

Risk Management Limit Policy

Introduction

Investment in securities is susceptible to market risks which cannot be predicted. The Account Opening Document contains an explanation of different types of risks our Customers are likely to face in the market. While the risk of loss is inherent in the market, we as your Broker seek to minimize the risk of loss through a dynamic risk management policy which is an essential feature of our operations. As our customer, it is important for you to be aware of our Risk Management Policy and how the Policy would operate to regulate your transactions. It is also important that the Risk Management Policy is not an insurance against losses; these are measures and precautions that are adopted to contain risks to the minimum. The Policy is subject to change according to our risk perceptions of the market and SEBI/Exchange regulations for the time being in force. Client registered with SBICAP Securities (SSL) need to adhere to the below set of risk management and exposure policy

Definitions:

- 1.VaR & ELM:** VaR is the value at risk while ELM is extreme loss margin. SSL will use VaR, ELM & other margins which are provided by the exchanges as base for its haircuts for certain basket of Scripts. Exchanges calculate VaR &ELM 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 post appropriate SSL haircut.
- 4.Margin:** Margin is the minimum Client margin required to enter into a position as stipulated by the Exchange/SSL time to time and relevant to a particular contract/script. 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 which can be more than Exchange defined haircut.
- 6.Approved Collateral :** There are certain exchange approved collaterals such as Mutual Funds / Bonds / NCD's and any other tradeable securities however SSL reserves the sole right of providing limits against such collaterals from time to time

A. Risk Management and Exposure Policy for clients.

1. Capital Market Segment:

Client Category	Forms of Margin	Criteria	Haircut	Margin Requirement	Default Limit
Normal 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		
NRI Clients	Ledger	Credit Balance in the ledger of the client maintained with SSL	N.A.	100%	NIL if credit balance in ledger and in case of Debit balance in ledger then actual debit
	Collateral	N.A	N.A	N.A	

2. Equity and Currency Derivative Segment:

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 Haircut Value of Approved	SSL approved list	1 time	

		Collateral.			
Currency 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 Haircut of Value of Approved Collateral.	SSL approved list	1 time	

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 squared off at 70% MTM or at 20 minutes before the close of market (whichever is earlier) or any other time deemed fit by RMS based on market conditions and volatility
- d. Once the timer based square off is triggered, further exposure in intraday will not be allowed.
- e. At the time of Intraday order square of trigger, all pending orders would be cancelled and orders will be sent to exchange for square off. The orders sent to exchange will be executed on best effort basis.
- f. 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**.
- g. Trading in Z Group/Illiquid/GSM Securities is prohibited unless approved by the CRO / Business head / CFO or the MD
- h. Ageing Debit Square off: T+5 facility is provided to all clients. Debit can be cleared either by selling the stocks, providing cheque, fund transfer or combination of these.
 - It is client's obligation to clear his/her outstanding dues by T+2 (T indicates Trading day). The client shall ensure timely provision of funds / securities to SSL so as to meet exchange obligations. SSL reserves the right to close the positions / sell securities to the extent of ledger debit and /or to the extent of margin obligations.
 - Selling will be done in clients account on T+7 days for the ledger debit which is more than T+6 days on ageing basis. For e.g.: All trades executed on Monday will be squared off on next Wednesday (T+7) where T indicates Trading day. In other words, if funds are not received for scrips purchased on

Monday by next Tuesday i.e. T+6, SSL shall liquidate securities to the extent of ledger debit.

- **Sequence of Square Off:**

The scrips will be first selected from the Client Unpaid Securities Account (CUSA) and if there is still a requirement than the stock lying in DP will be selected.

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 debit report is generated for each client. 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. The details of the ageing debit is informed to each client vide an email

Available margin of the client is monitored constantly and separate alerts are sent to the clients as well as 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. The position will be square off on best effort basis.

In case of volatile movement in scrips covered in intraday product, RMS will liquidate such position on best effort basis after +/-15% movement to avoid circuit freeze

c) 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. Margin is collected upfront from all clients in leveraged segments. Daily Mark to Market losses shall have to be paid latest by T+1 day and any shortages in respect of Margin shall be payable forthwith. In case of default to provide Mark to Market losses or Margins accordingly, SSL shall be entitled to square off the open market positions without further reference or notice to the Clients.

In case of extreme market volatility, margins may be demanded on intra-day basis and Clients should be able to replenish margins on immediate basis to avoid square off. Shortage in Margin shall attract penalty as may be levied by the Exchange. All losses from daily settlements and losses from square off which are not paid shall be recovered by selling available collateral shares of the Client and Client shall be liable to pay the remaining balance forthwith.

d) Physical Settlement in derivatives:

In case of Equity derivatives contracts which are covered under Physical settlement, the Long and Short position may convert into delivery. In order to mitigate the risk of unwarranted delivery,

