

Risk Management Policy

This Risk Management Policy of Prabhudas Lilladher Pvt Ltd. (hereinafter referred as “PL”) briefly covers the tools, techniques and strategies used to contain risk in trading and settlement in the equity and/or equity derivative segments of BSE/NSE. PL had adopted various guidelines issued by SEBI/Stock Exchanges and best industry practices to frame the Policy. Client trading at various exchange segments are enabled through CTCL Trading Systems where trading limits are set based on cash/securities margins received from clients.

Eligible Client

Definition of eligible client will be derived post taking in consideration the below mentioned factors:

1. Whether Client falls under PEP category.
2. Whether Client or his/her family (as per the exchange family norms) has ever defaulted, or any Case/Arbitration /Complaint is ongoing/ judgement awarded across any segments with PL.
3. Even if Client does not fall in any of the above 2 factors after taking in consideration the above factors, PL at its sole discretion can approve/disapprove the client or keep a cap on the trading limits.
4. CEO has the right to approve on exceptional basis, and client will be termed as eligible client.
5. Currency Segment Trading – Underlying Exposure Requirement

As per the guidelines mandated by the **Reserve Bank of India (RBI)**, only clients having genuine underlying exposure in foreign currency are permitted to trade in the currency derivatives segment.

Accordingly:

- Clients intending to trade in the currency segment must submit the prescribed **declaration**, available in the PL Client Download section.
- Clients are required to provide valid **supporting documentary evidence** demonstrating their underlying currency exposure. This must be sent to CAT team for validation and activation.
- Trading permission in the currency segment shall be granted only after verification and acceptance of such declaration and supporting documents by the Company.

Clients who accept and signed the terms and conditions & rights and obligations and accept all policies & procedures for opening trading are eligible to trade with PL across segments.

Collateral

Following are accepted as collateral from clients for providing the limits of trading.

1. Cash
2. Cash equivalents securities after necessary haircuts (Liquid ETF, Gsec, SGB, T Bills, Units of Guilt and Liquid Mutual Funds). These are to be pledged as margin to PL
3. Approved securities pledged as margin to PL are considered after necessary haircuts (Group 1 securities with impact cost less than 0.1, Mutual funds, Corporate Bonds and listed ETF).

Client sanctioned limit based on initial collateral given in the form of Funds and approved Securities (after required haircut as per PL policy detailed list of the same is available in the PL clients under Risk tab), will be

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SEBI Reg. No.: Broking – INZ000196637 | **Membership code:** BSE: 564 | NSE: 05977 | MCX: 40490
Depository Participant: IN-DP-439-2019 | **DP ID CDSL:** 12011300 | **NSDL:** IN303868

provided at the time of opening of account and will be updated as and when the Clients adds more collaterals.

Securities as collateral are accepted only from the list of securities approved by clearing corporations from time to time and will be further limited as per the PL risk management policy. Clients are required to maintain the collateral in the form of Securities collateral and Cash & Cash equivalent at 50:50 ratio. Higher Security ratio is permitted to specify large volume clients based on an approval process and at the sole discretion of PL.

Exposure Limit against Collateral

The total allowable exposure to a client shall be restricted to 90% of the value of collateral placed by the client, subject to applicable haircuts as prescribed by the Exchanges and SEBI from time to time.

This exposure limit is aligned with the benefit made available to the Trading Member by the Exchange against total collateral placed by the client. Accordingly, the client shall be permitted to take positions up to 90% of the eligible collateral value (Cash & Non-Cash Pledge securities), after considering the applicable exchange-approved haircut and valuation norms.

The Company reserves the right to revisit exposure limit norms, impose additional margins, or restrict trading in specific securities, segments, or market conditions based on internal risk management parameters, market volatility, liquidity considerations, or regulatory directives.

Additional margins in Commodities:

What is Tender Period in MCX?

Tender Period = Delivery intention period during which:

- ✓ Sellers can declare intention to deliver commodity
- ✓ Buyers must be ready to accept physical delivery

Once tender period starts, contracts move from pure trading → delivery mechanism. This applies mainly to physically settled commodity contracts on Multi Commodity Exchange of India (MCX).

Tender Period in MCX Futures: Tender period is the last few days before expiry where delivery intention can be submitted.

