MARWADI
FINANCIAL SERVICES

FAQs

Peak Margin Requirements

Understanding Peak Margin Requirements:

Reference: SEBI Circular dated **July 20, 2020,** bearing circular number SEBI/HO/MRD2/DCAP/CIR/P/2020/**127** call it as "The Peak Margin Circular".

Important Points in the circular

1. Upfront Sufficient Margin is Mandatorily required for all segments viz, Equity Cash Market, Equity Derivatives Market, Currency Derivatives Market, and Commodity Derivatives Market.
2. Uniform Systems of Margin Collection, Monitoring, and Reporting are implemented across all segments.
3. A framework to be implemented from **December 01, 2020.**
4. Exchange (more specifically, the Clearing Corporation), will provide a minimum of 4 snapshots or client-wise margin requirements. Snapshots are taken at random times within a time window.
5. Derive a Peak Margin as the Highest margin in a segment given in all snapshots by the exchange.
6. Reporting needs to be done for higher EOD Margin or Peak Margin.
7. Phase wise adoption:
    a. Phase 1: for the first 3 months, 25% of Peak Margin or actual EOD Margin, whichever is higher, needs to be reported.
    b. Phase 2: for the next 3 months, 50% of Peak Margin or actual EOD Margin, whichever is higher, needs to be reported.
    c. Phase 3: for the next 3 months, 75% of Peak Margin or actual EOD Margin, whichever is higher, needs to be reported.
    d. Phase 4: thereafter 100% of Peak Margin or actual EOD Margin, whichever is higher, needs to be reported.

FAQ:

1. What is this system?
   Exchange tracks client wise position of all of its members to derive at overall margin requirement of each member. The exchange will randomly take a snapshot file of such client wise margin requirement at a given point in time. This file is then distributed to all members. This process is carried out a minimum of 4 times a day. At end of the day, a client-wise requirement file is provided where the requirement would be highest of all files provided during that day.

2. How much margin is charged in these files?
   Peak Margin is charged as flat 20% on cash market trade value of the first leg of open position on that point in time. For derivatives, it will be SPAN + Exposure + Premium + Delivery Margin for the open positions at that point in time, if any.

Example of Peak Margin and Reporting

Suppose a client is having a margin of 95lac and takes position during the day in all segments as:

Snap Shots	CM	FO	CD	CO	Total	Report in
1st	80	10	2	4	96	CM
2nd	5	82	0	5	92	CO
3rd	0	90	4	0	94	FO, CD
4th	20	75	0	2	97	NA
Peak Margin	80	90	4	5		

The reporting and shortfall for such client will be as:

Reporting	CM	FO	CD	CO	Total	Shortfall
CM Segment	78	10	2	4	95	2
FO Segment	0	90	4	0	94	0
CD Segment	0	90	4	0	94	0
CO Segment	5	82	0	5	92	0

3. Till when is this peak margin charged?
   The Peak Margin is charged till the time the trade gets settled. That is to say,
   a. For Delivery Buying Transactions, On T-Day, T+1 Day, and T+2 Day.
   b. For Delivery Selling Transactions, On T-Day only, if early pay-in is done on T-Day (usually done in time, but if due to any reason, early pay-in is not executed, the client needs to pay required margin).
   c. For Intraday Transactions, Till the end of the T-Day

4. Can a client trade intraday without margin?
   No, the client may trade in Intraday up to the margin in his account, already available. Margin paid at end of the day or only on open positions may not suffice to avoid penalty on short margin.

5. Can a client buy delivery?
   Yes, the client may buy a delivery but have to pay an amount equivalent to the margin requirement on an upfront basis.

6. Can a client sell delivery from POA?
   Yes, the client may sell the delivery lying in POA, but the client will not be able to buy back the securities once sold in the market, on that particular day of trading, unless otherwise, the client has a separate margin equivalent to Margin Value of Buy Transaction of stock sold from POA.

7. Will the clients get a limit on POA Stock sold?
   Yes, as of now, the clients will get a limit by default equivalent to the value of stock sold from DP POA as reduced by VaR/ELM or 20% whichever is higher. Owing to further clarity from regulators, we may require to discontinue this facility. We will separately announce such a change.

8. Can a client sell delivery from Margin Pledge stock and CUSA Stock?

   Yes, the clients can sell the stock which is Margin Pledged or lying in CUSA, but the client will not be able to buy back the securities once sold in the market, on that particular day of trading, unless otherwise, the client has a separate margin equivalent to Margin Value of Buy Transaction of stock sold.

9. Will the clients get a limit on Margin Pledge / CUSA stock sold?

   Yes, the clients will get the limit on stock sold lying in Margin Pledge / CUSA. Such limit will be across all segments in all exchanges, as reduced by VaR ELM of the stock sold.

10. Can a client sell delivery in BTST?

    For BTST, there is no change in the system. It is exactly, what we are currently doing.

11. Can a client sell a stock and give a pay-in-slip?

    The client may sell a stock and give pay-in-slip, but have to pay an amount equivalent to margin requirement on an upfront basis.

12. Can a client trade in FO?

    The client may trade in FO but have to maintain a sufficient margin so as to suffice margin requirement at all times during the day.

13. Are there any changes in ODIN for order placing?

    No, as of now, there are no changes in the working of ODIN.

14. Are there any changes in the Penalty structure?

No, the penalty structure will be similar for Peak Margin. From here on, we will not able to pass the penalty (Peak margin penalty and EOD Margin Penalty) client unless we can establish the fault of the client for non-submission of margins. That is to say, we can only change the penalty to clients in case of Cheque bounce, or overnight increase of Margins and non-submission from clients. For all other cases, the penalty needs to be borne by us. Penalties for the clients will be passed to their respective Branches and AP.