

RISK MANAGEMENT POLICY (RMP)

1. Objective & Scope

The core objective of this policy is to protect the financial integrity of the firm and its clients. It establishes uniform rules for:

- **Margin Collection & Enforcement:** Adhering to SEBI and exchange mandates.
 - **Risk Mitigation:** Preventing client defaults and market manipulation.
 - **Operational Control:** Defining clear limits for trading terminals.
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2. Client Categorization & Exposure Limits

The Risk Management System (RMS) classifies clients based on their risk profile, track record, and financial standing to assign appropriate trading limits.

2.1 Multipliers and Exposure Settings

- **Cash Segment :** Limits are granted based on available ledger balance plus approved collateral values. Multipliers are capped as per SEBI Peak Margin guidelines.
 - **Derivatives Segment :** Trading limits are strictly bound by the upfront availability of **SPAN + Exposure Margin or Value at Risk (VaR) + Extreme Loss Margin (ELM)+DELIVERY MARGIN.**
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3. Margin Management Framework

The firm implements a strict upfront margin collection mechanism in compliance with SEBI's dynamic peek margin framework.

3.1 Acceptable Forms of Margin

1. **Clear Ledger Balance:** Unencumbered funds present in the client's trading account.
2. **Approved Securities (Collateral):** Haircut-adjusted demat shares pledged via the **Demat Debit and Pledge Instruction (DDPI)** or client pledge mechanism subject to NCL acceptance.

3.2 Haircut Application

All collateral stocks face a percentage reduction (haircut) based on NCL daily SEC_PLEDGE files.

4. Squaring-Off & Liquidation Protocol

To prevent ledger deficits, the RMS desk retains the absolute right to liquidate client positions with prior notice under the following breach conditions:

4.1 Delivery/Carry-Forward Margin Shortfall

- **Margin Call:** If market movement causes a margin shortfall in overnight positions, a Margin Call notification is sent via SMS/Email.
 - **The T+1 Liquidation Rule:** If the client fails to clear the margin shortfall by **9:30 AM on T+1 day**, call will be made to the client to square off open derivative lots to neutralize the risk.
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5. Risk Mitigation in Illiquid & Penny Stocks

To protect the firm against cornering and pump-and-dump schemes, the following trade restrictions apply:

- **Blocklists:** Trading is blocked in scrips categorized under SEBI's **Graded Surveillance Measure (GSM)** Stage II and above, or **Additional Surveillance Measure (ASM)**.
 - **Volume Restrictions:** Buying in penny stocks (shares trading below ₹10 or with low average daily volume) is restricted to **100% cash-and-carry delivery** only. Intraday leverage is strictly disabled.
 - **Illiquid Options:** Far Out-of-the-Money (OTM) options trading is deactivated to prevent freak trades and reverse-trading tax evasion plots.
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6. Terminal & User-Level Risk Controls

The compliance and IT desks impose system constraints directly on trading terminals (NEAT/ODIN/Proprietary API):

- **Single Order Quantity Limit (Quantity Freeze):** Orders exceeding the exchange-defined freeze quantity limit are automatically blocked at the server level.
- **Single Order Value Limit:** No single order can exceed a gross value of **₹10 Crores** unless explicitly white-listed for institutional desks.

- **Price Band Checks:** Limit orders entered outside the daily circuit filters (e.g., 5%, 10%, 20%) are immediately rejected.
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7. Review and Modification Authority

This policy is reviewed annually or dynamically in response to new SEBI circulars and exchange mandates. The Risk Head and Designated Directors hold the exclusive authority to modify margin haircuts or risk limits during periods of extreme market volatility.

