

## Risk Management Limit Policy

### **Preamble :**

Client registered with SBICAP Securities Limited (SSL) can register themselves as an Offline client or as an online client. Separate set of Risk management and exposure policy is followed for offline and online segments due to difference in the mode of service to the clients.

### **Definitions:**

1. **VaR:** VaR is the value at risk, SSL will use the VaR which is provided by the exchanges. Exchanges calculate VaR of a security based on the historic price movement in that security this VaR is calculated and published to the members on daily basis. VaR provided by the exchanges is in percentage terms and hence can be used as provided.

2. **Exposure Limit:** Exposure limit is the net value of position a client can enter into at any given point in time on that day.

3. **Client Margin:** Total Deposit of the client with SSL. This includes Ledger balance and value of collateral.

4. **Margin:** Margin is the minimum Client margin required to enter into a position. Margin will be specified in terms of percentage of the order value.

5. **Haircut:** SSL accepts collateral (i.e. shares) from client towards the margin requirement. However, shares carry risk of volatility. Hence a haircut, which is the **perceived risk** on the price of the security, is applied to the total value of the security for arriving at the **perceived risk free** value of the collateral.

6. **Approved Collateral:** Approved list of collateral includes list of Mutual Funds / Bonds / NCDs and any other tradeable securities including securities forming part of the approved list of securities as published by exchanges including NSE 500.

### **A. Risk Management and Exposure Policy for Offline segment.**

#### **1. Capital Market Segment:**

<b>Client Category</b>	<b>Forms of Margin</b>	<b>Criteria</b>	<b>Haircut</b>	<b>Margin Requirement</b>	<b>Default Limit</b>
NRI	Ledger	Credit Balance in the ledger of the client maintained with SSL	N.A.	To be assigned based on client requirement after confirmation from SBI NRI Branch (Custodian).	5 Lacs. To be increased based on client requirement after confirmation from SBI NRI Branch

	Collateral	N.A	N.A	N.A	(Custodian).
Employees of SBI & its Subsidiaries' / Associate Banks, their spouses and SSL Employees (Pensioners of SBI & Associate Banks are in this category)	Ledger	Credit Balance in the ledger of the client maintained with SSL	N.A.	VaR	Exposure of 1 Lac subject to minimum ledger balance of Rs. 5000 in clients ledger with SSL
	Collateral	After Haircut Value of Approved Collateral.	VaR	VaR	
	Unclear Cheques	Based on past record of the client.	N.A.	VaR	
Other Clients	Ledger	Credit Balance in the ledger of the client maintained with SSL	N.A.	VaR	NIL
	Collateral	After Haircut Value of Approved Collateral.	VaR	VaR	
	Unclear Cheques	Based on past record of the client.	N.A.	VaR	

**Note:**

- For scrips with VaR of below 25%, 25% will be considered while calculating the haircut or margin requirement.
- Margin of 25% for delivery decreased upto 10% for intraday trades depending upon the scrip and client and no Margins would be charged for selling stocks held by the client in DP maintained with SSL or where the stock is received in SSL settlement account or transfer instructions are delivered to DP and relevant proof is provided.
- Maximum permissible exposure limit to a client for a day would be 25 Lacs irrespective of Ledger and collateral, however the limits can be increased from beyond 25 Lacs on receipt of appropriate approvals as per the approval matrix appended in **Annexure 1**.
- Trading in Z Group Securities is prohibited unless approved by Chief Financial Officer / Managing Director. The 'Z' group was introduced by BSE in July 1999 and includes companies which have failed to comply with its listing requirements and/or have failed to resolve investor complaints and/or have not made the required arrangements with both the depositories, viz., Central Depository Services

Approved by the Board at its 50<sup>th</sup> Meeting held on 15.01.2016

- (I) Ltd. (CDSL) and National Securities Depository Ltd. (NSDL) for dematerialization of their securities.
- e. T+5- facility is provided to offline clients i.e. an offline client has an option to repay the debit amount within 5 days from the day of trade. Debit can be cleared either by selling the stocks, providing cheque, fund transfer or combination of these.
  - f. All Intraday positions for Clients will be auto squared off at 03:10 PM.

