



Risk Management Policy

Matalia Stock Broking Pvt Ltd. (MSBPL) IS MATALIA GROUP'S flagship company established in 2004 providing security broking and financial services to its clients. MSBPL has uncompromising risk management system and high compliance standards to ensure client's investment safety and security with maximum transparency.

MSBPL has built efficient risk control parameters for exposure, mark to market, and turnover limits to attain the objective of handling Trade as well as Non-trade Risks. This has enabled us to become one of the most trusted financial services providers.

Risk Management is an integral part of any organization. An organization in stock broking services need to manage risk like credit Risk, Market Risk, default Risk and liquidity Risk. In Securities Market, clients 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. With a view to enhance customer knowledge and safeguarding investor interests, MSBPL has devised a comprehensive Risk Management & Surveillance (RMS) Policy to make sure that clients are aware of criteria based on which MSBPL monitors risk and initiates actions to safeguard the interest. The parameters of RMS Policy are mentioned below:

1. Setting up Clients Exposure Limit:

Cash Segment:

In securities market, an exposure constitutes both, a purchase and sale transactions of shares and securities. A purchase transaction includes buying of securities and it remains as Exposure till client gives full payment for the shares bought. A sale involves a share delivery obligation to the Exchange and it remains an Exposure till the client delivers the shares. Exposure will mean the aggregate of the outstanding purchases and sale.

Exposure limit of the client will be set on the basis of available margin as defined below. The limits may be allowed on a multiplier basis to the available margin depending on the market conditions and the risk perception about the market/client. However, MSBPL may use its own discretion at any time in providing the limits and may change for a particular client or for all clients on the basis of risk perception and any other factors considered relevant.

Margin constitutes of Party Ledger + Collateral Stocks (Stocks given to MSBPL as Margin) + the stocks withheld in CUSA (Client unpaid securities Account) + Outstanding Stocks (Stocks yet to be received from Exchange) – 130% Short-sale (Stocks sold but not delivered to broker for pay-in within due date) + Value of Stocks held in Demat Account with MSBPL (where Power of Attorney is given to MSBPL). Stocks here mean the value of securities after haircut.

All stocks are valued after applicable hair cut as applied by MSBPL. MSBPL will apply the exchange prescribed haircut or 30% haircut whichever is higher and net value of securities will be considered as collateral after hair-cut. The Exposure in Cash Segment will be set around 8 times of available margin. MSBPL applies exchange prescribed margin or any specific scrip wise margin that attracts higher margin due to liquidity. MSBPL at its sole discretion may revise the exposure limit and/or the percentage of haircut on the basis of risk perception or any other factor considered relevant. Client can utilize the margin across all the segments of all the exchanges and the margin unutilized can be used for fresh positions in any of the segments.

F & O and Currency Derivatives Segment:

Trading Limits will be allowed on the basis of available margin or any other margin as specified by exchange. Margin will be collected as per the requirement of the Exchange. i.e. Total Margin comprises of SPAN Margin + Exposure Margin + Special Margin (if any made applicable by the Exchange). MSBPL may collect additional margin on the basis of risk perception or any other factor considered relevant.

Only approved list of stocks as per exchange guidelines for Margin will be accepted after applying the exchange prescribed haircut or 30% haircut whichever is higher and net value of securities will be considered as collateral after hair-cut. MSBPL at its sole discretion may revise the approved list of stock and percentage of haircut as it deems fit from time to time.

Scrip wise Exposure Limits:

Cash Segment:

To keep in mind the surveillance measures and also to stop unusual activities in illiquid stocks, scrip wise limits will be set on the basis of following parameters at MSBPL level

Scrip Group	Available Buying Limit	Available Selling Limit
A Group	Limit applicable as per the available margin.	Limit applicable as per the available margin.
All scrips where F & O trades are allowed	Limit applicable as per the available margin.	Limit applicable as per the available margin.
Illiquid Scrip	Limit is restricted to the 12.50 % of the Exchange Volume on T-1 day	Limit is restricted to the 12.50 % of the Exchange Volume on T-1 day
Graded Surveillance Measure (GSM Group Scrip)	Zero Buying Limit	Zero Selling Limit
Additional Surveillance Measure (ASM Group Scrip)	Buying allowed with 100 % VaR margin	Selling allowed with 100 % VaR margin

- The scrip on which unsolicited news circulations are taking place may be banned for any kind of transactions.

