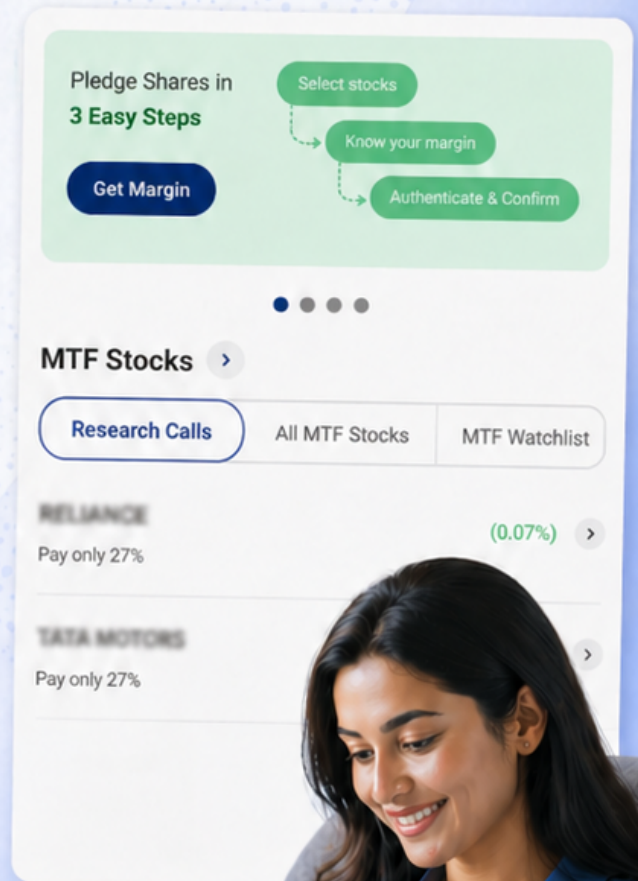


Margin Trading Facility (MTF) in India:

Complete Guide for FY 2027



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What is MTF

(Margin Trading Facility)?



Let's say you have spotted a stock you genuinely believe in, but your trading account does not have enough funds to buy the quantity you want. Do you wait, watch the opportunity pass, or find another way?



Margin Trading Facility, commonly called MTF, is designed for exactly this situation. It lets you buy more shares than your available funds would normally allow. You pay a portion of the total purchase value upfront, called the initial margin, and your broker funds the remaining amount directly into the purchase. The shares bought appear in your demat account and you are their legal owner from day one.



When you place an MTF order, the broker co-funds the purchase directly. The shares land in your demat account, automatically pledged in the broker's favour.



MTF is one of the few regulated avenues for leverage in the Indian stock market available to retail investors. Every rupee, every rule and every risk within MTF is governed by SEBI. Margin Trading Facility in India has been regulated since 2004 and is available only through SEBI-authorized corporate brokers who have prior exchange permission to offer this facility.



Used with conviction and discipline, MTF can meaningfully extend your buying power. Used without understanding the mechanics, it can amplify losses just as effectively as it amplifies gains.

How Does Margin Trading Work?

(Margin Trading Facility)?



Eligibility and setup

You need a trading account with a SEBI-authorized corporate broker that has prior permission from the stock exchange to offer MTF. At JM Financial Services, as with all SEBI-compliant brokers, this exchange permission is a prerequisite before the facility can be extended to any client. You will also need DDPI activated on your account. This gives your broker the operational authorisation it needs to manage the pledge on your funded shares.

Pick an eligible stock

Not all stocks qualify. Under current SEBI rules, only Group 1 equity shares and Group 1 Equity ETFs are eligible for MTF.

Group 1 stocks are India's most liquid. They must have been traded on at least 80% of days over the previous 18 months, with an impact cost of 1% or less. This matters because if the broker ever needs to liquidate your position, the stock must be easy to sell quickly without significantly moving the market.

Understand your margin requirement

Your margin requirement is not a flat percentage. It is calculated stock by stock using a SEBI-prescribed formula based on two risk metrics:

- **VaR (Value at Risk):** How much a stock could reasonably lose in a single day under normal market conditions.
- **ELM (Extreme Loss Margin):** An additional buffer for exceptional market events beyond normal conditions.

