

MATHRAN SECURITIES PRIVATE LIMITED

Policy on Risk Management

Policy created by : Risk Management staff	Policy created on : 26/09/2011
Policy reviewed by : Compliance Head	Policy reviewed on : 01/04/2024
Policy approved by : Board of Directors	Policy approved on : 10/04/2024
Periodicity of Review periodicity : Yearly / SOS	
Version number : V2024.01	Effective date of implementation : 10/04/2024
Officer responsible for implementation :	Mr. Arijit Chandra, Compliance Officer

1. Background

The primary objective of this policy is to safeguard the integrity of the capital market and the financial health of the firm by identifying, monitoring, and mitigating risks associated with trading activities. This policy applies to all segments

2. Client Registration and Categorization

- **KYC Compliance:** No trading account shall be opened without a valid PAN, verified KYC documents, and In-Person Verification (IPV).
- **Financial Assessment:** Assessment of the client's financial capability is mandatory for the Derivatives segment as per SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2019/139.
- **Classification:** Clients are categorized based on risk profiles (Low, Medium, and High) determined by income, trading experience, and occupation.

3. Margin Management & Collateral

- **Upfront Margin:** As per SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2020/146, 100% upfront margin (VaR+ELM) is mandatory in the Cash segment. In Derivatives, Initial Margin (IM) and Exposure Margin must be collected before trade execution.
- **Forms of Collateral:** Only approved securities with applicable haircuts (as defined by NSE/NCL) will be accepted. Cash-to-Collateral ratios must be maintained at 50:50.
- **Pledge/Re-pledge:** Use of client securities for margin shall only be via the "Margin Pledge" mechanism to the Clearing Corporation.

4. Risk Filters (Pre-Trade Checks)

To prevent "fat-finger" errors and systemic risk, the following limits are configured in the trading system:

- **Quantity Limit:** Maximum order quantity per order.
- **Value Limit:** Maximum value per order.
- **Price Band:** Orders outside the exchange-defined price bands/circuits will be rejected.

- **Market Price Protection:** Limits on market orders to prevent execution at freak prices.

5. Monitoring and Square-off (Post-Trade)

- **M2M Monitoring:** Real-time monitoring of Mark-to-Market (M2M) losses.
- **Liquidation Policy:** If M2M losses erode 80% of the available margin, the RMS desk reserves the right to square off open positions without prior notice to the client.
- **Ageing Debts:** Client debits must be cleared within T+2 working days. Failing this, collateral securities may be liquidated to recover dues.

6. Shortage and Penalty

- **Margin Shortfall:** Any shortfall in margin (Initial or M2M) will attract penalties as prescribed by the Exchange.
- **Reporting:** Margin shortages will be reported to the Exchange daily as per SEBI/HO/MIRSD/DOP/CIR/P/2021/598. Penalties levied by the exchange will be passed on to the respective clients.

Operations and Compliance Requirements

1. Requirements of NSE/SEB1 should be complied with.
2. All circulars should be regularly downloaded and studied and acted upon.
3. Compliance officer should periodically verify that the workings are in accordance with the adopted procedure.

Reporting Process

Department Head/ Compliance officer are advised to update the modified cases report to the Board / Management on the implementation of the said policy periodically.

Approval Authority

This policy is approved by the Board.

Review Policy

This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs.

The policy may be reviewed by the Managing Director/CEO and place the changes in policy before the Board at the meeting first held after such changes are introduced.

Policy communication

A copy of this policy shall be made available to all the relevant staff such as dealers, Branch In charge, Compliance Officer, Sub-brokers and Authorized Persons

This Policy is prepared as required by

1. NSE Circular being No. NSE/CMPT/6122 dated 09.05.2005 (Circular Copy)
2. SEBI Circular No. SEBI/MRD/DoP/SE/Cir-07/2005 dated 23.02.2005