



Risk Management Policy

VER: 2.0

SEBI Reg No: INZ000074139

MCX Trading Member ID- 55060

NSE Trading Member ID – 90175

BSE Trading Member ID –

Objective:

A well devised system of Risk Management shall protect the organization from Client Default. The main object of this policy is to manage and mitigate the risk occurring at various levels. This policy is to measure and manage the exposures to various operational risks.

VERSION CONTROL

PARTICULARS					
Version No	Modified Date	Modified By	Reviewed by	Reviewed Date	Remarks
1.0	01.07.2019	RMS Team	Directors and the compliance Team	01.07.2019	Addition of NSE segments
2.0	01.10.2019	RMS Team	Directors and the compliance Team	01.10.2019	Due to Regulatory changes in BEN a/c and introduction of CUSA a/c.

Trading Time

Session	CASH	F&O	COMMODITY	Currency
Pre-Open Session	hrs	hrs	hrs	hrs
Order entry & modification Open	09:00			
Order entry & modification Close	09:07			
Regular Trading Session				
Normal Market Open	09:15	09.15	09.00	09.00
Normal Market Close	15:30	15.30	23.55 @ / 23.30 * / 09.00 #	17.00
Closing Session				
The Closing Session is held between	15.40 to 16.00			
@ - November to March / * - April to October / # - Only for Agri commodities				

Note: Trading takes place on all days of the week (except Saturdays and Sundays and holidays declared by the Exchange in advance)

Square Off Time

Positions	CASH	F&O	COMMODITY	Currency
Intraday	03.15	03.15	11.15	-

Settlement Cycle

Positions in CASH segment of NSE	With Running Account Authorization		Without Running Account Authorization	
	Trading Day (T Day)	Settlement Day (T+2+5)	Trading Day (T Day)	Settlement Day (T+2)
Example	01.07.2019	08.07.2019	01.07.2019	03.07.2019

Note: Once Ledger Balance comes into debit, trading will not be allowed until client clears the dues.

Useful links for verification

Particulars	Links
VaR and ELM Margins (VaR-Value at Risk ELM-Extreme Loss Margin)	https://www.nseindia.com/products/content/equities/equities/homepage_eq.htm
Span and Exposure Margin	https://www.nseindia.com/products/content/derivatives/equities/homepage_fo.htm https://www.mcxindia.com/market-operations/clearing-settlement/daily-margin
NSE FAO Ban	https://www.nseindia.com/products/content/all_daily_reports.htm

PREAMBLE

MAITRA COMMODITIES PVT LTD is a Trading member of Multi Commodity Exchange of India (MCX) and National Stock Exchange of India (NSE) is regulated by the SEBI through their respective byelaws, rules and regulations.

In the course of conducting its broking business, **MAITRA COMMODITIES PVT LTD** is exposed to variety of risks including market, credit, liquidity, operational and other risk that are material and require comprehensive controls and ongoing oversight.

The risk management framework of MAITRA COMMODITIES PVT LTD for its Equity and Derivatives broking and business is based upon the different client segments, applicable settlement mechanism of SEBI / Stock Exchange regulations.

In Securities Market, customers have to be alerted with respect to their obligations, open positions, market conditions, Margin requirements, regulatory requirements and steps are initiated by the brokers in case of changing market situations. We set out below the principles of our risk management framework:

➤ **KYC PROCESSING**

- ✓ Every client is registered with us after completion of Customer Due Diligence and satisfactory verification and identification. Detailed information of every client is recorded before commencing transaction for any new client.
- No Debarred entity will be accepted as a client.
- In person verification of client is done by our staffs and Authorised persons only. For online clients In person verification is done by web cam and stored in safe location.
- Proofs for trading account opening along with KYC with self certification obtained and Original will be verified by our staffs or authorized persons at the time of verification.
- Incomplete KYCs will be rejected by our CRD Team and will be returned back to or put on hold until the submission of complete set of KYC and documents.
- Continuous Due Diligence is carried out and to ensure that the KYC details are updated on a periodic basis as prescribed by SEBI/Exchanges.
- All the KYC details are uploaded to the respective KRA including that of Central KYC REGISTRY. The images are also uploaded.
- FATCA Regulations are also adhered to.

Once UCC generated, clients will be allowed for trading.