The formula:



For stocks also traded in the F&O segment:
VaR + 3× ELM



For all other Group 1 stocks and Equity ETFs:
VaR + 5× ELM

A practical example:

A non-F&O stock is priced at ₹100. Its VaR is 5% and ELM is 4%.

Margin required = $5\% + (5 \times 4\%) = 5\% + 20\% = 25\%$

This means you need ₹25 to buy one share worth ₹100. With ₹1,000 in your account, you can buy up to 4 shares worth ₹4,000 in total. Your broker funds the remaining ₹3,000.

In practice, depending on the stock, initial margins typically translate to leverage of 3× to 4× on your capital.

The broker co-funds the purchase

When you place an MTF order, the broker executes the full purchase, your margin plus the broker's funded amount, as a single transaction. The shares appear in your demat account immediately. You can see them, track them and monitor their value daily.

However, these shares are automatically pledged in your broker's favour at the time of purchase. You do not initiate the pledge separately. It happens as part of the MTF order itself.

The funded amount is simply:

Funded Amount = Total Purchase Value - Initial Margin You Pay

The pledge on funded stocks is automatic and specific to shares bought under MTF; it has nothing to do with your other holdings.

Interest starts from T+1

Interest is charged on the funded amount, not on the total purchase value. It begins from T+1 and runs until you sell the shares. The daily interest is applied only on the MTF margin amount.

Monitor daily

Both your margin and the value of your funded shares are marked to market every trading day. If share prices fall and the margin in your account drops below the required level, your broker will issue a margin call. Margin call is a request to deposit additional funds or collateral to restore the required margin level.

This additional margin requirement is called the Additional Maintenance Margin. It is triggered when the VaR percentage of your MTF stock increases, making the earlier margin collected insufficient. When VaR normalises or you exit the position, this additional margin is released.

Sell and settle

Upon sale, the funded amount is settled from the sale proceeds as part of the normal settlement process. The pledge on funded shares is automatically released upon settlement. Any balance remaining after settlement of the funded amount and applicable charges belongs to the investor.

Sale proceeds from MTF holdings are available only from T+1. Proceeds from an MTF sale cannot be used to place fresh orders on the same day. However, proceeds from selling regular CNC holdings may be used for fresh MTF purchases on the same day.

Interest accrues daily on the outstanding funded amount from T+1. The actual billing and deduction of accrued interest is done periodically, weekly, fortnightly, or monthly, as per the broker's applicable policy. Investors should confirm the billing cycle with their broker before initiating a position.

If things go wrong

If you fail to meet a margin call under the conditions specified in your broker's Rights and Obligations document, the broker can liquidate your funded shares to recover the outstanding amount. Under SEBI rules, this liquidation can happen only under specific defined conditions, not at the broker's arbitrary discretion. The exact conditions must be clearly laid out in the agreement you sign before availing MTF.










A Real MTF Example:

The ₹1,000 Stock



You want to buy shares of a Group 1 company currently trading at ₹1,000 per share. The stock qualifies for 3× leverage under MTF, meaning the applicable margin is approximately 33%.

You have ₹1,000 available in your account.

	Item	Amount
	Stock price	₹1,000 per share
	Your available funds	₹1,000
	MTF leverage	3×
	Shares you can buy	3 shares
	Total purchase value	₹3,000
	Your margin contribution	₹1,000
	Broker's funded amount	₹2,000

You own 3 shares worth ₹3,000 by paying only ₹1,000. Your broker has co-funded ₹2,000, and those shares are automatically pledged in the broker's favour.

If the stock rises 10%:

Your 3 shares are now worth ₹3,300. After settlement of the ₹2,000 funded amount, you have ₹1,300. That is a 30% return on your capital from a 10% move in the stock.

If the stock falls 10%:

Your 3 shares are now worth ₹2,700. After settlement of the ₹2,000 funded amount, you have ₹700. That is a 30% loss on your capital from a 10% fall in the stock.

The stock moved 10% in both cases. Your capital moved 30%. That is the leverage effect in action. It works symmetrically in both directions.

