

Margin Trading Facility (MTF) Policy

SAMCO SECURITIES LIMITED

Samco Securities Limited ("Samco") offers a Margin Trading Facility (MTF) to its clients, enabling them to leverage their investments in approved securities. This policy outlines the risk management framework, compliance requirements, and operational procedures governing MTF, ensuring adherence to regulatory standards and the safeguarding of client interests.

Regulatory Framework

This policy is formulated in accordance with the Securities and Exchange Board of India (SEBI) guidelines, particularly SEBI circular CIR/MRD/DP/54/2017 dated June 13, 2017, and subsequent amendments. Samco ensures compliance with all SEBI regulations and circulars pertaining to MTF.

Client Requirements:

- Must have an active trading and demat account with Samco.
- Must execute the MTF agreement and provide necessary consents as per SEBI guidelines.

Margin Requirements

Initial Margin:

- Clients are required to maintain an initial margin as prescribed by SEBI and Samco's internal policies.
- The margin percentage varies based on the security's risk profile and may be updated periodically.

Maintenance Margin:

- Clients must ensure that the margin does not fall below the required level due to market volatility.
- In case of a shortfall, clients are obligated to replenish the margin within the stipulated time frame to avoid liquidation of positions.

Mark-to-Market (MTM):

- Positions are marked-to-market daily.
- Any MTM losses leading to margin shortfall must be covered by the client promptly.

Exposure Limits

- Total Indebtedness of Stock Broker under MTF: Not to exceed 5 times of net worth.
- Maximum Allowable Exposure under MTF: Not to exceed the borrowed funds + 50% of net worth.
- Maximum Exposure to Single Client: Not to exceed 10% of maximum allowable exposure under MTF.

Securities Eligible for Margin Trading

Only securities specified by SEBI and exchanges are eligible under MTF. Samco provides a list of over 800 MTF eligible stocks, which is subject to periodic review based on market conditions and internal risk assessments.

Category of Stock	Initial Margin Applicable	Form of Margin Acceptance
Group I stocks available for trading in the F&O Segment	VaR + 3 times applicable ELM*	In the form of Cash and/or Group-I Equity Securities, available in F&O, with an appropriate haircut.
Group I stocks other than F&O stocks and units of Equity ETFs	VaR + 5 times applicable ELM*	In the form of Cash and/or Group-I Equity Securities, available in F&O, with an appropriate haircut.

Securities forming part of "Group I Securities" as per SEBI Master Circular No. SEBI/ HO/ MRD/ DP/ CIR/ P/ 2016/ 135 dated December 16, 2016, shall be eligible for MTF. Samco reserves the right to include or exclude securities from the "MTF Approved Category List" at its discretion without prior intimation.

The Initial Margin payable by the client shall be in the form of Cash and/or Group I Equity Securities, available in F&O, with an appropriate haircut. Samco may apply additional haircuts at its discretion.

Margin on "Funded Securities" under MTF is computed by grossing applicable margins and checking against available margins. Collateral and funded shares are marked to market daily.

Clients must maintain required margins at all times. If there is a margin shortfall, Samco will issue a margin call. If not met at the earliest, Samco may liquidate the securities and/or close the position.

Exclusions

- Securities under surveillance measures like ASM, GSM, or those categorized as illiquid may be excluded.
- Samco reserves the right to modify the list of eligible securities without prior notice.

Scrip Classification

Market Capitalisation: Stocks with a higher market capitalization (large-cap stocks) are generally preferred for margin trading as they tend to have more stable price movements compared to Mid cap & Small-cap stocks. Large-cap stocks are usually considered less risky and more liquid.

Stock Price Range: Scrips with a moderate price range are often preferred for margin trading. Stocks that are too low-priced (penny stocks) may have low liquidity or be more volatile, while extremely high-priced stocks may not be attractive to many traders because of the large capital required.

Historical Performance: The historical performance of a stock in terms of price stability and profitability is another important factor. Stocks with a consistent performance track record are more likely to be included in MTF lists.

Sector and Industry Performance: Stocks belonging to sectors or industries that are currently performing well are likely to be included in margin trading. For example, if the technology sector is booming, stocks within this sector may be more likely to qualify for MTF.

Company Fundamentals: A company's financial health, including profitability, revenue growth, debt levels, and management quality, impacts its eligibility for margin trading. Stocks of companies with strong fundamentals are generally preferred.

Risk Management and Margin Requirements: The broker's risk management policies and the margin requirements set for each stock influence the classification of scrips. Brokers typically set higher margin requirements for stocks that are more volatile or have lower liquidity to manage the potential risk.

Price-to-Earnings (P/E) Ratio: Stocks with a reasonable P/E ratio (not too high or too low) may be considered more stable for margin trading. Extreme ratios may signal overvaluation or undervaluation, leading to higher risks.

Corporate Actions: Events like mergers, acquisitions, stock splits, or bonus issues can influence a stock's eligibility for margin trading. Stocks undergoing such actions may have heightened risks, and brokers will evaluate whether to offer margin trading on such stocks.

Leverage and Exposure Limits

Leverage Provision:

Samco offers up to 5X leverage on eligible securities, subject to regulatory limits and internal risk assessments.

Exposure Monitoring:

- Client-wise exposure is monitored in real-time.
- Samco may adjust or restrict exposure limits based on market volatility, client profile, and overall risk considerations.

Interest and Charges

An interest of 0.05% per day is charged on the outstanding borrowed capital for each day the amount remains unpaid (This rate may vary based on market conditions with prior notice). Standard brokerage and statutory charges apply as per Samco's prevailing tariff structure.

