

## Nepse yet to prepare working procedure for margin trading facility

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Brokerage firms have not been able to start margin trading facility because of the delay in issuance of working procedure for the facility by the Nepal Stock Exchange (Nepse).

Securities Board of Nepal (Sebon), the capital market regulator, had issued a directive, allowing brokerage firms to provide such service more than a month ago.

The new service that allows shareholders to get financing facility for purchasing shares can come into operation only after the Nepse and the brokerage firms get their working procedure on margin trading facility endorsed from the Sebon. However, the Nepse has not submitted its working procedure to the Sebon for approval yet. This means that that the new facility will take some time to start.

Nepse officials claim that the draft of the working procedure has already been prepared and that it would be forwarded to the Sebon for endorsement once it is approved by the stock exchange company's board. “The draft will be presented in the next meeting of the board of directors of Nepse,” Murahari Parajuli, the spokesperson for Nepse, told Republica.

The date for the board meeting, however, has not been fixed yet, according to Parajuli.

Earlier in the first week of November, the Sebon had issued 'Directives Related to Margin Trading Service, 2017', paving the way for stock brokerage firms to provide margin trading services to their clients. The new facility aims to make it easier for investors to trade shares and expand the scope of business for brokerage firms.

Stock brokerage firms are only allowed only to execute trading orders placed by their clients in the secondary market so far.

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Brokerage firms say that they are waiting for the Nepse's working procedure to prepare their operational procedure for margin trading facility. “We will prepare our operational procedure after Nepse's working procedure is approved by the Sebon, and the trading and clearing system is harmonized,” Priya Raj Regmi, president of Stock Brokers Association of Nepal (SBAN), told Republica. “We cannot move ahead before the Nepse's working procedure is approved as that working procedure will form a standard for brokerage firms to prepare their operational procedure for such facility,” he added.

This facility allows shareholders to buy securities in the market even if they do not have the money required with the financing from a brokerage firm. Once brokerage firms start providing margin trading services, stock investors no longer have to depend on only the bank and financial institutions (BFIs) to get loans for buying shares in the secondary market.

Source: MyRepublica, 19<sup>th</sup> December 2017