

Margin Trading Facility (MTF)



At the end of this session, you will know



- **MTF**
- **Margin calculation**
- **MTF limit calculation**
- **Eligible scrips**
- **MTF Square off policy**
- **MTF Shortfall and Square off**

- MTF stands for Margin Trading Facility
- MTF is essentially buying stock by partly putting in your own money and the rest being funded by the broker. As a result you can buy larger quantity with the same amount of money
- MTF predominantly uses leveraging mechanism that help the investors to get an exposure in the market for the deficit funds
- SEBI has prescribed eligibility conditions and procedural details



Increased
Investment
Capacity



Additional
Exposure on
Existing Shares



Continue to
avail Dividend
& Other Corporate
Benefits



Interest Charges
applicable only
for days facility
is utilised

For Branch/Dealers :

- In MTF Facility base rate of interest is 10.5% whereas in broking it is 12%. Hence, a branch earns 1.5% more in MTF as compared to broking

For Clients :

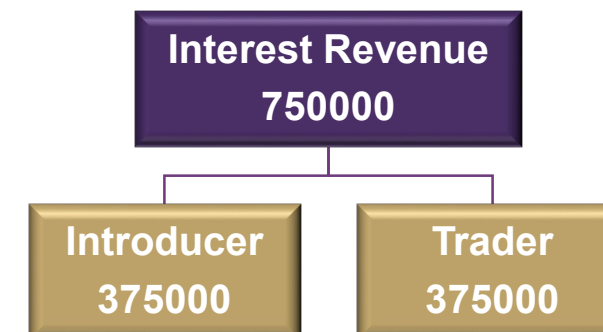
- Pay as low as 22.5% margin
- Carry forward funded position for unlimited days*
- Exhaustive list of stocks

For Branch - P&L will show additional interest income of 1,50,000 on 1cr debit if the clients are shifted to MTF facility from broking.

For e.g.

Particulars	Broking	MTF
Total Debit	₹100,00,000	₹100,00,000
Interest Rate	18%	18%
Base Rate for P&L	12%	10.50%
Int. Diff. Benefit(%)	6%	7.50%
Branch Income	₹ 6,00,000	₹ 7,50,000
Introducer and Trader	No Credit	Credit in RSR*

For Dealers - It is included in their RSR.



***One delivery transaction in 90 days is compulsory**
If not then quarterly settlement of funds will be required



Easy online MTF activation (No paper formality for MTF activation. Online MTF activation through OTP)



Potential for business expansion by engaging new and inactive clients



Long lasting relationship with actively trading clients

Type	MTF
Count of Scrips	800+ Scrips
Risk Management System	Common RMS for broking and MTF
Bank account	Yes bank account (facility of AUTO ENTRY IN CLIENTS LEDGER A/C)
Payment mode	Payment collection from client on same company name
Shares pay-out	Shares are transferred to client DP account

