

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 as base for its haircuts. Exchanges calculate VaR of a security based on the historic price movement in that security.

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 which is approved as part of approved list of securities as per SSL risk management policy.

A. Risk Management and Exposure Policy for Offline and 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%	5 Lacs for offline client and to be increased based on client requirement after confirmation from SBI NRI Branch (Custodian). For online client, NIL if credit balance in ledger. Debit balance actual if there is debit in ledger
	Collateral	N.A	N.A	N.A	
Other Clients	Ledger	Credit Balance in the ledger of the client maintained with SSL	N.A.	SSL approved list	NIL
	Collateral	After Haircut Value of Approved Collateral.	SSL approved list		
	Unclear Cheques	Based on past record of the client.	N.A.	SSL approved list	

Note:

- a. SSL Approved list: Refer **Annexure 1** for policy on approved list of securities.
- b. Intraday trading: Refer **Annexure 2** for policy on margins etc Intraday trades
- c. All Intraday positions for Clients will be auto squared off at 03:10 PM or any other time deemed fit by RMS based on market conditions and volatility
- d. 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.
- e. 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 3**.
- f. Trading in Z Group Securities is prohibited unless approved by business/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.

- g. T+5- facility is provided to offline and online clients. Debit can be cleared either by selling the stocks, providing cheque, fund transfer or combination of these.

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	Credit Balance in the ledger of the client maintained with SSL	N.A.	1 time	Exchange Prescribed Initial and Exposure Margins
	Collateral	After Value of Approved Collateral.	Haircut of	SSL approved list	
Currency Derivatives	Ledger	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 Value of Approved Collateral.	Haircut of	SSL approved list	

Note:

- h. SSL Approved list: Refer **Annexure 1** for policy on approved list of securities.
- i. Intraday trading: Refer **Annexure 2** for policy on margins etc Intraday trades
- j. Credit for Sale against stocks sold in Equity segment will be allowed in Derivative segment.
- k. Mark to Market losses should be collected on T+1 day.

B. 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 and derivative 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.

In case of intraday transitions under MIS product RMS will liquidate the position in case of any movement after +/-15% movement to avoid circuit freeze

b) Margin shortfall for equity and currency derivatives:

RMS will square off the positions in case of total margin is in shortfall than required as per regulations.

Annexure 1

Selection Criteria for Approved list of Collaterals

Type	Criteria	A	B	C	D	E	F
Quantitative	T Over Rs Min	30 Cr	15 Cr	7.5 Cr	5 Cr	2.5 Cr	1.5 Cr
	Volume Qty Min	25000	25000	25000	25000	25000	25000
	VAR + ELM % Min	13	20	30	40	50	60
	FNO stock	Yes		NA			
	NSE and BSE listed (BOTH)	Applicable					
	LTP > 10	Applicable					
	NSE approved	Applicable					
	Not in BSE Illiquid List	Applicable					
	Not in NSE call Market list	Applicable					
	Circuit >= 20%	Applicable					
	Impact cost <= 1	Applicable					
	NSE series	EQ					
	Min Market cap Rs Cr	250					
Qualitative	Promoter Pledge not >=	50%	60%	60%	70%	70%	70%
Multiples	Delivery Multiple NRML	5	4	3.33	2.50	2	1.67
	HC % NRML	20%	25%	30%	40%	50%	60%

Some scripts which are trading at a very high price will be considered by relaxing the Quantity traded criterion if they fulfill the other criteria.

Risk will undertake review of above parameters at least once a month or more frequently depending on the market conditions. The number of stocks will vary depending on the volumes as per the criteria parameters prevalent in the market at the time of review. In case of stress situations; risk will curtail exposure further if needed based on market conditions.

Annexure 2

Intraday Trading

1. Equity:

Type	Scrip category	A	B	C	D	E	F
Multiples	HC % MIS	10%	12.5%	15%	20%	25%	30%
	Multiple MIS	10x	8x	6.67 x	5x	4x	3.33 x

MIS: Intraday product in Omnesys without stop loss

CO: CO / BO product in Omnesys with stop loss

Scrip category: As per approved list criteria of SSL

a. CO Product:

i. Offered for stocks only if :

- Haircut is less than or equal to 40% as per SSL Approved list of securities
- Stop loss order will be taken along with the initial position as part of cover order @ a range decided by RMS from time to time as part of cover order.

ii. Margin to be charged: Maximum of table value below as per scrip category or 1.25x percentage over the difference between LTP (or limit price for limit order) and stop loss price

Type	Scrip category	A	B	C	D	E	F
Multiples	HC % CO	5%	6.25%	7.5%	10%	NA	NA
	Multiple CO	20	16	13.33	10	NA	

2. Equity derivatives:

a. MIS Product:

i. Offered for stocks only if :

- Traded in F&O segment in NSE. RMS will review the stocks and can curtail the number of stocks (even if part of F&O segment) if there is a concern of liquidity.
- Part of approved list of collaterals of SSL with maximum Haircut of 40 % and not beyond that.
- NIFTY and Bank – NIFTY Index
- Will be offered only for Current month expiry contracts. In the expiry week the next month contracts will be allowed (subject to liquidity).
- Will be offered only for Futures segment and NOT Options

ii. Margin is Charged @ 50 % of (Span + Exposure margin)

b. CO Product:

i. Offered for stocks only if :

- Part of NIFTY 50 Index
- NIFTY and Bank NIFTY Indices

- ii. Stop loss order will be taken along with the initial position as part of cover order @ a range decided by RMS from time to time as part of cover order.
- iii. Margin to be charged: Maximum of
 - 3.5 % (for Index Futures) and 5 % for Stock Futures
 - 50 % of Span Margin
 - 1.25x percentage over the difference between LTP (or limit price for limit order) and stop loss price

Risk will undertake review of these stocks at least once a month or more frequently depending on the market conditions. The number of stocks will vary depending on the volumes as per the criteria parameters prevalent in the market at the time of review. In case of stress situations; risk will curtail exposure further if needed based on market conditions.

All Intraday positions for Clients will be auto squared off at 03:10 PM or any other time deemed fit by RMS based on market conditions and volatility.

Annexure 3:
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:-

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