

RISK POLICY FOR MARGIN TRADING FACILITY

I. INTRODUCTION

IDBI Capital Markets & Securities Limited (“IDBI Capital”) is registered as a Stock Broker with NSE and BSE. SEBI vide circular ref. no. CIR/MRD/DP/54/2017 dated June 13, 2017 has provided a comprehensive framework for stock brokers wishing to provide Margin Trading Facility.

The Board Directors of the Company at their 113th meeting held on August 10, 2018 had accorded their approval to apply to NSE and BSE for seeking approval for provision of Margin Trading Facility to its Stock Broking clients. Pursuant to application made to BSE and NSE, IDBI Capital has received approval from NSE on October 3, 2018 and from BSE on November 29, 2018 to provide Margin Trading Facility to its clients.

This Policy has been framed to outline the Risk Containment Measures governing the Margin Trading Facility provided by IDBI Capital to its Stock Broking clients.

II. DEFINITIONS

“**Margin Trading Facility/MTF**” is a facility offered by IDBI Capital which allows the Client to take positions by providing prescribed margin and the balance amount is funded by IDBI Capital to meet pay-in obligations of the Client. The Client can later take delivery either by making the necessary funds settlement or square off of such positions

“**Client**” shall mean a customer of IDBI Capital who has executed the documents required for opening of trading account with IDBI Capital and who has opted for the Margin Trading Facility having accepted the Terms and Conditions thereto and is aware of the Rights & Obligations with regard to the provision of the said facility.

III. MARGIN REQUIREMENT

- a. Initial margin shall be collected upfront from all clients availing of the margin trading facility through IDBI Capital.
- b. Minimum initial margin as specified by SEBI shall be as follows:

Category of Stock	Applicable margin
Group I stocks available for trading in the F & O Segment	VaR + 3 times of applicable ELM*
Group I stocks other than F&O stocks	VaR + 5 times of applicable ELM*

*For aforesaid purpose the applicable VaR and ELM shall be as in the cash segment for a particular stock as notified by the Exchanges from time to time.

- c. The Risk Management Team with approvals from the Risk Management Committee of the Company may from time to time specify higher initial margins than that specified above.
- d. The initial margin payable by the client to IDBI Capital for Margin Trading Facility shall be in the form of cash, cash equivalent or Group I equity shares, with appropriate hair cut as specified in the Regulators from time to time. Such haircut at the discretion of the RMS Team having regard to market conditions, nature of stock etc., may exceed that specified by the Regulators from time to time.
- e. Collateral
 - i. Margin for MTF may be accepted in the form of Group I equity shares, with appropriate hair cut as specified by Regulators from time to time. The RMS Team may from the universe of Group I equity shares permit only liquid stocks as specified by the Exchanges from time to time to be accepted as collateral.
 - ii. The stocks deposited as collateral with IDBI Capital for availing margin trading facility (Collaterals) and the stocks purchased under the margin trading facility (Funded stocks) shall be identifiable separately and no comingling shall be permitted for the purpose of computing funding amount
 - iii. Collateral and Funded stocks shall be marked to market on a daily basis
 - iv. In case of increase in the value of Collaterals, IDBI Capital shall have the option of granting further exposure to their clients subject to applicable haircuts;

Such further exposure can be granted by the RMS Team having due regard to market conditions, risk assessment of the client, funded stocks etc.
 - v. However, no such exposure shall be permitted on the increased value of Funded stocks.
- f. RMS Team shall ensure maintenance of the aforesaid margin at all times during the period that the margin trading facility is being availed by the client
- g. In case of short fall, RMS Team shall make necessary margin calls.

IV. TREATMENT OF DEFAULT OF MARGIN REQUIREMENTS

RMS Team shall have the discretion to liquidate the collaterals/positions of the client in the event of shortfall of margin depending on the security and market volatility as it deems fit at its sole discretion as necessary for risk mitigation

V. LEVERAGE AND EXPOSURE LIMITS

- a. At any point of time, the total indebtedness of IDBI Capital shall not exceed 5 times of its net worth, calculated in the manner specified by SEBI from time to time.
- b. The maximum allowable exposure of IDBI Capital towards the margin trading facility shall be within the prudential limits specified by the RMS Committee of the Company from time to time and shall not, in any case, exceed the borrowed funds and 50% of net worth of IDBI Capital calculated as specified in sub clause (a) of this clause.
- c. While providing the margin trading facility, RMS Team shall ensure that:
 - i. exposure to any single client at any point of time shall not exceed 10% of IDBI Capital's maximum allowable exposure, as specified in para b above.
 - ii. exposure towards stocks purchased under margin trading facility and collateral kept in the form of stocks are well diversified.

VI. REVIEW OF THE POLICY

This Policy shall be reviewed annually and updated periodically to incorporate the changes if any made by SEBI, Exchange or any other regulators or to incorporate the changes necessitated due to changes in the market condition or to strengthen the internal control or for such other reason as deemed fit.