2. Handling of Securities for the Customers:

MSBPL as per SEBI Circular CIR/HO/MIRSD/ DOP/CIR/P/2019/75 dated 20th June 2019 shall transfer the securities in to CUSA (Client unpaid securities account) up to extend of outstanding debit obligations.

Customers where POA is given in favour of MSBPL, MSBPL may transfer the securities purchased by its Customers to their DP on the payout date irrespective of their outstanding debit obligations.

3. Right to sell clients' securities or close clients' positions on account of non-payment of dues:

It is client's obligation to settle the dues on T+2 days (T indicates Trading day). In case the client falls short of providing clear funds on or before 3rd trading day of pay-in/pay-out day or due date in case for F&O and CDS segments, whichever is earlier, MSBPL has the right to close the positions/sell the clients securities within 5 trading days from the pay-in/pay-out day to the extent of ledger debits. In case client has outstanding debits and/or margin shortfall and/or client wants further exposure, then MSBPL may pull the customer securities from their demat accounts where POA is given in favour of MSBPL. Securities retained in the client collateral account shall be settled to the client in the same periodicity as consented by the client for the settlement of fund. MSBPL at its sole discretion may hold the debits beyond T+2+5 days and liquidate the customer securities from the collateral account on the basis of net risk position of the client where POA is given in favour of MSBPL. MSBPL may liquidate the client positions in case of shortfall in margin obligation with or without giving prior notice to client.

Liquidation /Close out of Client Position

With reference to the SEBI Circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated 20th June 2019, MSBPL may liquidate the clients' position within 5 trading days from the date of pay-in/pay-out day if the clear funds are not received before 3rd trading day of pay-in/pay-out day against the outstanding debit obligations (Ledger debit). For example, if

the buying position in equity segment is taken on Monday where the pay-in settlement is on Wednesday (T+2 day) and if the clear fund is not received by Monday (T+2+3) then MSBPL may liquidate client securities before Wednesday (T+2+5). For security margin accounts (i.e. POA accounts) MSBPL at its sole discretion may hold the debit beyond T+2+5 days and liquidate the securities from the collateral account on the basis of its net risk position. However, MSBPL will not allow further exposure beyond timeline prescribed as per SEBI circular.

MSBPL at its sole discretion may not liquidate the securities and/or allow exposure where there are no dues outstanding against the settlement obligations of its clients and such debits may arise because of charges against brokerages, value added services, delayed payment charges and any other charges as applicable.

MSBPL may liquidate the securities by prioritising on the basis of low VAR (Value at risk) margin and/or the available value of the scrips for the customers where POA is given in favour of MSBPL and for other customers the securities will be liquidated on the basis of FIFO (First in First Out) from CUSA (Client unpaid securities) account. However in case, the securities are not sold on FIFO logic due to any legitimate reasons like low liquidity or lower circuit or any other reason, then MSBPL may liquidate other securities to clear the outstanding debits. 3% additional amount of the stocks are marked on outstanding debit obligations for liquidation of the securities. MSBPL may change the formulas base on market conditions, if needed and inform the client by possible mode of communication as mentioned in this policy.

MSBPL shall not allow further exposure if client ledger debit is not cleared on or before T+2+5 days and delayed payment charges up to 18% per annum exclusive of statutory levies as may be charged on actual debit balance of the Client.

MSBPL may priorities the low VAR scrips in client collateral account for liquidation and then the leftover debits may be recovered from the clients demat account where a POA is issued in favour of MSBPL. For more than one scrip having same VAR margin the scrip with highest closing price on T-1 day may be selected first for liquidation.

MSBPL may liquidate the client position in future and option segment in case of the mark to market (MTM) loss and/or margin shortfall and MSBPL may also recover losses from sale of collaterals as provided by the client.