➤ **CLIENT CATEGORIZATION**

- ✓ Based on the scrutiny of KYC, clients will be categorized as follows:
 - LOW Risk Client, HIGH Net worth clients and Corporate Clients.
 - MEDIUM Risk Client (more concentration on Intraday Trading)
 - HIGH Risk Client (Limited financial strength)
 - Special Category Clients(as specified by SEBI/Exchanges)

➤ **POLICY FOR DORMANT CLIENTS**

- ✓ Any dormant client (Inactive in Trading for more than 180 days) will be re-activated by confirming his/her identity proof by branch head/in-charge and/or head office staff.
- ✓ It will be mandatory to provide proper identity proof in original to re-activate any dormant client prior to trading.
- ✓ Fresh KYCs will be collected from the client, if any regulatory changes have happened in between.

➤ **TEMPORARY SUSPENSION or CLOSING OF CLIENT ACCOUNT**

- ✓ The client has not initiated any transaction for a certain fixed period of time due to any reason. During such periods, if the client so wishes, they may temporarily suspend or close their trading accounts so as to ensure the safety of their securities and account by submitting a written application duly signed by the holder. In such case, holdings and the funds available with MCL of the client will be settled by transferring it to respective De-mat and Bank account.

➤ **MARGIN COLLECTION**

- ✓ Initial margin is collected from the respective client and accordingly trading limit is provided to each client.
- ✓ Margins will be accepted as :
 - Cash Margin
 - Collaterals Margin (DP Stocks)
- ✓ Margins to the client based on their Ledger Credit balance and end of day value of approved stocks, available in the Member Beneficiary / Margin Account and Client BO Account with specific POA given by client to member after appropriate hair cut.
- ✓ Cash and non-cash ratio will vary depending upon risk perception and other factors considered such as market volatility and its sole discretion of MCL to set/reset the ratio percentage on daily basis.

➤ **CLIENT WISE LIMIT SETTINGS**

- ✓ According to RISK level, client wise limit will be set by Back Office Team for trading. Client wise Limit settings in RMS will be done in the following manner:

- **Intraday Limit (Compulsory Square Off)**

All Intraday positions will be marked for auto square off as defied in this policy.

- **Delivery Limit (Carry – over Limit)**

- ❖ Clients will be allowed to take Delivery in Cash segment, take physical delivery of derivatives like commodities and equities to the extent of cash margin available in the Ledger.
- ❖ In case, if client takes delivery positions over and above the ledger balance, the Obligations arise out of it will be met within T+2 days as per settlement cycle defined by Exchanges.

➤ **CLIENT WISE EXPOSURE SETTINGS**

- ✓ Intraday Exposure shall be based on Ledger balance availability of Client's Trading Account and it would be "3 X" by default.
- ✓ Adhoc margin shall be provided based on Pay-in's
- For exposure against un-cleared cheques, prior approval is required from respective authorities as Follows :

Up to Rs.10, 000 – RMS Head
Above Rs.50, 000 – Operation Head

- ✓ Client wise exposure will be limited or reduced any time for intraday trading in the following conditions:

- During the Inventory period
- During outcome of any major events like :
 - ❖ declaration of Election results
 - ❖ Government announcement about policy changes
 - ❖ Foreign political and economic events and policies
 - ❖ changes in national and international interest rates and inflation
 - ❖ currency devaluation and
 - ❖ Sentiment of the market which is expected to trigger very high volatility for any other reasons
- Overall Exposure of MCL with exchanges reaches the high level of proximity.

➤ **BRANCH / DEALER / QUANTITY / VALUE / ORDER / SEGMENT WISE LIMIT SETTINGS**

- ✓ Exposure / Limits are set for each respective client on the basis of deposits / credits available and their value of stocks available with us in their respective beneficiary accounts are being monitored on real time basis.
- ✓ As an additional measure to avoid untoward incidents due to typographical or punching error, Limits will be set for Dealer Terminals like (Quantity, Value, Pending Value, Order Value, Order Qty etc.,)
- ✓ Restrictions on Segments / Stocks / Commodities to client is sole discretion of Maitra Commodities Pvt. Ltd., depending on its own risk mitigation measures and without intimating or consulting the client.

➤ **STOCK WISE / COMMODITIES WISE RESTRICTIONS FOR TRADING**

- ✓ Trading in Equity stocks, Derivative stocks and commodities restricted in the following conditions:
 - Penny stocks (Stock that trades at a relatively low price or below Par value and market capitalization) will be blocked for Intraday trading and allowed only on cash basis. These types of stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bid-ask spreads, small capitalization and limited following and disclosure.
 - Banned stocks in FAO segment due to breach of MWPL.
 - Commodities in Tender period.
 - Out-of-the money options strike prices because of illiquid nature.
 - Stocks moved to ASM/GSM because of action taken by Exchanges/SEBI on companies because of non compliance.
 - Stocks with Higher VAR+ELM margin over 50%
 - Quantity limit/Value limit of single stocks in the portfolio reaches the fixed maximum level.