MTF Interest Rates and Total Cost of Holding




SEBI regulates the MTF framework but does not cap the interest rate brokers can charge. That is a commercial decision made by each broker. Across the industry, MTF interest rates in India typically range from 9.5% to 18% per annum, calculated daily on the funded amount.

Interest is charged from T+1 and applies every day until you sell, including non-trading days.

MTF Interest Calculation

Interest = Funded Amount × Daily Interest Rate × Number of Days

Practical Example

Item	Amount
 Total shares purchased	₹1,00,000
 Your margin paid	₹25,000
 Broker's funded amount	₹75,000
 Illustrative interest rate	0.04% per day
 Holding period	30 days
 Interest	₹900

$$\text{Interest} = ₹75,000 \times 0.04\% \times 30 = ₹900$$

You pay ₹900 in interest for holding this position for 30 days.

Beyond interest, also account for:

- **Brokerage:** Charged per MTF order at your broker's applicable rate
- **Pledge charges:** Charged per ISIN per day of purchase when you buy; automatically applied when the MTF order executes
- **Unpledge charges:** Charged per ISIN per day of purchase when you sell; automatically applied when you sell
- **Square-off charges:** If your broker liquidates your position due to a margin shortfall, an additional square-off charge applies per order

One important nuance on pledge and unpledge charges: if you buy the same stock multiple times on the same day, the pledge charge applies only once for that stock on that day. If you buy the same stock again on a different day, a fresh pledge charge applies for that day's purchase. When you sell, unpledge charges apply per ISIN per original day of purchase.

Confirm the exact charge structure with your broker before initiating a position.



SEBI Rules for Margin Margin Trading in India



Broker eligibility

Only SEBI-registered corporate brokers with a minimum net worth of ₹ crore can offer MTF. They must obtain prior exchange permission and submit an auditor-certified net worth certificate to the exchange by 31st May (for the March 31 half-year) and 15th November (for the September 30 half-year)

Eligible securities

Only Group 1 equity shares and Group 1 Equity ETFs are eligible for MTF. These are India's most actively traded securities with an impact cost of 1% or less.

Leverage and exposure limits

- A broker's total borrowing for MTF purposes cannot exceed 5× its net worth
- Total MTF exposure cannot exceed borrowed funds plus 50% of net worth
- Exposure to any single client cannot exceed 10% of the broker's total MTF lendable resource

Source of funds

Brokers can use their own funds, borrow from scheduled commercial banks or RBI-regulated NBFCs, raise funds via Commercial Papers, or borrow via unsecured long-term loans from their own promoters and directors. A broker cannot use one client's funds to co-fund another client's MTF purchase under any circumstance.

One broker per exchange

A client can avail MTF from only one broker per stock exchange at any given time. To shift to a different broker on the same exchange, the existing MTF position must be fully closed. The new broker must obtain a no-objection certificate from the previous broker, who has 21 days to respond. If there is no response within 21 days, the new broker can proceed.

Disclosure

Brokers must report gross MTF exposure, client-wise and scrip-wise, to the exchange by 6:00 PM on T+1. Stock exchanges then publish scrip-wise outstanding MTF data on their websites, making the overall market exposure in any stock transparent.

Disputes

MTF-specific disputes between a client and broker are not covered under the exchange's arbitration mechanism. The exchange arbitration mechanism covers only the underlying transactions executed on the exchange, the buy and sell orders themselves, not disputes arising from the MTF arrangement between you and your broker.

Investor Protection Fund










The Investor Protection Fund (IPF) does not cover losses arising from MTF positions. It protects investors only in cases of broker default on normal transactions. If your MTF position results in a loss, you bear it fully.



MTF vs Cash Market vs F&O:

Which Is Right for You?



Feature	Cash Market	MTF	F&O (Futures)
 Do you own shares?	Yes	Yes; in your demat, pledged to broker until you sell	No; you hold a contract
 Capital required	Full purchase value	Full purchase value	F&O margin as per separate SEBI framework
 Holding period	Indefinite	Indefinite	Until contract expiry
 Eligible securities	All listed securities	All listed securities	F&O approved securities
 Dividends and corporate actions	Received fully	Received fully	Not applicable
 IPF protection	Yes	Yes	Separate guarantee mechanism
 Dispute resolution	Exchange arbitration	Exchange arbitration	Exchange arbitration
 Cost of holding	None	None	MTM daily; rollover cost at expiry
 Shares in demat	Yes	Yes	No

The key distinction:

MTF gives you leverage while keeping actual share ownership unlike F&O where you hold a contract, not a share. This matters for dividends, voting rights and corporate actions. You remain the legal owner of the shares throughout the MTF holding period.

