

MARGIN COLLECTION POLICY

1. Regulatory Objective & Scope

The objective of this policy is to ensure absolute compliance with SEBI and Exchange mandates regarding the upfront collection of margins from clients before order execution. This policy is framed to eliminate credit risk, prevent unauthorized leverage, and establish a uniform framework across Cash (Equity), Equity Derivatives (F&O), Currency Derivatives, and Commodity Derivatives segments [2.1]. [6, 7, 8, 9, 10]

- **Regulatory Backbone:** Complies with SEBI Master Circulars on Margin Requirements, SEBI Peak Margin Framework, and relevant NSE/BSE Clearing Corporation circulars [2.1]. [11, 12, 13]
-

2. Upfront & Peak Margin Requirements

The firm will not accept any order unless the client has deposited sufficient upfront margin under the following segment guidelines:

2.1 Capital Market Segment

- **Upfront Collection:** The client must maintain a 100% upfront margin equivalent to the **Value at Risk (VaR) + Extreme Loss Margin (ELM)** or **Minimum Margin of 20%** of the trade value, whichever is higher, before executing any buy or sell order. [14, 15, 16, 17, 18]
- **Intraday Leverage (MIS/CO/BO):** No internal leverage or clean multipliers are permitted for intraday cash trading. Limits are strictly capped by the upfront funds available, adhering to SEBI's **100% Peak Margin collection rule**. [19, 20, 21, 22]

2.2 Derivatives Segments

- **Mandatory Margins:** Orders are blocked at the server level unless the client account holds 100% upfront **SPAN Margin + Exposure Margin** [2.1]. [23]
-

3. Acceptable Modes of Margin & Haircut Rules [28]

Margins can only be collected via officially recognized, non-anonymous financial channels:

3.1 Cash and Electronic Funds

- Funds must originate from the client's registered bank account mapped under their Unique Client Code (UCC).
- Funds cleared via net banking, UPI, or verified NEFT/RTGS are given instant margin credit. Sale proceeds from previous sessions (T-day) can be considered for margin credit as per exchange allocation files. [29, 30, 31, 32, 33]

3.2 Non-Cash Collateral (Margin Pledge Mechanism) [34, 35]

- Clients can pledge approved securities from their demat account using the **Demat Debit and Pledge Instruction (DDPI)** or physical OTP-based client pledge link.
- **Haircut Application:** All pledged securities are subject to a mandatory percentage deduction (haircut) based on the NCL daily SEC_PLEDGE files.

4. Intra-Day Peak Margin Monitoring [42]

The Clearing Corporation captures random **Peak Margin snapshots (4 times a day)** during market hours to verify compliance. [43, 44, 45, 46, 47]

- If a client adds a new position between snapshots without adding equivalent funds, the RMS system will flag a peak margin shortfall.
- The broker is legally restricted from altering ledger balances retroactively or routing proprietary funds to fill a client's intraday snapshot shortfall. [48]

5. Daily Margin Reporting & Penalty Attribution [49]

Every evening, the compliance desk processes the EOD files to report collected margins to the NSE and BSE portals.

5.1 Short-Margin Penalties [50]

If a client fails to maintain sufficient margins at the end of the day or at any peak snapshot window, SEBI/Exchange levies a graded penalty on the shortfall amount: [51, 52, 53]

Shortfall Amount Criteria [54, 55, 56]	Penalty Percentage (Per Day)
Shortfall < ₹1 Lakh and < 10% of applicable margin	0.5% of the shortfall amount
Shortfall ≥ ₹1 Lakh or ≥ 10% of applicable margin	1.0% of the shortfall amount

5.2 Pass-Through Penalty Clause

- **Client-Driven Shortfall:** If the shortfall is caused by market volatility, a late check clearance, or a client's failure to add funds despite a Margin Call, the exchange-levied penalty will be debited directly from the **client's trading ledger**.
 - **Broker Error:** If the shortfall is due to an RMS system glitch, faulty configuration, or a failure to timely report a client's genuine pledge allocation, the firm will absorb the penalty.
-

6. Liquidation & Margin Call Workflow (T+1 Rule)

To insulate the brokerage against client defaults, the RMS team enforces an absolute liquidation window:

1. **EOD Shortfall Flag:** If an EOD or peak shortfall is detected, a **Margin Call Notification** is instantly issued to the client.
 2. **The T+1 Cutoff Time:** The client must bring in clear funds or clear the debit balance by **9:30 AM on T+1 day**.
 3. **Compulsory Liquidation:** If the shortfall is not resolved by the cutoff time, call will be made to the client to square off open derivative lots in the open market to restore the margin pool.
-

7. Document Archival & Audit Control

- **Log Retention:** Daily margin status logs, client pledge files, snapshot records, and text/email alerts must be retained in an unalterable digital server for a minimum of **8 years**.
 - **Board Oversight:** A quarterly summary of total margin shortfalls, exchange penalties paid, and positions liquidated must be presented to the Proprietor and the internal compliance committee.
-

