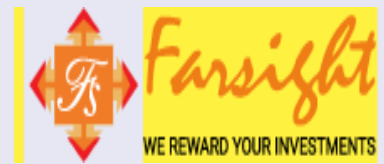


◀ FARSIGHT SECURITIES LTD.

FAQs on Pledge Mechanism

September 3, 2020





Question 1:

- ◀ I am a TCM in Capital Market segment and TM in F&O segment, so how many “Client Securities Margin Pledge Account” accounts should I maintain?
- ◀ I am a TM SCM with one exchange and only a TM for another Exchange. How many “Client Securities Margin Pledge Account” should I maintain?
- ◀ *Answer - Only one account is required to be opened*
- ◀ If I have one account, can I release the shares pledged with CM (as a TM) and give it to another Exchange (As a CM) or vice versa?
- ◀ *Answer - Yes*
- ◀ In case of multiple accounts how do I move the securities from one Exchange to another Exchange?
- ◀ *Answer - By releasing the pledge where it is currently pledged and re-pledging in favor of respective Clearing Corporation/Exchange*



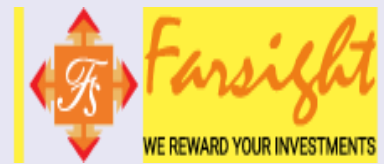
Question 2

- ◀ The current POA given by the client bestows an authority upon me to transfer the securities from clients BO account to my BO accounts for margin / pay-in obligations. Can the same POA be extended by way of an addendum to bestow powers upon me to mark a pledge/re-pledge of securities?
- ◀ *Answer:*
- ◀ *Yes. Addendum can be sent to clients removing the clause containing 'transfer of shares for margin' and 'transfer of shares to client collateral account' and including 'pledge/re-pledge of securities' for margin purpose.*



Question 3

- ◀ I am a TM and do not do any proprietary trading, but have own shares which I want to pledge with CM.
- ◀ Can I pledge these shares directly with my CM or I have to route it through re-pledge mechanism by pledging it to my “Client Securities Margin Pledge Account”?
- ◀ *The shares can be directly pledged with CM*
- ◀ How can these shares meet my working capital requirement?
- ◀ *The total value of your shares will be considered for your overall exposure as TM.*



Question 3 continued

- ◀ In case of abrupt movement in markets can my shares be treated as a margin with CM even though I do not have any proprietary trading?
- ◀ *Yes. Your shares will be treated as margin with CM even though you do not have proprietary trading.*
- ◀ Will I get the benefit of not having any position if there is a default on the part of one of my client like it accrues to other clients?
- ◀ *No*



Question 4

- ◀ I have pledged some shares towards my Base Capital requirement.
- ◀ Does the current pledge / re-pledge system also affect the Base Capital and Additional Base Capital requirements?
- ◀ *No*



Question 5

- ◀ Whether Members are required to have multiple pool accounts for each Exchange both with CDSL and NSDL.
- ◀ *Yes. Members are required to open multiple pool accounts for each Exchange with both the depositories.*
- ◀ Will members be required to open “Client Securities Margin Pledge Account” separately for each exchange?
- ◀ *No. A single account per depository can be opened.*

Question 5 continued

- ◀ Will members be required to open “Client Securities Margin Pledge Account” with both depositories or inter DP pledge / re-pledge system is being implemented?
- ◀ *One “Client Securities Margin Pledge Account” in each depository is required to be opened*



Question 6

- ◀ As per the recent circular dated July 20, 2020 verification of peak margin collection is being implemented in a phased manner.
- ◀ Will the penalty for margin collection and reporting for Capital Market Segment be clubbed with that or will it be applicable from August 1, 2020?
- ◀ *Answer:*
- ◀ *It will be applicable from September 1, 2020*

Question 7

- ◀ A client's shares are pledged with TM and the same are re-pledged with NCL.
- ◀ The client sells these shares.
- ◀ Can we get the re-pledge released and invoke the pledge for making pay-in or we have to release the pledge to free clients securities and then transfer them to Pool account for pay-in?
- ◀ *A Broker is required to release the pledge and use the POA for transferring the shares for pay-in/early-pay-in. Pledge invocation is a remedy only to be used in case of default and not as a routine mechanism.*

Question 8



- ◀ In case where a client has not paid full amount against his purchase and the shares are in “CUSA” account and pursuant debit is already posted in the ledger. The value of debit is less than the value of securities after the haircut.
- ◀ In this situation can the excess value of securities be considered as a margin as the debit is already affected in the clients ledger?
- ◀ Value of securities in CUSA cannot be considered as margin

Question 9

- ◀ Client has sold share worth Rs 5 lakh in T2T and gave the delivery. Can he buy shares against this same day. If yes for how much.
- ◀ *Yes he can buy shares again this on the same day, provided the EPI has been accepted by CC. Full value of sell proceeds can be considered as available margin for further transactions. The value of exposure will depend on the type of stocks and margin applicable to it. However, in case EPI is not successfully done on T day, then non collection of upfront margin penalty will have to be borne the member.*



Question 10

- ◀ If a client has ledger debit of 1 Lac. And he trades today for Rs. 2 Lacs. How much upfront margin is required to be collected. Rs. 1.4 Lacs or Rs. 40,000/-.
- ◀ *No exposure can be given to clients unless the debit in the ledger is cleared and upfront margin is collected. Hence in this case, Rs. 1.40 lacs are required to be collected from client.*

Question 11



- ◀ Is intraday trading allowed from 1st September.?
- ◀ ***Yes. Upfront Margin will be applicable on the first leg.***

Question 12

- ◀ If a client buys shares worth Rs. 1 lac on 01/09, pays Rs. 20,000/- beforehand towards margin, on 02/09 he again wants to purchase shares worth Rs. 1 lac by paying Margin of Rs. 20,000/- , Should he be allowed to trade on 02/09? as his ledger will have debit balance.?
- ◀ *Yes it can be allowed. In case of T day billing, while arriving at the margin collection, the Exchanges exclude the open positions (debit or credit).*

Question 13



- ◀ Addendum for execution of margin pledge, to be taken on Stamp paper?
- ◀ *Addendum for execution of margin pledge not required to be taken on Stamp paper.*

Question 14



- ◀ Whether, Brokers doing only prop trading can pledge shares of directors in TM/CM PA account?
- ◀ Yes



*Thank
you*