Duration: MCX has tender periods ranging from 2 - 5 days
Tender Period in MCX Options: Additional margins is charged in tender period

Day	Additional Margin
Expiry – 1 day	25% of Future margin
Expiry Day	50% of Future margin

Tender period margin is imposed at such percentages as defined in the product/ contract specification. Such margin is imposed on incremental basis and applicable on both outstanding buy and sales side, which continues up to the expiry of the contract.

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Tender Period margin is released for the position when Delivery Period Margin is imposed.

Delivery Period Margin:

When a contract enters the delivery period at the end of its life cycle, delivery period margin is imposed as per contract specification. Such margin is applicable on all outstanding buy and sales side and continues up to the settlement of delivery obligation.

When a seller submits delivery documents along with surveyor's certificate, his position is treated as settled and his delivery period margin to such extent is reduced. When a buyer pays money for the delivery allocated to him, his delivery period margin is reduced on such quantity for which he has paid the amount.

Special margin:

The margin which are imposed only on one side i.e. either on long side or short side would be called as Special Margin.

Additional margin:

Extra margin imposed on BOTH long and short sides over and above other margins is called as additional margin.

Cash collateral

Cash collateral means ledger credit after removing the effect of margin debits/credits and credits against undelivered sale. Cheque in Transit is added to Cash margin at cash segment at the discretion of PL provided there is no occurrences of cheque dishonor, delayed collection beyond a week or non-collection for three times or more in two consecutive financial years.

Securities collateral

Securities as collateral is considered in all segments includes (a) securities pledged by client to PL, valued at lower of the last traded prices quoted and reduced by a Haircut @ PL VAR. PL VAR is arrived from higher of VAR + ELM + ADHOC + Additional ad hoc haircut by PL depending on the market volatility and risk.

Securities as collateral is accepted only from the list of securities approved by NSE from time to time. Clients are required to maintain the collateral in the form of Securities collateral and Cash & Cash equivalent at 50:50 ratio. Higher Security ratio is permitted to specified large volume clients based on an approval process and at the sole discretion of PL.

Cash equivalents Collateral

Exchange gives a list of approved securities which forms the part of cash equivalents collateral. These instruments are generally Govt. Securities, Liquid ETF, Sovereign Gold Bonds etc. These are valued for collateral after the applicable haircut.

Required Margin on Orders/Trades

PL follows the order based margining system as practiced by BSE/NSE. Orders are accepted till the Required collateral is within available Margin.

- Available Limit = Cash collateral + Securities collateral after HC
- Required Margin (Cash segment) = Aggregate Margin applied on orders and trades at rates specified in the securities basket attached to a client

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- Required Margin (Derivative segment) = Aggregate Margin applied on orders and trades based on Exchange Margins including Initial Margin, Exposure margin, Premium margin and Special Margin.

Limits at Equity Segment of BSE/NSE

- 1) Limits will be given to clients where sufficient collateral is available against the upfront margin applicable.
- 2) Limits against the Cheque/Transfer of funds will be given after receipt of the clear credit. Limits against securities pledged by the client will be given only after the repledge of approved securities confirmed by clearing corporations.
- 3) Limit calculation will be as follows,
 - a. Haircut will be as per current system (PL Haircut)
 - b. T-1 day cash segment sell margin utilization values are adjusted against the available deposits on T-day
 - c. Approved Collateral Pledged stocks.
 - d. Credit for sale benefit will be given after adjusting PL Haircut
- 4) In MTF, upon sale of MTF collateral stocks credit for sale benefit will be given post stock haircut. Rest there is no change in MTF.
- 5) For Options buy limit will be on Cash credit balance only.
- 6) Booked Profits for the day will not be allowed to take fresh positions in Derivatives

Stock Category

Particulars	Margin Benefit	Sell Allowed	Credit For Sale	Haircut	CFS HAIRUCT
DP-POA/DDPI	NO	YES	YES	PL Haircut	Higher of PL haircut or 20%
DP-Non POA/DDPI	NO	YES	YES (E-DIS)	PL Haircut	Higher of PL haircut or 20%
BTST	NO	YES	NO	NA	NA
POA Pledged	YES	YES	NO	PL Haircut	Higher of PL haircut or 20%
CUSPA	NO	YSE	NO	NA	NA
MTF - Collateral	NO	YES	NO	NA	NA

Clients are allowed to place orders in Intra Day Product and Delivery Product. Sale in delivery product is permitted only from holdings uploaded for POA/DDPI registered clients and required margin will be zero on such sale. SecuritiesBasket is attached to each client to facilitate application of differential margin rates for Intra Day/Delivery Product. Basket contain all listed Securities classified into different categories and the following margin rates are generally applied in a Securities Basket

Intra-day positions are required to be squared up by client before the market close. If the margin applicable on net buy/sell position of a client at market close exceeds their available margin, PL reserves the right to suspend the client on next trading day and close extra positions without waiting for delivery of securities from client/ exchange. Any loss resulting from such action shall be fully borne by the client.