Benefits of MTF facility

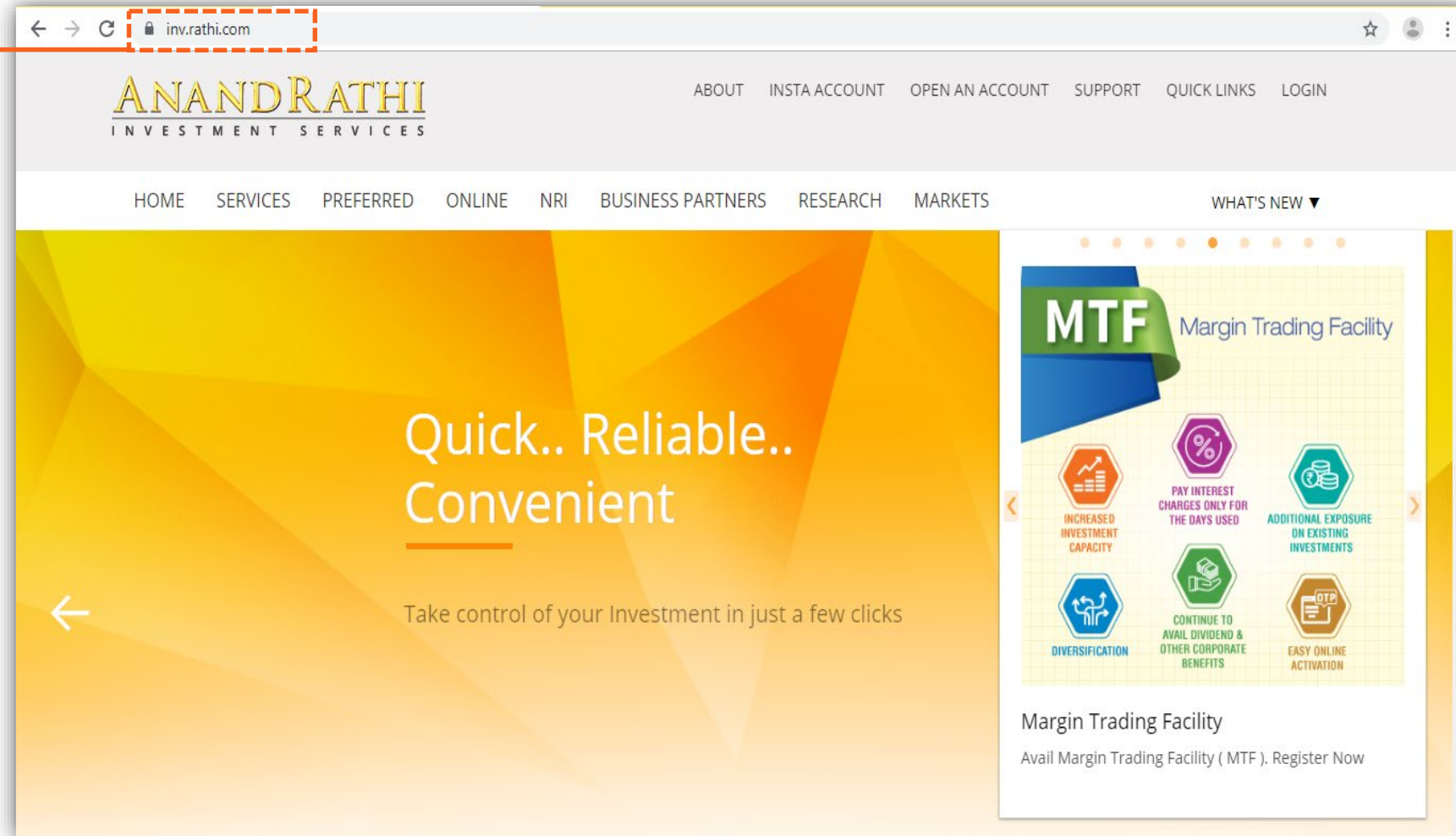
Sr. No.	Particulars	Amount
1	Margin available with client	Rs. 2,00,000
2	Client wants to buy HDFC bank (assume)	Rs. 2,000

Sr. No.	Particulars	With MTF	Without MTF
1	Margin requirement for HDFC bank	25%	-
2	Maximum shares that can be bought with Rs 2 lakhs margin	8,00,000	2,00,000
3	Assume client has bought HDFC bank	4,00,000	2,00,000
4	Margin requirement of HDFC bank	1,00,000	2,00,000
5	Balance amount available for MTM or to meet margin call under MTF facility	1,00,000	-
6	Profit that can earned if we assume that shares price rises by 10%	40,000	20,000