MSBPL may at its sole discretion revise the procedure without giving any reason and inform the clients by possible mode of communication.

4. Other Surveillance Actions:

i) Refusal of order for penny stocks / illiquid contracts:

MSBPL may refuse or restrict a client in placing the order in certain securities depending on various conditions like volume / value / part of illiquid scrip's / Z group of securities although a client may have credit balance or sufficient margin in the trading account. However MSBPL under exceptional circumstances may execute clients order. MSBPL has the discretion to reject execution of such orders based on its risk perception.

In case of F & O segment, MSBPL may refuse or restrict the Client in placing the order for far month Future & Option contracts.

ii) Regulatory conditions under which a client may not be allowed to take further position or MSBPL may close the existing position of the client:

In case overall position in a scrip / derivatives contract has reached the Regulators prescribed or any limit set by MSBPL / Exchange limit / Market wide open interest limit / Client level limit, then client may not be allowed to take further positions, till such time Regulators prescribed limit comes down to create a new position.

Further MSBPL may close the existing position of a client to the extent of debit balances to release the margin from the Exchange. In case if MSBPL has sufficient margin cover on behalf of its clients, it may still decide based on the

market conditions and risk perception not to allow further position or may close the existing position of a client.

iii) PMLA Guidelines:

Client will be categorized as High, Medium and Low risk customer as per their risk appetite and their current profile as mentioned in Know your client form (KYC). The same will be reviewed at regular intervals as per PMLA Policy of MSBPL.

Exposure to client may also be governed by customer profiling mentioned above from time to time. Client needs to furnish their income details on yearly basis. Following documents will be accepted as income proof

- Copy of ITR Acknowledgement
- Copy of Annual Accounts
- Salary slip or Copy of Form 16 in case of salary income
- Net worth certificate
- Bank account statement for last 6 months
- Copy of demat account Holding statement.
- Any other relevant documents substantiating ownership of assets.

If there is a major disparity between financial details and trading volumes, client may be asked to furnish suitable explanation and based on the same further trading limits will be sanctioned.

iv) Suspension of Clients:

MSBPL may withhold the payout of client and suspend his trading account due to any internal surveillance (if client indulges into manipulative trade practice) / regulatory orders (debaring orders) / etc.

v) In case the Client has created any position in banned scrip, penalty as levied by stock exchanges shall be levied to the client.

5. Quarterly / Monthly Settlement

The Client may authorize MSBPL to maintain a running account for the settlement of funds. The actual settlement of funds shall be done by MSBPL, at least once in a quarter or month, depending on the preference given by the Client. On the date of settlement, MSBPL may retain the requisite securities/funds towards outstanding obligations and may also retain the funds expected to be required to meet the derivative margin obligations, calculated in the manner specified by the exchanges. Further where the client has not opted for running account settlement of funds, then securities, in excess of the margin obligation, if any, shall be immediately be released to the client.

6. Communication

As per Regulatory requirements we send Statement of Accounts of Funds and Securities, Collateral Statement, DP Statements, contract Notes Daily Margin Statements etc. Client can view these statements also through his secured login on MSBPL website. The client has to be aware about his position, outstanding balance and Risk. MSBPL is under no legal obligation to send any separate communication but as a customer centric company and as a courtesy we may take extra efforts to ensure that client is well informed about the Risk and the possible actions.

7. System/Network Risk:

High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation.

- a. During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delay in order execution and its confirmations.
- b. Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / derivatives contract due to any action on account of unusual trading activity or security / derivatives contract hitting circuit filters or for any other reason.

- c. Trading on exchanges is in electronic mode, based on satellite/leased line based communications, Combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions.

8. Disclaimer

MSBPL has a discretion to alter/change any of exposure limit and/or liquidation/close out parameter defined in this policy on the basis of prevailing market conditions and/or any risk perception with or without prior intimation and can use their discretion to grant any kind of exemption/permission in case they deem fit on case to case basis. In the time of extreme volatility or major impeding event which might trigger such volatility, MSBPL reserves right to withdraw the same. The company may modify or amend any of these rules without prior notice.