- Fresh positions in current month expiry contracts in equity derivatives segment will be blocked from T-4th working day EOD onwards (T day being expiry).
- The client should roll over / close the existing positions T-1 trading day before the Expiry till 12.00 PM. For e.g. for February 2020 expiry which is on February 27th clients can close / roll over till 26th February 12.00 PM.
- SSL will start squaring off all open positions post T-1 working day -- 12.00 PM. Note that this is irrespective of margin availability
- Additional margins are applicable on in-the-money long option positions as per the Exchange
- In case square off cannot be done (e.g. Due to lack of liquidity or any other reason), then such contracts may be physically settled and will have to be settled by the client by paying requisite obligations as per the physical settlement rules. SSL may impose additional margin, if any, in such cases to cover the obligation which would be debited in the ledger, on a case to case basis

e) Restriction on Illiquid scripts/contracts:

i. Illiquid Contract in Equity F&O segment

To avoid Malpractices or erroneous trading, trading in certain Future and options contracts will be restricted/ blocked on trading platform. The Parameters for restricting/ blocking such contracts are as under:-

- All contracts having expiry more than 3 months -

AND

- Open interest value in the contract is less than Rs. 25 Lacs.
(OI value for Future contract: Open interest x Closing prices < Rs 25 lacs;
OI value for Option contract: Open interest quantity x (strike price + closing Premium price) < Rs. 25 lacs)

OR

- In case of Option contracts, if strike price falls (+/-) 20 % of last trade price of underlying Index/ scrip in cash market.

ii. Illiquid Contracts in Currency / Commodity segment

- All contracts having expiry more than 3 months -

AND

- Contracts in commodities where the OI is less than 500 lots would be blocked for trading

Without prejudice to SSL's right to restrict/block derivative contracts on the above parameters, SSL may from time to time also restrict client level open interests in any contract(s), in its absolute discretion, depending on its own independent assessment of the market volatility and/or having regard to any client level/or Member level restrictions in any contract(s) prescribed by the market regulators. However, in restricting/blocking derivative contracts, SSL shall be at liberty to prescribe a limit lower than the maximum limit that the Regulator may prescribe for any contract(s) from time to time. Further, in order to ensure that the Member level limit prescribed by the Regulator is not violated in any contract, SSL may also decline further exposure to a Client even if the Client may not have exhausted the client level limit otherwise available to him/her. .

SSL shall not be responsible for non-execution/delay in execution of orders in illiquid scrips and contracts and consequential opportunity loss or financial loss to the customer. SSL shall have the discretion to place such restrictions, notwithstanding the fact that customer has adequate credit balance or margin available in his account and/or the customer had previously purchased or sold such securities / contracts through SSL itself. SSL shall have the right to revise the list of such securities / contracts on a periodic basis.

In order to exercise additional due diligence while trading in these securities on behalf of their clients:

- SSL shall from time to time classify list of securities which are restricted based on internal criteria.
- SSL reserves the right to refuse execution of any transaction requests of the client on such securities or to reduce the open market interests of the client in such securities/ contracts.

- SSL also reserves the right not to allow any trades or transactions in respect of certain securities or segments or orders/requests which may be below/above certain value/quantity as may be decided by SSL from time to time.

f) Margin Reporting

As per regulatory requirement on collection of margin from clients, the client margin reporting will be done as below:

- For same day margin requirements, clear ledger balance as on date will be considered.
- Ledger balance calculation will be done by netting off balances across segments i.e. Cash, F&O, Currency and Commodity.
- Across all segments, shares in collateral/pool with previous day's valuation, after prescribed haircut, will be considered.
- Post valuation/calculation of the above, NSE FO will be given first preference and in case of excess margin, the same will be considered for reporting of Currency Derivatives & then MCX
- All other terms & conditions including levying of margin shortfall penalty will remain as is and in line with regulatory requirements.

g) Intimation to clients

Client can view details of his/her ledger, holdings etc via secured login on SSL online platforms. Regular intimations regarding debit, information about margin shortage communication regarding liquidation is sent through email on the clients' registered email address.

h) Single order quantity and value limit:

In order to minimize loss from possible punching errors by a dealer while executing the transaction for a customer, Risk Management of SSL puts restriction by capping the maximum quantity and value per order and orders exceeding that maximum quantity or value cap will be rejected. SSL also sets terminal level limits to contain loss from erroneous trades getting executed. SSL shall not assume any liability in respect of orders rejected by reason of their quantity or value exceeding the cap value.

Notes:-

1. *Risk Management Policy:*

We understand, that the Company has adopted this policy in its capacity as a SEBI registered intermediary with an objective to mitigate any risks involved in relation to

investments made by its clients and handling of client portfolios. However, the policy does not provide for methods to manage any risks arising from its business or the industry in which it operates such as technological, economic and market risks that the Company may be subject to. Pursuant to Regulation 17(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, (the “**Listing Regulations**”), the board of the Company is required to frame risk management plan and lay down procedures for risks assessments and minimization procedures; and

2. MIS Product (Intraday)

Positions created under MIS Product would be subject to either client himself squaring off (if done online) OR dealer based square off OR Risk square off due to MTM Loss @ 70% of Total Deposit (Ledger + Holding after Haircut) OR Time Based Square off.

