

# ◀ FARSIGHT SECURITIES LTD.

## FAQs on Pledge Mechanism



# Question 1



- ◀ 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 2



- ◀ 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 2 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 3

- ◀ 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 now POA is replaced with DDPI.*

## Question 4



- ◀ 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 5



- ◀ 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 6



- ◀ 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 7



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