## 2. Equity and Currency Derivative Segment:

A standard policy is followed for all the clients trading in equity and currency derivative segment through SSL

Segment	Forms of Margin	Criteria	Haircut	Multiplier	Margins charged
Equity Derivatives	Ledger	Clear Credit Balance in the ledger of the client maintained with SSL	N.A.	1 time	Exchange Prescribed Initial and Exposure Margins
	Collateral	After Haircut Value of Approved Collateral.	VaR	1 time	
Currency Derivatives	Ledger	Clear Credit Balance in the ledger of the client maintained with SSL	N.A.	1 time	Exchange Prescribed Initial and Exposure Margins with a mark up of 20%
	Collateral	After Haircut Value of Approved Collateral.	VaR	1 time	

### Note:

- a. For scrips with VaR of below 25%, 25% will be considered while calculating the haircut or margin requirement.
- b. 2 times multiplier for intraday trades.
- c. Unclear cheques will be accepted only towards MTM payment or replenishment of margin shortfall and not towards margin payment for creating fresh or new positions.
- d. Credit for Sale against stocks sold in Equity segment will not be allowed in Derivative segment until settled.
- e. Mark to Market losses should be collected on T+1 day.
- f. All Intraday positions for Clients will be auto squared off at 03:10 PM

**B. Risk Management and Exposure Policy for Online segment.**
**1. Capital Market Segment:**

Client Category	Forms of Margin	Criteria	Haircut	Margin Requirement	Default Limit
NRI	Ledger	Credit Balance in the ledger of the client maintained with SSL	N.A.	100%	N.A
	Collateral	N.A	N.A	N.A	
Other Retail Clients	Ledger	Credit Balance in the ledger of the client maintained with SSL	N.A.	VaR	NIL
	Collateral	After Haircut Value of Approved Collateral.	VaR	VaR	
	Unclear Cheques	Based on past record of the client.	N.A.	VaR	

**Note:**

- a. For scrips with VaR of below 25%, 25% will be considered while calculating the haircut or margin requirement.
- b. Margin of 25% for delivery decreased upto 10% for intraday trades depending upon the scrip and client and no Margins would be charged for selling stocks held by the client in DP maintained with SSL or where the stock is received in SSL settlement account or transfer instructions are delivered to DP and relevant proof is provided or if stocks are lien marked for sale.
- c. Maximum permissible exposure limit to a client for a day would be 25 Lacs irrespective of Ledger and collateral, however the limits can be increased from beyond 25 Lacs on receipt of appropriate approvals as per the approval matrix appended in **Annexure 1**.
- d. Trading in Z Group Securities is prohibited unless approved by Chief Financial Officer / Managing Director. The 'Z' group was introduced by BSE in July 1999 and includes companies which have failed to comply with its listing requirements and/or have failed to resolve investor complaints and/or have not made the required arrangements with both the depositories, viz., Central Depository Services (I) Ltd. (CDSL) and National Securities Depository Ltd. (NSDL) for dematerialization of their securities.
- e. T+5- facility is provided to offline clients i.e. an offline client has an option to repay the debit amount within 5 days from the day of trade. Debit can be cleared either by selling the stocks, providing cheque, fund transfer or combination of these.
- f. All Intraday positions for Clients will be auto squared off at 03:10 PM.

## 2. Equity Derivative Segment:

A standard policy is followed for all the clients trading in equity derivative segment through SSL.