At Samco, the exact MTF rate may differ by client. Interest is calculated as follows: if you have an MTM profit, interest is charged on the full funding amount; if you have an MTM loss, the loss amount is debited and interest is charged on Funding Amount – MTM loss. For example, if stock value is ₹1,00,000 and Samco funds ₹60,000: with an MTM profit of ₹10,000, interest is charged on ₹60,000 and the daily interest at 0.05% = ₹30; with an MTM loss of ₹10,000, the loss of ₹10,000 is debited and

interest is charged on ₹60,000 – ₹10,000 = ₹50,000, so the daily interest at 0.05% = ₹25. Interest and any debited MTM losses are billed to your ledger until the outstanding amount is cleared.

Collateral and Pledging

Pledging of Securities:

- Securities purchased under MTF are required to be pledged in favor of Samco.
- Clients do not need to pledge MTF positions manually, as they will be auto-pledged. However, pledge and unpledge charges will apply.

Unpledging and Selling:

- Clients can sell MTF securities without the need to unpledge them manually.
- Upon selling, the proceeds are adjusted against the outstanding debit, and any surplus is credited to the client's account.

Risk Management and Monitoring

Samco employs advanced RMS tools to monitor client positions and margin requirements on a real-time basis.

Corporate actions such as dividends, stock splits, bonus issues, mergers, and rights issues will impact the valuation and margin requirements of securities under MTF. In the case of corporate actions, MTF positions will be converted to CNC/Delivery, and clients must ensure sufficient margin availability to accommodate these adjustments.

In the event of a margin shortfall, clients will be notified via email to replenish the deficient margin within a stipulated period. If the margin is not restored within the given timeframe, Samco reserves the right to initiate the liquidation of client positions to cover the shortfall. The square-off process is categorized into two types: risk-based square-off and margin shortfall square-off.

Risk-based square-off is executed when market volatility, illiquidity, or adverse news increases the risk associated with a position, irrespective of margin availability.

Margin shortfall square-off occurs when a client's available margin falls below the required level and is not rectified within the prescribed time.

For example, if a client purchases shares worth ₹1,00,000 under MTF with an initial margin requirement of ₹25,000 (25%) and the stock value drops, raising the margin requirement to ₹30,000, a shortfall of ₹5,000 arises. If the client fails to provide this additional margin within the stipulated period after a margin call, Samco will liquidate a portion of the securities to cover the deficit. The key difference between the two square-off scenarios is that risk-based square-off is initiated due to external risk factors impacting a position, regardless of the

margin status, while margin shortfall square-off is specifically triggered by the client's failure to maintain the required margin.

In the event of margin shortfall or breach of exposure limits, Samco reserves the right to square off positions without prior notice to the client.

While Samco endeavors to notify clients of margin shortfalls via SMS, email, or platform notifications, it is the client's responsibility to monitor their positions and margins.

Dormant Account & Inactivity Clause

In accordance with SEBI and Exchange guidelines on account inactivity, any trading account that remains inactive for a continuous period of 725 calendar days is classified as dormant. However, in cases where a client continues to hold an open Margin Trading Facility (MTF) position during such inactivity, Samco reserves the right to safeguard its financial exposure and mitigate operational risks.

Accordingly:

- If a client's trading account becomes inactive or dormant while maintaining an open MTF position, Samco Securities Limited shall have the right to temporarily activate the account and initiate the square-off of the MTF position without any prior notice or intimation to the client.
- Samco also reserves the right to square off such positions proactively when the account is approaching the dormancy threshold, or when inactivity is reasonably expected to occur, as part of its risk mitigation framework.
- All actions taken under this clause shall be deemed valid and binding on the client, and Samco shall not be held liable for any losses or consequences arising from such liquidation.

This provision ensures compliance with regulatory expectations while protecting both the client and Samco from potential risks associated with prolonged inactivity and unsettled leveraged positions.

Rights and Obligations of Clients

Client Responsibilities

- Ensure timely payment of margins and MTM.
- Regularly monitor positions and maintain required margins.
- Understand the risks associated with leveraged trading and adhere to Samco's terms and conditions.
- Clients must ensure that all MTF positions are pledged by the end of the trading day to remain compliant with regulatory requirements. Failure to pledge within the stipulated timeframe may result in liquidation of securities.

Samco's Rights

- Modify margin requirements and eligible securities list based on risk assessments.
- Initiate liquidation of positions in case of heightened risk scenarios & any margin shortfall
- Samco has the rights to terminate MTF facility for the clients without prior notice
- Samco has the rights to change the MTF policy clause without prior notice.

For details on the Rights & Obligations for MTF as prescribed by the exchanges, please refer to the Rights & Obligations document available in our Guidelines and Policies section.

How to Place an Order under MTF

Samco offers multiple platforms to place Margin Trading Facility (MTF) orders. The process differs slightly across the Samco App, Samco Web, and Nest Trader. Clients must ensure that the selected stock is part of the MTF-approved list before placing the order.

Placing an Order on Samco App & Web

1. Login to the Samco App with your credentials.
2. Search for the desired stock from the watchlist or search bar.
3. Select Buy and choose MTF as the product type.
4. Enter order details such as Quantity & Price.
5. Review margin requirements displayed on the order screen.
6. Confirm and place the order.
7. Upon execution, the purchased stocks will be auto-pledged under MTF.

Placing an Order on Nest Trader

1. Open the Nest Trader terminal and login using your Samco credentials.
2. Add the desired stock to your market watch.
3. Click on F1 or Right-click on the stock and select Buy Order Entry.
4. Choose NRML as the product type from the drop-down menu.
5. Input required details such as Quantity, Price, and Disclosed Quantity (if any).
6. Confirm and place the order.
7. Upon execution, the purchased stocks will be auto-pledged under MTF.

Amendments and Review

This policy is subject to periodic review to incorporate changes due to regulatory updates, market conditions, or internal assessments. Any amendments will be updated on the website & policy