Buying and Selling of above mentioned stocks / commodities will be allowed only on Delivery basis and Intraday will not be allowed strictly.

Accordingly stocks/commodities will be either blocked for trading or allowed to reduce/close the open positions. Depend on the market condition and RMS policy of the company RMS reserve the right to refuse to provide the limit in above mentioned category of stocks and losses if any on account of such refusal shall be borne by client only.

Note: ASM has been basically brought in to control volatility while GSM exists to safeguard investors against stocks which may be moving out of line with fundamentals.

➤ **CONTROL OVER MARGIN and MTM**

- ✓ Real time client-wise Risk Management is done, along with control on margin & MTM obligations.
- ✓ The Company shall on its discretion and as per the requirements of the Governing and Regulatory Bodies collect Initial Margins and Mark to Market margins from the clients.
- ✓ VaR (Value at Risk)Margin, ELM (Extreme Loss)Margin, Span Margin, Exposure Margin, Short Margin, pre-expiry margin are some of the margins collected from clients upfront.
- ✓ Depending upon the Market Volatility, additional margins will be collected to meet the MTM obligation and no Exposure will be given for that.
- ✓ MTM will be collected from the clients within T+5 days and reported to Exchanges accordingly.
- ✓ Margins of any type as mentioned above will be collected only through online mode (ie Transfer using our payment gateway system, NEFT, RTGS and through UPI).
- ✓ Client positions, who defaulted in Margin obligations, will be squared off by RMS.
- ✓ Intraday Positions will be squared off when the MTM reaches 80% of the cleared ledger balance (OR) on a best effort basis.

➤ **OBLIGATIONS AND SHORTAGES HANDLING**

- ✓ Based on the Risk profile of the clients, their trading pattern and their funds flow, the client would be allowed the exposures for intraday, in case of delivery the regular settlement procedure of T+2 will be followed.
- ✓ As per the Exchange guidelines, clients have to settle funds on T+2 day as per Exchange settlement schedule. If "Running Account Authorization" is maintained and client availed Funding facility, Clients has to provide funds in his account within T+2+5 calendar days (Maximum ledger debit period allowed as per SEBI/Exchange regulations)
- ✓ If the pay in amount is not received from the client on the due date, the positions would be made squared off for the recovery of debit balance.
- ✓ In case of short delivery of stocks without internal matching, positions will be auctioned or squared off by the exchanges. In case of internal auctions arising out of internal netting of trades, penalty will be charged to default seller and compensate the impacted purchaser as per auction mechanism by Exchanges.
- ✓ It is sole discretion of MCL to deliver Funds pay out and stocks to client a/c unless and until the same has been received from the Exchanges.
- ✓ In case of all F&O positions ending up with Physical Deliveries the trading in last two days before expiry might be restricted from trading, All those clients who want to maintain such positions, till the end of the expiry or leave for assignment, should compulsorily deposit such shares in case of short selling and deposit full amount of the value of the deliverable contract atleast four days before the Expiry date.

➤ **SURVEILLANCE ACTIVITY**

- ✓ Required Margin (Span Margin + Exposure Margin + Premium margin / VAR Margin + ELM) would be calculated and blocked on the system of RMS on the Real-time basis based on the Order placed by the client.
- ✓ Due to increased volatility in the prices, the margin requirement may be increased and in such event the client undertakes to keep sufficient additional funds/securities in the linked Bank/ Demat account that can be placed on hold to continue with the open position.
- ✓ Positions will be monitored client wise and scrip wise. Based on the trading activity and RISK profile of client, alerts will be generated and monitored by the RMS team.
- ✓ Whenever necessary and as per the MCL's SURVEILLANCE and PMLA policy, reporting will be done to the appropriate authorities.

➤ **SQUARE-OFF or SELLING of client's positions**

✓ **Intra Day Positions:**

- All outstanding intraday position in commodities (MCX and NSE) shall be squared off daily at 11.15 pm at Market rate or on best effort basis.
- All Outstanding intraday position in NSE Cash and NSE FAO shall be squared off daily @ 3.15 pm at Market rate or on best effort basis.
- All pending orders shall be cancelled prior to Intraday Square off execution.