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PL reserve the right to disallow Intra Day Product, disallow trade in illiquid scrip/risky securities unless the purchase consideration is fully paid upfront and/or securities to be sold are fully delivered upfront and specify client-wise security-wise differential margin rates to product(s)

Intraday Time based Auto square off:

- In cash segment, order placed in **MIS product is termed as** intraday
- In Derivatives Segment, Order placed in **MIS product is termed as** intraday

Timer Based auto square off will be enabled for all clients for the order periodicity (Margin & Intraday) and the same will be squared off as per the timings defined.

Timer based Auto square off.

Sr. No.	Segment	Square-Off Mode Window*	System Auto Square-Off Time	Remarks
1	Futures & Options	3:12 PM – 3:15 PM	After 3:15 PM	All open intraday positions forcibly closed by system
2	Cash	3:12 PM – 3:15 PM	After 3:15 PM	Applicable for intraday MIS positions
3	Currency	4:42 PM – 4:45 PM	After 4:45 PM	Applicable for intraday MIS positions
4	Commodity	11:13 PM – 11:15 PM	After 11:15 PM	Applicable for intraday MIS positions

* Clients are only allowed to Square-off no fresh positions are allowed in MIS/Margin product. Scrips which are short in MIS product and are breaching 2% below the upper freeze limit will be auto squared off by RMS.

Conversion of Positions (Intraday to Delivery / Carry-Forward)

- Clients can convert position from Intraday Product to Delivery from their Trading application itself.
- Conversions of positions are allowed only before 3:15pm.
- Client should have sufficient margins to Convert Position from Intraday to Delivery / Carry Forward

Trading in illiquid Futures and Options Contracts

- In Index Futures & Options trading will not be allowed in far months (5th month onwards). In Index Futures and Options any exception will be Case to case basis.
- In Stock futures & Options trading will not be allowed in far months (3rd month onwards). Far Month (3rd Month) Stock Futures & options will be opened one week before Expiry of current month.
- Following options will be available for trading and any contracts not falling under the list below will be opened on request basis.
 - Current & Next Month Index Options:
 - 20% ITM (In the Money) both CE and PE
 - 20% OTM (Out of Money) both CE and PE
 - Stock Options:

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- Current & Next month CE and PE Only
- In case of commodities, option trading is allowed in the near month expiry contracts
 - 20% ITM (In the Money) both CE and PE
 - 20% OTM (Out of Money) both CE and PE
- Any additional contract is opened on case-to-case basis after checking the liquidity. In the far month contract the trading is opened with last one week of the expiry of the current month contract.

Trading in Banned symbol (MWPL scrips and contracts)

- Scrips which are in banned list are not allowed to take any fresh positions.
- Only square-off trades are allowed.

Delta monitoring for the Banned symbols.

Exchange has allowed trading in the banned symbols till 4th Span Snap for the day, subject to there is no increase in the open position (Delta). Any increase position will attract penalty. Accordingly, it is restricted in PL.

Physical Delivery Trading in Current Month Expiry Stock Futures and Options Contracts

Process to be followed by branch/ PP/ clients on expiry day in stock derivatives.

- 1) On the expiry day, only intraday trading is allowed in stock futures only for the current month expiring contracts.
- 2) Clients who intend to take physical delivery must maintain sufficient collateral for physical delivery margin 100% of the contract value.
- 3) Positions will be squared off at the PL discretion if the margins are not maintained. On the expiry day in the money and close to money positions are monitored and clients not having sufficient margin, positions will be squared off after 11:30 PM.
- 4) If the position is not squared off due to reasons such as liquidity constraints, options contracts turning in the money during the last moments or any other market related reasons. The cost and penalties arising from the physical delivery shall be borne by the client.

Limits for Currency Derivatives:

In case of currency segment limits are allowed for the customers who give the declaration with supporting documents justifying the underlying currency exposure.

