**Equity Cash Margin Reporting & Margin Pledge-Regulatory Changes**

As per circular from SEBI dated 19th Nov, 19, regulator has come up with multiple changes which will impact the margin requirement for trading in equity segment. Effective from 1st September 2020, this regulatory update will impact the margin requirement for trading in equity segment.

The main implications of these regulatory changes are on:

1. Upfront Margin is required in **“Advance of Trade”**

2. Margin is applicable on “**Buy and Sell”** transactions of Equity segment

3. Margin requirement and margin release on sell proceeds

 4. Limits availability on the basis of “**pledge stocks”** only

5. Cross segment margin is not allowed i.e. after selling options trading in equity, future segment, option writing is not allowed. After selling equity trades in derivative segments are not allowed.

6. Booked intraday profit is not allowed for further trading in any segment.

7. Funds payout will be released after fulfillment of other / additional margin requirement of equity and commodity segment which is payable on T+2

**BOD Margin Available for Trading**

Current Process – Adjusted Ledger Balance + After Haircut Value of all Stocks

Revised Process – Adjusted Ledger Balance + after Haircut Value of “**Pledge Stocks**” – Exchange margin of unsettled sell transaction/ credit bills

**Margin on Buying Equity shares**

Current Process – As per ISL approved Haircut percentage in each scrip

Revised Process – No Change

**Margin on Selling Equity Shares**

Current Process – Margin on sell of holding is not required

Revised Process – Require 20 % Margin + Adhoc margin in lieu of VaR + ELM + adhoc margin

\* ISL shall do early pyain of stocks available in client DP and margin pledge stocks so at EOD margin is not applicable on sell transaction. On selling of all other stocks sell margin is applicable.

\*Sell Margin is applicable on sell of all corporate action holding as payin will be executed on T+2 settlement.

Refer below table for better understanding of entire process of early payin cases, available BOD margin on the basis of stocks, margin required and release on sell of holding.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Stock Categorization** | **Early payin** | **BOD Margin Available for Trading** | **Sell Margin Require** | **Release Margin on Sell** |
| Non Marginable stocks  | YES | NO | NO | YES |
| Crystallized holding  | YES | YES | NO | YES |
| Un-crystallized holding  | NO | YES | YES | NO |
| Non Marginable Corporate actions shares  | NO | NO | YES | NO |
| Un-crystallized Corporate action shares  | NO | YES | YES | NO |

**Non Marginable Holding** - Free quantity Available in client demat account, Stock Receivable from exchange (T-2), Quantity available in ISL Pool account, Unpaid Quantity

**Crystallized Holding** - Margin Pledge Quantity, NBFC Pledge Quantity

**Un-crystallized Holding** - Stock Receivable from exchange (T-1), Margin Repledge Quantity, BMFD Funded and Earmarked Quantity

**Process for pledging of shares**

* Client / RM / FAN can initiate margin pledge request only for free stock available in client Demat account from latest TT exe version and TT web.
* Once client / RM / FAN initiate margin pledge, ISL will upload requested pledge in depository module.
* After data is uploaded by ISL in depository module, CDSL will send Email link and SMS to client on registered email / mobile with TPIN / OTP to authenticate the pledge
* Once client authenticate the pledge, CDSL / NSDL will pledge the stock as margin
* Client needs to authenticate the pledge with in validity time of OTP / TPIN
* Pledge authenticated by client and accepted by CDSL / NSDL before 4.00 pm will be accepted as margin on next trading session.
* Margin benefit for trading will be available from the next the trading session of the successful pledge.
* After giving request for pledge it will take 3-4 hours time to get the OTP and link from depositories.
* On sell of pledge stock ISL back office will release the pledge for payin. Client / RM doesn’t require to give unpledge request for payin of shares.
* Existing collateral system of derivative segment is replaced by margin repledge module. Client / RM needs to give margin repledge request to ISL back office team.

**Most Important points in pledge process**

Client / RM/ FAN needs to initiate margin pledge request for stocks which are received from exchange in payout and client needs to authenticate for pledge else these stocks will not be considered as margin on next trading session and may result in margin shortfall.

Ensure client e-mail id and mobile number is correctly registered with depositories to get the OTP and link from depositaries.

After accessing the link, validity of OTP / TPIN is for 15 minutes only. Client needs to authenticate transaction within 15 minutes time else transaction will be failed and client needs to reinitiate Pledge.

**Pledge process for BMFD clients**

Initially stock needs to pledge by clients under margin pledge module. Once client takes the funding, ISL will release the margin pledge and initiate the BMFD earmarked pledge. For BMFD earmarked pledge client needs to re-authenticate the pledge on the same day.

For funded stocks, on T+2 ISL will initiate BMFD funded pledge stocks and client needs to authenticate the pledge on the same day.

**Note : if any changes in margin pattern  the same shall be updated from time to time on the website.**

**Incase of failure in authentication by clients for BMFD Earmarked and funded pledge on the same day of pledge initiation then ISL shall reverse the funding granted under BMFD facility and same need to recover in T+5 settlement**.