



GEOJIT INVESTMENTS LIMITED

## RISK MANAGEMENT AND EXPOSURE POLICY FOR MARGIN TRADING FACILITY (MTF)

### Document Information

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## TABLE OF CONTENTS

SL. NO	PARTICUALRS	PAGE. NO
1	INTRODUCTION	3
2	DEFINITION	3
3	OBJECTIVES	3
4	SCOPE	3
5	RISK MANAGEMENT FRAMEWORK	4
6	MARGIN REQUIREMENTS	4
7	MARGIN CALL	4
8	MARK-TO-MARKET (MTM) LOSS	4
9	ELIGIBLE SECURITIES FOR MARGIN TRADING	5
10	PLEDGE REQUIREMENTS	5
11	COMPLIANCE & REGULATORY ADHERENCE	5
12	COLLATERAL MANAGEMENT & EXPOSURE POLICY	6
13	REVIEW OF THE POLICY	6

## 1. Introduction

Geojit Investments Ltd (hereinafter referred to as GIL) is a SEBI registered stockbroker operating in compliance with the guidelines prescribed by SEBI, Stock Exchanges, Clearing Corporations, and other competent authorities.

GIL is committed to maintaining a robust Risk Management System (RMS) that aligns with regulatory requirements and industry best practices. This policy outlines the risk management measures specific to Margin Trading Facility (MTF), ensuring that risks are effectively identified, assessed, and mitigated.

## 2. Definition

**Margin Trading Facility (MTF):** In terms of SEBI/Exchange guidelines, only corporate stockbrokers with a net worth of at least three crores shall be eligible to offer margin trading facility to their clients. Accordingly, GIL offer MTF facility that allows clients to take positions by providing a prescribed margin, with the remaining amount funded by GIL to meet the client's pay-in obligations. The client can later either settle the amount or square off the position.

**Client:** A customer of GIL who has opened a trading account with GIL and has opted for the MTF by accepting its terms and conditions, including their rights and obligations.

## 3. Objectives of the Risk Management and Exposure Policy

This policy is designed to:

- Ensure compliance with regulatory guidelines and industry norms.
- Establish a structured approach to risk identification and mitigation.
- Define the exposure limits under MTF.

## 4. Scope

- This policy applies to all MTF-registered clients of GIL.
- Any aspect not explicitly covered in this policy shall be governed by the Rights and Obligations document and the Standard Operating Procedures of GIL specified by SEBI/Exchanges from time to time.

## 5. Risk Management Framework

## **5.1 Risk Monitoring and Reporting**

GIL implements robust operational risk management practices, including:

- Real-time monitoring of open positions.
- Regular checking testing and evaluation of maintenance margin.

## **6. Margin Requirements**

### **6.1 Initial Margin & Maintenance Margin**

- Clients availing MTF must maintain margins as per GIL 's valuation or the Exchange's MTF circular—whichever is higher.
- Higher margin requirements may be imposed during periods of high market volatility.
- Exposure in MTF and margin against collaterals may be restricted at GIL 's discretion.

### **6.2 Margin Collection**

The initial margin payable by the client to GIL for Margin Trading Facility shall be in the form of cash, cash equivalent or Group I equity shares (a list published by stock exchanges / clearing corporations periodically) by way of Margin pledge as applicable , with appropriate hair cut as specified by the Regulators from to time or GIL 's haircut valuation whichever is higher

- The initial margin must be collected upfront from all clients.
- The minimum maintenance margin inclusive of any MTM loss to be collected, as specified by SEBI periodically or GIL whichever is higher,

## **7. Margin Calls and Liquidation**

- Clients must meet margin calls as per agreed liquidation terms, not exceeding 5 working days.
- If the margin call is not complied, the broker shall liquidate securities.

## **8. Mark-to-Market (MTM) Loss**

- MTF positions will be marked-to-market on real-time basis.
- If MTM losses exceed the permissible limits, the position and the collaterals will be squared off at prevailing market rates.

## **9. Eligible Securities for Margin Trading**

- Only Group 1 category stocks (a list published by exchange periodically), as specified by exchanges, are eligible.
- GIL may exclude certain stocks based on risk analysis, exchange surveillance alerts, or trading suspension of securities.
- Positions must be fully liquidated within 30 days if stocks are transferred to Trade-for-Trade segment/excluded from Group 1 category stocks (a list published by exchange periodically).

## 10. Pledge Requirements

- All funded stocks under MTF will be auto pledged in favour of GIL 's MTF pledgee account as per regulatory guidelines.
- If auto-pledging fails, clients must manually accept the pledge via OTP.
- Non-acceptance of the pledge may result in conversion to unpaid securities, which may be squared off.

## 11. Collateral Management and Exposure Policy

### 11.1 Collateral Management

The Collateral from clients to GIL for Margin Trading Facility shall be in the form of cash, cash equivalent or Group I equity shares (a list published by stock exchanges / clearing corporations periodically) by way of Margin pledge as applicable, with appropriate hair cut as specified by the Regulators from to time or GIL's haircut valuation whichever is higher

- Only liquid stocks in Group 1 category stocks (a list published by exchange periodically), as determined by GIL, will be accepted as collateral.
- Collateral and funded stocks will be marked to market (MTM) on real time basis.

**11.2 Exposure Policy:** This policy has been formulated in accordance with SEBI Circular No. CIR/MRD/DP/54/2017 dated June 13, 2017)

- No exposure shall be permitted on the increased value of funded stocks.
- If the value of collaterals increases, further exposure may be granted after risk assessment.
- Indebtedness of GIL shall not exceed 5 times its net worth, as per SEBI guidelines.
- The "total exposure" of GIL towards MTF shall not exceed the borrowed funds and 50% of its net worth
- Maximum allowable exposure to the clients shall be within prudential limits set by GIL 's Risk Management and Settlement Committee subject to regulatory guidelines.

### 11.3 Diversification Rules:

- For F&O Group 1 category stocks (a list published by exchange periodically), no single stock should exceed 10% of a client's total exposure.
- For non-F&O Group 1 category stocks (a list published by exchange periodically), no single stock should exceed 5% of a client's total exposure.
- GIL shall ensure that the exposure given as here in above to a single client does not exceed 10% of its' "total exposure".
- MTF and collateral kept in the form of stocks needs to be well diversified.
- GIL shall list out conditions in which the exposures will be given to the clients in the 'Rights and Obligations Document as per this Policy

## **12. Compliance & Regulatory Adherence**

- The policy will comply with SEBI and Stock Exchange guidelines.
- Reports will be submitted to regulatory authorities as required.
- The policy will be updated periodically to reflect regulatory changes.

## **13. Review of the Policy**

This policy will be reviewed annually and updated based on changes in:

- Regulatory guidelines (SEBI, Exchange, or other regulators).
- Market conditions or internal risk assessments.