Single Order Level Limits across segments: (General)

Particulars	Value Limit	Order Quantity	
Singe order Value (Cash)	10 Cr	1 Cr	
Singe order Value (FNO)	10 Cr	Instrument	Freeze Qty

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		NIFTY	1800 lots
		BANKNIFTY	600 lots
		FINNIFTY	1800 lots
		MIDCPNIFTY	2800 lots
		NIFTY NEXT 50	600 lots
		Stock F&O	As per underlying Stock
Singe order Value (Currency)	10 Cr	-	
Singe order Value (Commodity)*	10 Cr	It will be contract specific	
Pending Order Limit (All Seg.)	100 Cr	-	
Turnover Limit	1000 Cr	-	
MTF Exposure Limit	Max to Rs.2 Cr or as per the income declared (5 times the Income declared + Networth). To enhance MTF exposure limit Clients need to submit the latest income and Networth declaration.		

* Might change as per exchange minimum threshold criteria.

Order Slicing: Any orders above the freeze limits will be auto sliced and pushed into exchange with max of applicable freeze quantity for the respective contract.

Limits at Derivative segments of NSE

Clients are allowed to place orders in Intraday and Carry Forward Product. Intra-day positions are required to be squared up by client before the market close. Positions built up in carry forward product shall be carried forward to next trading day.

Combined Limit across BSE/NSE Equity and NSE Derivative Segments

PL permits combined limit across All segments for client Cash Margins atCash segment and Derivative segments and client to take positions at any desired segment subject to availability of collateral at client level.

Margin Calls

Cash Segment margin calls triggered when Adjusted debit to Securities Holding ratio reach 85%. Derivative margin calls triggered on margin shortage exceeding 10% of required margin.

Cash Ageing Debits – (POA / Non-POA Clients)

Sr. No.	Ageing Day	Rule / Process	Action / Impact
1	T+2 (SB Action)	If Non POA client overdue reaches T+2 day	No restriction on trading
2	T+3 (HO Action)	If Non POA client overdue reaches T+3 day	Client remains in Square-Off Mode across all exchanges . Post 9:30 AM the Ageing debit is cleared from RMS end. In case of receipt of funds the client is removed from Square-off mode manually.
3	T+4 (SB Action)	If POA/DDPI client overdue reaches T+4 day	No restriction on trading

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4	T+5 (HO Action)	If POA/DDPI client overdue reaches T+5 day	Client remains in Square-Off Mode across all exchanges . Post 9:30 AM the Ageing debit is cleared from RMS end. In case of receipt of funds the client is removed from Square-off mode manually.
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Invocation of Pledge:

Clients who have pledged shares from outside DP / Non-POA DP account for margin purpose and such clients are in debit for more than 5 days then to clear the debits such pledged shares will be Invoked by PL and shares/mutual funds will be sold to recover the debits. RMS confirms the invocation details to Settlement team with details of invocation.

MTM Loss monitoring across all segments (During Trading Hours)

Trigger / Threshold	Monitoring Level	Action Required
MTM loss 55 % and above	Real-time	Notification on the trading platform. On the MTM loss breach above 55%. Client intimated at every 10% interval
Client 80% MTM loss	Real-time	RMS to square-off position at 80%

Settlement of Funds/Securities

Funds / Securities Pay-in

- Funds/Securities Pay-in are to be settled by client as per deadline set by Exchange(s) Cash Segment funds/securities pay-in is due by T+1 day
- Derivative segments funds pay-in is due by T+1 day
- Funds pay-in is accepted from only from client's own Bank Accounts registered with PL. Securities pay-in is accepted only from client from their B.O. Accounts registered with PL. Short Deliveries shall result into Auction/Close-out
- Internal Short Deliveries at BSE is auctioned at BSE through Self Auction
- Internal Short Deliveries at NSE is closed out as per NSE formula.

Funds /Securities Pay-out

- PL settles pay-out as per SEBI guidelines
- Securities pay-out shall be transferred to client's B.O. A/c registered as default DP A/c with PL for the credit clients. However for the debit share are moved to client DP and are marked as CUSPA pledge.
- Direct Funds Pay-out to client can be made through fund transfer/RTGS/NEFT only.

Trail for Receipt of funds from clients

- SEBI has a mandate for money to be received by Broker from client's own bank account and sufficient trail of money to be obtained by Brokers for all receipts from clients.
- Clients Cheques to be deposited compulsory CMS collection except for Intra-bank fund transfers ATOM fund transfer recommended from client bank accounts enabled with third party validation. ATOM is an approved collection agent of PL for on-line fund transfer.
- For all receipts from clients where insufficient money trail is provided to PL by banks, credit will be given to client ledger only after getting the required supporting document from client.