Segment	Forms of Margin	Criteria	Haircut	Multiplier	Margins charged
Equity Derivatives	Ledger	Clear Credit Balance in the ledger of the client maintained with SSL	N.A.	1 time	Exchange Prescribed Initial and Exposure Margins
	Collateral	After Haircut Value of Approved Collateral.	VaR%	1 time	
Currency Derivatives	Ledger	Clear Credit Balance in the ledger of the client maintained with SSL	N.A.	1 time	Exchange Prescribed Initial and Exposure Margins with a mark up of 20%
	Collateral	After Haircut Value of Approved Collateral.	VaR%	1 time	

### Note:

- a. For scrips with VaR of below 25%, 25% will be considered while calculating the haircut or margin requirement.
- b. 2 times multiplier for intraday trades.
- c. Unclear cheques will be accepted only towards MTM payment or replenishment of margin shortfall and not towards margin payment for creating fresh or new positions.
- d. Credit for Sale against stocks sold in Equity segment will not be allowed in Derivative segment until settled.
- e. Mark to Market losses should be collected on T+1 day.
- f. All Intraday positions for Clients will be auto squared off at 03:10 PM

**C. Monitoring Process:**

Risk Team shall monitor the positions / debits of the client vis-a-vis the client margin available with SSL. Following process / reports will be generated on a daily basis to monitor the risk associated with the trades.

**a) Carry Forward Debit:**

Daily Begin of day, ageing report will be generated. This report will contain details of the amount recoverable from the client (debit of client) with total valuation of shares available with the client. While calculating the total value of shares available with the client, shares purchased by the client will also be considered since the shares will be under control of SSL and released only if debit is cleared by the client. SSL reserves the right to sell these shares in case of default by client.

Available margin of the client will be monitored every morning and separate alerts will be sent to the branches, where available margin falls below 10% (i.e. total value of shares is less than 110% of the debit). Position of these clients will be monitored closely and shares will be sold (to the extent of debit) if client fails to clear the debit.

**b) Intraday Positions:**

Mark to market loss on the intraday positions will be monitored by risk department and positions will be squared off where mark to market loss for the client exceeds 70% of client margin. This parameter will be set in the trading system and automated alert will be shown by the system.

**Annexure 1:****Authority Matrix**

It is desirable to set up permanent limits for Clients on behalf of whom regular requests are received for intraday enhancement. Such limits will be considered on the basis of Client Profile. The request for such enhancements will emanate from the branches concerned. The authority structure proposed below is meant for both intraday and permanent limits. Intra Day sanctions will expire on a daily basis, while permanent limits will be valid for 3 months and would be reviewed thereafter.

The authority structure is as under:-

<b>Sr. No.</b>	<b>Trading limit</b>	<b>Sanctioning Authority</b>	<b>Sanction to be reported for control to</b>
1	Up to Rs. 25 lacs	AVP - Risk	Chief Risk Officer
2	Rs. 25 lacs to Rs. 1 crore	Chief Risk Officer	Chief Financial Officer
3	Rs. 1 crore to Rs. 5 crores	Chief Financial Officer	Managing Director
4	Over Rs. 5 Crores	Managing Director	COD

**Annexure 2****Revised Criteria for Scrips allowed for Intraday Trading- Online Segment**

A security will be allowed for intraday trading if it falls under any one of the categories mentioned below :

- i) All securities available for trading in derivative segment of National Stock exchange would be allowed for intraday trading.
- ii) For securities not available for trading in derivative segment, following conditions should be satisfied.
  - a) Securities should be categorized under EQ Group, A Group or B Group securities in the relevant exchange
  - b) Impact cost for the security should be less than or equal to 1 in any of the exchanges
  - c) VaR for a security should be less than 40% in any of the exchanges.
  - d) Security should have a minimum Circuit filter of 20% in both the exchanges
  - e) Last available closing price of the security should be more than Rs 10 in both the exchanges.
  - f) Minimum Average daily volume for the security during the preceding month in any of the exchange should be 25000 Shares or Rs.1 crore.

List of securities available for intraday trading would be updated on a monthly basis; however additions / deductions during the month would be made to the list if:

- i) Circuit filter for the security changes to below 20%.
- ii) Last available closing price of the security changes to below Rs.10/- .