



GEOJIT INVESTMENTS LIMITED.

RISK MANAGEMENT AND SETTLEMENT

Document Information

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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.

At GIL, we are committed to maintaining a robust Risk Management System (RMS) that aligns with regulatory requirements and industry best practices. This policy outlines the framework for identifying, assessing, and mitigating risk to ensure, stability and efficiency of our stock broking activities.

2. SCOPE

This policy applies to all registered clients of GIL and governs risk management aspect. 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 and relevant Exchanges from time to time.

- This document outlines the norms applicable to Risk Management, including
- Determination of Initial Buying power (IBP)
- Exposure setting and leveraging norms for IBP
- Collection & reporting of margin
- Closing out of positions among other risk related aspects.

3. RISK MANAGEMENT FRAMEWORK

➤ *Margins, Risk Monitoring and Reporting*

GIL implements robust operational risk management practices, including:

- ❖ Real-time monitoring of open positions.
- ❖ Regular checking and evaluation

➤ *Margin Requirements*

Initial Margin & Maintenance Margin

- ❖ Clients who are trading must maintain margins as per GIL 's valuation or the Exchange's guidelines whichever is higher.
- ❖ Higher margin requirements may be imposed during periods of high market volatility.
- ❖ Leverage and Collateral restrictions: GIL has the discretion to restrict exposure in leveraged products and limit the margin available against collateral depending on risk conditions.

4. COLLECTION OF MARGINS

GIL collects all margins as defined by SEBI and relevant Exchanges, including Initial margin, Mark-to-Mark Margin, Exposure margin, Pre-expiry margin, Tender period or delivery period margin, Additional margin and Special margin or any other margin specified by Exchanges/Regulator from time to time. GIL reserves the right to call for a higher percentage of margins from the client than stipulated by the Exchanges/Regulator, depending on risk assessment or Surveillance parameters or market volatility.

Forms of Margin Collection

All margins are collected in the form of Funds and collaterals. Funds are collected by way of Account payee cheque (clearance required within 5days)/NEFT / RTGS / IMPS etc.

Collaterals can be in the form of pledged securities under Margin pledge/ Re pledge (MPR) framework, and any other form decided by GIL subject to guidelines from Regulator/Exchanges from time to time. The threshold limit, fund to collateral ratio and haircut applied to each form of collateral are at GIL's discretion or limit set by Exchanges, Clearing Corporations and Regulators whichever is higher.

In case of MTF, if the equity shares under Group 1 category (a list published by exchange periodically) moved to another group, the pledged securities should be replaced with another form of eligible collateral viz. cash, cash equivalent or Group-1 equity shares, with appropriate haircut

The Acceptance & Approval of certain collaterals are subject to the sole discretion of GIL and will be evaluated on a case to case -to-case basis.

5. REPORTING OF CLIENT'S MARGINS TO EXCHANGES & PENALTY FOR MARGIN VIOLATIONS

Margin collection & reporting to Exchanges/Clearing Corporations will be carried out as per the regulatory guidelines issued by SEBI/Exchanges & Clearing Corporations. In case of open positions at multiple Exchanges/Segments, GIL can apportion the available funds and collaterals on its desecration and practice. As per the regulatory norms, applicable penalties on instances of margin shortages will be debited to clients' ledger with applicable tax rates subject to regulatory guidelines from time to time

As per regulatory guidelines, actual penalties for short collection/non-collection of margins other than "upfront margins" such as consolidated crystallized obligation, Delivery margins, other margins (Mark-to-market & additional margins) may be passed on to client accounts.

Further, with effect from 1st Nov 2024 that the penalty levied by clearing corporations for short/non-collection of upfront margins will be passed on to client if short/non collection of upfront margins is on account of following reasons attributable to client:

- I. Cheque issued by client to member is dishonoured.
- II. Increase in margins on account of change in hedge position by client/ expiry of some leg(s) of the hedge positions of the clients

The potential situations resulting in a hedge break / loss of cross margin benefits due to square off transactions executed by the clients, expiry of some leg(s) of the hedge positions of the clients. In such scenarios, higher margin obligation will be incurred on the open positions of the client.

6. EXPOSURE SETTING

This document outlines the exposure setting for clients trading with GIL. GIL has absolute discretion in setting the exposure limit of a client. Exposure varies from time to time and it is depending upon the net cash & collateral available in a client's trading account. At any point in time, the margin prescribed for any product/segment shall not be lower than the minimum margin stipulated by the Regulator/Exchanges from time to time.

GIL reserves the right to withdraw the exposure limit of a client at any point of time, without any further notice, if there are any dues/margin shortages in the client's account or based on Market conditions or internal policies of GIL.

During the day Fund Transfers and collateral pledge under Margin Pledge and Repledge (MPR) framework will be updated on a Realtime basis. In case of Cheques, exposure will be updated subject to clearance/ internal approval.

Squaring off trades in F&O, selling of unsettled positions in "cash product" and the shares lying in client's beneficiary account of GIL DP/B2B with delivery POA/e-DIS/DDPI/Blocked Mechanism can be effected without any additional exposure.

100% credit balance is required in the trading account for trading in Trade-to-Trade scrips and other select stocks.

GIL has the absolute discretion to set Margin requirement limits for every trade. Margin requirements are set based on our Risk and Settlement policy and Market conditions.

For trades in Equity segment, Margin varies based on security and is made available on the Trading platform.