But unlike regular cash market buying, you pay daily interest for as long as you hold, your position is pledged to the broker, and your holding can be liquidated if you fail to maintain the required margin.

MTF is also fundamentally different from Loan Against Shares (LAS). In LAS, you already own shares and borrow cash against them for any purpose. In MTF, the broker co-funds a fresh purchase directly; no cash is disbursed to you, and the facility is specifically for buying eligible shares in the cash segment

MTF Benefits and Risks



Benefits

Once you understand how MTF works, the core advantage is clear. You can take a larger position in a stock you have conviction in, without needing the full purchase value upfront.

- Amplifies buying power without requiring you to sell existing investments
- You hold actual shares in your demat account and remain eligible for dividends and applicable corporate benefits
- SEBI-regulated with clear rules on disclosure, leverage, liquidation conditions and dispute resolution
- No mandatory time limit on holding; you can stay in the position as long as margin is maintained

Risks

- Daily interest erodes returns the longer you hold; MTF is better suited to tactical, short-to-medium-term positions than long-term buy-and-hold
- Losses are amplified in exactly the same proportion as gains
- Margin calls can arrive at the worst possible time; during market downturns when topping up is most difficult
- The broker will issue a margin call notifying the investor of the shortfall. If the investor fails to meet the margin call under the conditions specified in the broker-client agreement, the broker may liquidate funded shares without requiring the investor's approval on timing or price maintained
- No IPF safety net for MTF-specific losses

Key Risks to Understand

Before You Start



The leverage effect works both ways

The same multiplier that increases your gains also magnifies your losses by the same proportion. A stock that falls 10% does not just cost you 10%; it costs you a multiple of that on your invested margin. Many first-time MTF users underestimate how quickly this compounds in a falling market.

Forced liquidation is real and bounded by SEBI rules

If your account breaches the margin conditions set out in your broker's agreement, the broker can sell your funded shares to recover the outstanding amount. This happens at whatever price is available in the market at that moment. SEBI defines the conditions under which this can happen, it is not arbitrary, but within those conditions, you have no control over the timing or price.

Market downturns compound the problem

In a broad market correction, your stock falls in value at precisely the moment when adding margin capital is most difficult. This is the leverage trap in its most acute form; falling prices trigger margin calls at exactly the time when investor confidence and liquidity are both under pressure.

Interest compounds silently

At 0.04% per day, interest feels negligible on any given day. Over 90 days on a ₹75,000 funded position, it amounts to ₹2,700; money that comes directly out of your returns. MTF held for months can see interest costs that meaningfully reduce profitability even if the stock moves in your favour.

No investor protection for MTF losses

If your MTF position results in a loss, there is no fund or mechanism to cushion it. You bear the full downside.



Who Is MTF For?



MTF suits investors who:

- Have genuine conviction in a specific Group 1 stock and want to increase position size tactically
- Understand leverage and have prior equity market experience
- Can actively monitor their portfolio and margin levels every trading day
- Have liquidity available beyond their MTF margin to meet potential margin calls quickly especially during volatile and uncertain markets
- Are looking at a short-to-medium holding horizon rather than a multi-year position

MTF is not suitable if you are a first-time equity investor, if you cannot afford to lose your margin capital, or if you are unable to monitor your portfolio on a daily basis. It is a precision tool for investors who understand what they are doing, not a default strategy for amplifying returns.

The JM Financial Services

MTF Advantage



If you are looking to start using margin trading facility in India, JM Financial Services MTF offers a comprehensive and straightforward setup. Here is what sets the experience apart:

Up to 4× leverage on 1,200+ stocks

JM Financial Services MTF gives you up to 4× buying power across more than 1,200 eligible stocks, covering both trading and long-term investing use cases.