✓ **MTM SQUARE-OFF**

- Margin erosion (MTM) alert message will be sent to the relevant Terminal of mapped client from 40 % and on every 10% incremental levels.
- **80% Alert for Margin erosion (M2M)** Informing client about Client in Square-off mode only and the entire position of the client shall be made to be squared off immediately.

✓ **ACTION LEVELS**

- On 75% Margin erosion (M2M), Client will be put in square-off mode and client shall not be able to take any further new position.
- On 80% of M2M with inclusive of brokerage and taxes will be squared off from HO-RMS department at Market rate or on best effort basis.
- After the execution of Sq-off, the client would not be allowed to place an order under Intraday mode.

✓ **EXCEPTIONAL SITUATIONS**

- In Exceptional situations where Auto Square off may not happen or may hit the market over and above the auto square off percentage fixed by RMS team due to various reasons:
 - ❖ Stocks in Illiquid nature
 - ❖ Stocks hit price band level
 - ❖ High fluctuation in price due to market volatility
 - ❖ Sudden swing in price due to technical reasons
 - ❖ Out come of any event that triggers price fluctuation etc.,
- All losses, financial charges and obligations arising on account of such transaction / liquidations / closing out shall be charged to & born by the client only.

✓ **SELLING STOCKS TO SQUARE OFF POSITIONS**

- MCL has the right to liquidate/close out all or any of the clients position without giving notice to the client for nonpayment of margins or other amounts including the pay in obligation, outstanding debts etc and adjust the proceeds of such liquidation/close out, if any, against the clients liabilities/obligations.
- Any and all losses and financial charges on account of such liquidations/ closing out shall be charged to & born by the client only.
- Any positions squared off for non payment of Margins will be flagged in the Contract Note.

✓ **CLIENT UNPAID SECURITIES POSITIONS**

- Securities will be moved to '**Client Unpaid Securities Account (CUSA)**' either partially or fully on the pay-in date, if the client has not cleared his dues on the Pay-In date.
- MCL will hold the stocks for a maximum period of 5 days from the pay-in date ie(T+2+5) days as per the SEBI/Exchange regulations.
- MCL will transfer the stocks bought by the clients direct to client's demat account, if there is no ledger debit.
- MCL will transfer partial quantity of stocks or as requested by the client, direct to client's demat account, if client has not cleared his dues fully. Balance quantity of stocks will be sold or squared off by MCL, without informing to the client, if he fails to clear the balance debit within the regulatory time frame.
- MCL will have the full rights to square off or sell the entire positions or partial positions of clients, if client fails to clear the dues within 7 days from the date of purchase, to the extent of the amount of debit in ledger.

- Any penalty charged by DPs for holding clients positions in CUSA account for more than seven days, for any reason, will be borne by the respective clients and will be debited in the client's ledger.
- MCL will sell the clients positions to clear the debit balance in FIFO method or as preferred by the client to sell list of stocks and the quantum of stocks.
- At any cost, stocks lying in 'CUSA account' will not be transferred to any other account except respective client's BO account and/or MCL's CM Pool account.
- MCL will not consider stocks lying in 'CUSA account' for margin or exposure purpose.
- It is sole discretion of MCL to transfer stocks to client's BO account from their CM Pool account or CUSA account, even if there is debit in Ledger.
- MCL will not allow debit balance clients to take further exposure on the day of liquidation and / or on the liquidated stocks.
- In case of Inter Depository Transfer is not available for any stocks where the client does not have an account in the said depository, the relevant securities will be moved to the 'Client Collateral Account', and will be held by the MCL until client opens an account in the said depository and informs us about it.
- MCL will not allow Direct Pay-out facility for transferring securities to clients from the CM Pool account.

This RISK MANAGEMENT (RMS) Policy is prepared by M/S Maitra Commodities Private Limited and reviewed by Senior Management Team.

This RMS Policy presented before the Board of Directors for approval on the Monday, 30th September, 2019.

Board of Directors Approval:

We have approved this policy which designed to effectively manage RISK arising out of different scenarios as mentioned that affect the day to day operations and to mitigate the risk at various levels.

Review of Policy

Policy will be reviewed by the senior management officials on regular basis. The policy will be reviewed on yearly basis and/or earlier whenever there is a need of it due to change in the regulations and/or very high volatility conditions.

Policy Approval Date : 1st October, 2019.

Next Policy Review Date : 1st October, 2020.

Date: 01.10.2019

Place: Chennai.