Step 1

Log into
intra.rathi.com

Trader
375000



The screenshot shows a web browser window with the URL `inv.rathi.com` in the address bar. The website header includes the AnandRathi logo and navigation links: ABOUT, INSTA ACCOUNT, OPEN AN ACCOUNT, SUPPORT, QUICK LINKS, and LOGIN. A secondary navigation bar contains: HOME, SERVICES, PREFERRED, ONLINE, NRI, BUSINESS PARTNERS, RESEARCH, and MARKETS. The main content area features a large banner with the text "Quick.. Reliable.. Convenient" and "Take control of your Investment in just a few clicks". On the right side, there is a "Margin Trading Facility" (MTF) section with a grid of six icons and their descriptions: INCREASED INVESTMENT CAPACITY, PAY INTEREST CHARGES ONLY FOR THE DAYS USED, ADDITIONAL EXPOSURE ON EXISTING INVESTMENTS, DIVERSIFICATION, CONTINUE TO AVAIL DIVIDEND & OTHER CORPORATE BENEFITS, and EASY ONLINE ACTIVATION. Below this grid, there is a call to action: "Margin Trading Facility. Avail Margin Trading Facility (MTF). Register Now".

- By default Sanction Limit for Funding to all client will be Rs.25 lakh.
- To increase funding over and above Rs.25 lakh then client need to provide hard copy of signed Blank Cheque to HO
- Funding over and above Rs.1crore then client have to provide Net Worth report
- If this all criteria will not fulfill then trade cant be consider in MTF even trade happened on any particular day
- Sanction limit in MTF segment will be higher of 1 Crore or 5 times of Net worth and subject to Rs.5 Crore maximum. Any sanction beyond this amount will be allowed after approval from Roop Sir

MTF Shortfall Example

MTF Broking Holding Stocks

Scrip Name	Quantity	CL Rate	Market Value	Haircut	Net Value
AVANTI FEEDS LIMITED	100	250	25000	100	0
DCB Bank	100	100	10000	50	5000
INDIABULLS REAL EST. LTD	200	100	20000	25	15000
TOTAL			55000		20000

MTF Funded Stocks

Scrip Name	Quantity	Funded Value	CL Rate	Market Value	Haircut (%)	Margin Required	MTOM Loss	Total Margin Required
RELIANCE IND	100	100000	990	99000	22.50	22500	1000	23500
AVANTI FEEDS LIMITED	100	25000	250	25000	100	25000	0	25000
TOTAL		125000		124000		47500	1000	48500

MTF Shortfall Calculation

Client Code	ABC 123
MTF LEDGER AMOUNT (A)	-115000
FUNDING STOCK VALUE (B)	125000
MARGIN REQUIRED [C]	-47500
MTOM LOSS (D)	-1000
TOTAL MARGIN REQUIRED E=(C+D)	-48500
MTF CASH COLLATERAL (F)	10000
MTF NON CASH COLLATERAL (G)	20000
TOTAL MTF COLLATERAL H=(F+G)	30000
EXCESS / SHORTFALL I= (H-E)	-18500

Scenarios to clear MTF Shortfall

- Client Can clear shortfall through updating funds of that much amount, means Rs.18500 to MTF ledger
- Either client can sell entire Non approved stock (100% Var Margin) to clear shortfall
- Or client have to sell Rs. 82,140 value of Reliance Industries (shortfall amount will release Rs.18,500).

Square Off required as per stocks VAR

- If stock VAR is 22.50 % then square off required is $100/22.50=4.44$. Means if shortfall amount is Rs.1000 then client have to sell Rs.4440 value holding from funded stocks
- If VAR is 35 % then square off require 2.85.($100/35$) means shortfall is Rs.1000 then have to sell Rs. 2850 from funded stocks
- And if VAR is 100 % then square off require only 1 time ($100/100$),means Rs.1000 shortfall then have to sell only Rs.1000 value holding from funded stocks

- Collateral and Funded stocks shall be marked to market on a daily basis
- There should be distinction between stock(s) deposited as collateral for availing MTF (Collateral) & Stocks purchased under MTF (Funded Stock).
- Commingling of funds between broking and MTF amount should not be done
- Further exposure can be provided on increase in the value of Collateral stock whereas further exposure cannot be provided on increase in the value of Funded stocks
- Stocks selection for limit in MTF is only for the day limit purpose only, actual stocks will be auto pulled as per the eligibility formula (Discussed Earlier).
- CNC trades cant be convert to MTF an vice versa

To know more contact



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Thank You