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Penalties chargeable to client:

- Penalty on short sale charged by Stock Exchange(s) resulting in payin shortage.
- Penalty on Client Code Modifications charged by Stock Exchange(s) Penalty on Derivative Margin Shortages charged by Stock Exchange(s).
- Penalty for dishonor of cheque charges.
- Penalty for Delayed Funds Pay-in charged by PL not more than @ 2% Per month on dues across all segments.
- Margin shortfall arising out of increase of margin on account of change in hedge position by client/expiry of some leg(s) of the hedged positions of the clients.

Procedure for withholding securities against client over dues.

Securities to be withheld by PL HO at the higher of the following:

- Security Gross Value up to 175% of overdue will be held in CUSPA.
- Security after VAR Haircut up to the Overdue.
- Overdue to include ledger debit, clear/unsettled naked losses at Cash/Derivative segments.
- Cheque in Transit shall not be considered for computation of overdue
- Securities with lower VAR shall be retained first at HO against Overdue
- Excess securities withheld shall be released to client during daily securities pay-out session

Suspension of Trade Permission

Trading Permission shall be suspended due to reasons including the following:

- Request from client for a Temporary Freeze
- Client failure to meet margin/funds obligations
- Suspected unfair practices by client including money laundering SEBI Investigation/Indictment of client
- Intimation for regulators instructing for blocking the account.
- Client KRA has not complied.
- Client request to suspend the trading against the voluntary request.
- Closure of client account due to various reasons including death

Recovery of Overdue

Sale of Securities against Unpaid Dues at cash segment

- SMS alert shall be sent to Clients having mobile number for overdue beyond T+2. Recovery Sale to include withheld securities in CUSA.
- Recovery Sale shall be done at PL HO after providing one day opportunity to Client for sale through Dealer/ Branch/SB/AP
- Normal Recovery Sale scheduled on T+6 day based on overdue.
- MTM Recovery Sale scheduled on T+3 day for clients where ratio of Adjusted Debit to Security Holding Value exceeded 90%
- Recovery Sale to be done through bulk uploads of orders around 9.30 a.m.
- Clients eligible for exchange switching shall be activated after recovery sale to enable them to buy back the security at the other Exchange. Buy back shall be disallowed to clients where ratio of Adjusted

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Debit to Security Holding Value exceeded 90%

- PL shall not be liable for losses on account of delayed sale of securities for any reason including lower circuit filter and/or illiquid counter

Close out of Derivative Open positions/ Sale of Securities Margin

- Daily margin sent to the client will have the details of shortfall margin, outstanding debits due by the client. Clients are required to pay the shortfalls before the next trading day failing which client positions will be squared off to recover the shortfall.
- Margin calls shall be sent to clients by mail and/or SMS demanding payment of Margin/Mark To Market losses/Premium overdue and client shall be placed under Square-up Mode.
- Open positions of clients to be closed out on client failure to pay the overdue despite margin calls made.
- If the overdue is purely on account of MTM/Premium shortfall, PL may exercise its discretion to close positions and/or sell derivative Securities Margin.
- Positions may be fully closed-out where ratio of adjusted Debit to Security Holding Value exceeded 90% or on persistent failure of client to clear MTM losses
- Any residual shortfall to be met by sale of client securities margin at cash segment

Framework for Short Selling:

All clients are required to be guided by the SEBI circular which informs that "Short selling" shall be defined as selling a stock which the seller does not own at the time of trade. Naked short selling shall not be permitted in the Indian securities market and accordingly, all investors would be required to mandatorily honor their obligation of delivering the securities at the time of settlement. The institutional investors shall disclose upfront at the time of placement of order whether the transaction is a short sale.

Retail investors are required to make the mandatory disclosure by the end of the trading hours on the transaction day, whether any particular transaction is a short sale. Towards the same, the client is required to mandatorily provide the details basis scrip-wise short sell positions to the designated dealer / designated customer service desk number 1860 210 2222.

Kindly note that in case of failure to disclose the same, PLPL shall not be able to report the same to the Exchanges. It may be noted that deterrent provisions / appropriate action may be taken for failure to deliver securities at the time of settlement.

If dues are not cleared, recovery process shall be initiated against client as per rules. PL shall reserve the right to revise the above policy through appropriate additions, deletions and/or modifications and client is requested to keep updated with the latest policy published at www.plindia.com

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