- Client cannot Carry Forward any positions in MIS Product.
- All pending orders / unexecuted / partial orders will be cancelled as per MIS product features.
- No fresh orders will be accepted in MIS after Time based square off.
- Square off Timer will be done 20 minutes before the close of the market
- All positions under Intraday Product will be subject to 70% MTM Loss i.e. positions will be liquidated if loss reaches to a pre decided level of client margin loss. The OPEN positions (i.e. the carry forward overnight positions) and the intraday leverage position (across segments) will also be squared off at 70% MTM
- At MTM loss the position will be reduced on best effort basis and customer will be liable for such losses.
- Clients registered with SSL and dealing in Capital Market / Derivative Market / Currency Market having allotted client code as UCC would be availed the facility offered by SSL in Intraday trading in the exchange segments in which client is registered for trading.
- Client confirms that he is aware of the Intraday Product and its features and have clearly understood the risks associated with Intraday Trading.
- Client understands that he/she is allowed a higher leverage in the Intraday Trading Facility as compared to trades in the regular market positions and, therefore, while the opportunity for making profits on the investment is magnified, the risk of loss would also be enlarged correspondingly.
- Client understands that Intraday Trading would be allowed only if the margin required under the Facility is already available in his account with SSL.
- Client agrees and accepts that enlisting him/her for the Intraday Trading Facility shall not oblige him/ her to place Intraday Orders requested in any scrips even though margin required for placing a trade/order under the Facility is available in the account.

- Client also understands and agree that the option to convert Intraday trade positions to carry forward positions is subject to full margin being made available upfront unless such margin is already lying to the credit of the account with SSL
- Clients are aware that under the Facility, unless the positions are carried forward as stated above, all open positions shall be squared off by Risk Management Team at the prescribed cut-off time on the same day of their acquisition unless the positions are sooner squared off upon the positions incurring a loss to the extent of the prescribed maximum limit or more as may be determined from time to time.
- Client agrees and accepts that if for any reason beyond our control, like force majeure causes, disruptions in the communication network, system failure, slow or delayed response from system, trading halts, or the Exchange applying circuit filters because of which the open Intraday positions could not be squared off and are carried forward, client is expected only to Square them off on a best effort basis, as soon as may be, and any and all losses arising from such events will be to client account.
- Client agree and accept that he/she will not hold SSL , their directors, officers or employees liable for any loss that may sustain as a consequence of availing of this facility. All terms and conditions of the agreement that are executed shall remain effective and in force in all respect until terminated in terms thereof.

Annexure 1

Selection Criteria for Approved list of Collaterals

Criteria	A	B	C	D	E	F
Turnover Rs Min (cr)	50	30	15	7.5	5	2
Volume Qty Min					25000	25000
VaR + ELM Min	13	17.5	22.5	30	40	50
FNO Stock	Yes		NA			
LTP > 10	Y	Y	Y	Y	Y	Y
Circuit > = 20%	Y	Y	Y	Y	Y	Y
Impact Cost < 1	< = 0.05	< = 0.15	< = 0.25	< = 0.50	< = 0.75	< = 1
Min Market Cap (cr)	250	250	250	250	250	250
Promoter Pledge not > =	20	30	40	50	60	70
MWPL (crs)	> 2000	> 1000	> 750	> 300	> 150	> 50
Quarter Sigma (lacs)	> 50	> 35	> 25	> 10	NA	NA
Delivery Volume (In crs)	> 15	> 10	> 5	> 2	NA	NA
NRML VaR (T7)	15%	20%	25%	30%	40%	50%
MTF VaR	Exchange VaR	Exchange VaR	Exchange VaR	Exchange VaR	Exchange VaR	Exchange VaR
Intraday VaR	7.50%	10%	12.50%	15%	20%	25%

Scripts which are listed in BSE as well as NSE would only be considered for above categorization. Further scrips forming part of BSE illiquid list and NSE call market list / illiquid category will not be considered as part of approved stock

Some scrips 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. The list will be reviewed at the sole discretion of company - in extremely volatile market condition, or in case of warnings by regulators/exchanges, scrips may be re-categorized without prior notice and the customers shall regularize their accounts and trade accordingly.

Annexure 2 Intraday Trading

1. Equity:

Type	Scrip category	A	B	C	D	E	F
Multiples	HC % MIS	7.5%	10%	12.50%	15%	20%	25%
	Multiple MIS	13.33x	10x	8 x	6.67x	5x	4x

MIS: Intraday product without stop loss

Cover Order (C) / Bracket Order (BO) : CO / BO product with stop loss

Scrip-category: As per approved list criteria of SSL

a. Cover Order - CO Product:

i. Offered for stocks only if :

- Haircut is less than or equal to 40% as per SSL Approved list of securities
- Not blocked as per the scrip blocking policy as mentioned above
- Stop loss order will be taken along with the initial position as part of cover order @ 15% (max) range or as 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	3.75%	5.00%	6.25%	7.50%	10.00%	NA
	Multiple CO	26.67x	20x	16x	13.33x	10x	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.
- Not blocked as per the contract blocking policy as explained above
- NIFTY and Bank – NIFTY Indices
- 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 @ 3% (max) range or as decided by RMS from time to time as part of cover order.
 - iii. Margin to be charged: Maximum of
 - 5% for Index / Stock Futures
 - 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.

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