A dedicated MTF section in your Holdings

Your MTF positions sit in a clearly separated section within your Holdings view, so you can always see your funded exposure separately from your unencumbered equity at a glance.

Unlimited holding period

JM Financial Services MTF imposes no time limit on how long you hold your position, provided the required margin is maintained.

Zero subscription fee

Access to the MTF facility comes at no subscription cost. You pay only the applicable interest on the funded amount and standard transaction charges.

Simple order flow

Placing an MTF order through JM Financial Services is as straightforward as placing a regular cash market order; no separate platform or complex workflow required.

Frequently Asked Questions



What is MTF in the stock market?

MTF (Margin Trading Facility) is a SEBI-regulated facility where a registered broker co-funds the purchase of eligible shares in the cash segment on your behalf. You pay the initial margin and the broker funds the rest directly into the transaction. The shares appear in your demat account and are pledged to the broker until the funded amount is repaid.

What is the MTF interest rate in India?

MTF interest rates in India typically range from 9.5% to 18% per annum, calculated daily on the funded amount. Interest begins from T+1 and applies every day including non-trading days until you sell. Confirm the exact rate with your broker before initiating a position.

How does margin trading work in India?

You select a Group 1 stock or Equity ETF, pay the required initial margin, and your broker co-funds the remaining purchase value directly. The shares land in your demat account automatically pledged to the broker. Interest accrues daily on the funded amount from T+1. When you sell, the proceeds settle the funded amount and accrued interest, and the pledge is automatically released.

What are the SEBI rules for MTF?

Key SEBI rules include: only Group 1 equity shares and Group 1 Equity ETFs are eligible; only corporate brokers with net worth of at least ₹3 crore and prior exchange permission can offer MTF; a client can use MTF with only one broker per exchange at a time; brokers must report MTF exposure to the exchange by 6 PM on T+1; and the IPF does not cover MTF losses.

What is the leverage in MTF?

Leverage in MTF varies by stock and is determined by SEBI's margin formula. VaR + 3× ELM for F&O stocks and VaR + 5× ELM for other Group 1 stocks and ETFs. In practice this typically translates to 3× to 5× leverage on your invested margin. JM Financial Services offers up to 4× leverage across 1,200+ eligible stocks.

Which stocks are eligible for MTF?

Only Group 1 equity shares and Group 1 Equity ETFs as classified under SEBI's liquidity categorisation are eligible. These are India's most actively traded securities with an impact cost of 1% or less, traded on at least 80% of days over the previous 18 months.

What happens if I cannot meet a margin call?

If you fail to meet a margin call under the conditions specified in your agreement with the broker, the broker can liquidate your funded shares to recover the outstanding amount at whatever market price is available at that time. SEBI defines the specific conditions under which this liquidation can happen.

Is MTF the same as F&O trading?

No. In MTF, you own actual shares sitting in your demat account; you are the legal owner throughout. In F&O, you hold a contract with no underlying share ownership. MTF operates entirely in the cash segment. F&O is a derivatives product governed by a separate SEBI framework.

Is MTF the same as Loan Against Shares?

No. These are two distinct products. In Loan Against Shares, you already own shares and borrow cash against them, which you can use for any purpose. In MTF, no cash is disbursed to you. The broker co-funds a specific share purchase directly, and the facility can only be used to buy eligible shares in the cash segment.

Can I have MTF with two brokers simultaneously?

No. SEBI rules permit MTF with only one broker per stock exchange at any given time. To move to a different broker on the same exchange, your existing MTF position must be fully closed. The new broker must obtain a no-objection certificate from your previous broker, who has 21 days to respond.

How is MTF taxed?

MTF trades are treated as delivery trades for tax purposes, on a First-In First-Out (FIFO) basis. They are reported alongside your regular delivery holdings in your capital gains statement.

What happens to my MTF position during corporate actions?

MTF positions are typically closed one day before the ex-date for corporate actions. Exceptions include dividends, bonuses, stock splits, rights issues, buybacks, OFS and takeovers. For these, the position is generally not closed before the ex-date.

Who is not eligible for MTF?

NRIs, minors and custodial participants are currently not eligible for MTF.

