay interest at the rate of 24 % p.a (plus taxes, if any applicable) on debit arising out of the exposure availed by the client (i.e the amount finance by LISPL), compounded monthly any charges as mutually agreed from time to time.
28. Until full payment of the outstanding dues in the MTF A/c is made by the client, collateral shares and funded shares, as far as may be required, shall be retained in the DEMAT A/c of LISPL, separately identified as collateral shares and funded shares.
29. Daily margin statement sent to the MTF Clients shall identify margin/collateral for MTF transaction separately.
30. Margin Trading Account where there is no transaction for 90 days and no dues outstanding from the client shall be settled immediately.
31. In case Client does not opt for MTF, all dues on account of purchase of shares, accrued /accruing, shall be payable immediately/on or after T+7 failing which LISPL shall sell the shares to liquidate /reduce the dues and remaining unpaid dues, if any, shall become payable forthwith.
32. Any disputes arising between the client and LISPL in connection with the margin trading facility or anything incidental or ancillary therewith, the client shall raise/report the same to LISPL not later than within 24 hours of receipt of contract note for the disputed transaction, shall have the same treatment as normal trades and will be covered under the investor grievance redressal, mechanism, arbitration mechanism of the stock exchange.