For trades in the Derivative segment, Upfront Margin is calculated based on SPAN + Exposure margin, Additional margin, Delivery Margin and any other margin as stipulated by the Exchanges.

GIL reserves the right to block trades in any securities/ contracts, based on risk assessment or Surveillance parameters of GIL/Exchanges/Regulator or on PMLA guidelines, though such client position may be within Exchange position limits.

Single Order Value Limit for Cash market segment is Rs.50 Lakh and for Derivative segment is Rs.5 Crores or decided by management from time to time subject to Quantity limit/value limit specified by the Exchange. Any change for this value will be made as per Credit Policy of GIL subject to restrictions of Exchanges/Regulator.

In MTF, clients can hold Group I (a list published by exchange periodically) stocks available for trading in the F & O Segment, where in a single stock shall not exceed 10% of the total exposure of the client. In case of non-F&O stocks, single stock value shall not exceed 5% of total exposure of the client.

The maximum permitted MTF exposure to a single client shall not exceed 10% of total GIL exposure. MTF and collateral kept in the form of stocks needs to be well diversified.

No fresh trade will be allowed in banned scrips/contracts.

Any changes in the Risk and Settlement Policy shall be subject to the approval of Risk & Settlement Committee

7. INITIAL BUYING POWER (IBP)

Initial Buying Power (**IBP**) is automatically updated by the system as per the pre-defined parameters as mentioned below: -

IBP = Cash Component (Ledger balance - 150 % of delivery pending) + **Security value** (Pledged securities under MPR framework)

- ❖ **Cash Component:** - This amount is updated as IBP to all products.
- ❖ **Security Value:** - Value arrived after the applicable haircuts of eligible securities.
 - Ledger balance: Net Cash balance figure in clients GFSL trading account (Net balance \pm BTST Debit) + MTF holding value – MTF ledger debit
 - Delivery pending: Shares sold but not yet given by the client to GFSL A/c
 - Pledge: Value of Shares pledge under MPR framework
 - IBP is daily computed at EOD and will be updated in the trading terminal during the BOD process
 - Pending cheque is not being considered for IBP.
 - The haircut is applied to collaterals/securities will be a minimum of Exchange VAR + ELM.

8. MARGIN SYSTEM PRODUCTS & LEVERAGING NORMS FOR USING IBP

Sl. No.	Product	Description	Leveraging Criteria
1	Cash	Delivery based trades	One time exposure i.e. 100 % margin
2	Intraday	Intraday based trades	Maximum 5 times of exposure. Based on scrip margin %
3	BTST	Leveraged delivery product (only for selected scrips) till T Day EOD	Minimum required margin is 22%
4	MTF	Product for Margin funding trading	Minimum required margin is VaR + 5 times ELM (Extreme loss Margin).
5	FAO intraday	Derivative Intraday based trades	One time exposure i.e. 100 % of Exchange SPAN margin + Exposure Margin
6	FAO Futures	Equity Derivative Futures Trades	One time exposure i.e. 100 % of Exchange SPAN margin + Exposure Margin
7	FAO options	Equity Derivative Options Trades	One time exposure i.e. 100 % of option premium /margin
8	CD Futures	Currency Derivative Futures Trades	One time exposure i.e. 100 % of Exchange SPAN margin + Exposure Margin
9	CD Options	Currency Derivative Options Trades	One time exposure i.e. 100 % of option premium /margin

10	Commodity Futures	Commodity Derivative Futures Trades	One time exposure i.e. 100 % of Exchange margin requirement
11	Commodity Intraday Futures	Commodity Derivative Intraday based trades	One time exposure i.e. 100 % of Exchange margin requirement
12	Commodity Options	Commodity Derivative Option Trades	One time exposure i.e. 100 % of option premium /margin

The required Products are selected by signing the required documents by the client. The IBP for each product differs as given below: -

Any leverage beyond above mentioned will be decided subject to management approval. GIL reserves the exclusive right to change the leverage for any of the existing products subject to conditions of Regulator/Exchanges or to introduce new leverage products and the IBP requirements will be designed as per the policies adopted from time to time.

9. CLOSING OUT OF POSITIONS

Margin alerts and debit mails will be triggered for shortage of required margin / debit.

If shares purchased by clients are pledged in CUSPA (Client Unpaid Securities Pledgee Account) due to non-payment of required funds, such shares will be sold to the extent of amount due, at any point of time after settlement pay-in time stipulated by exchange.

Liquidation of unpaid securities from CUSPA will be handled as per SEBI guidelines including for PIS clients. Pending cheques in client's ledger will not be considered while such clearance.

If total debit/MTM % in the client's account is greater than or equal to the stipulated % of the total Collateral, then the existing positions will be squared.

In MTF, if the shortage in required margin breached the stipulated %, the positions will be squared off on best effort basis..

In the case of funded securities which were categorised as Group-1 at the time of purchase, the same are to be fully liquidated or payment has to be made to clear the dues within 30 days from when the securities are transferred to trade for trade segment. If not the same will be liquidated by GIL as per the regulatory guidelines

In the Derivative segment, if there is no sufficient margin, the open positions will be squared.

If there is any position taken during the banned period, such position will be squared off any point of time without further notice.

GIL shall attempt liquidating necessary positions security/Commodity hitting the daily price filter (circuit) to avoid any dues in client's account.

The losses, if any, arising on the square-off trades shall be borne by the client. Open positions that are not squared-off for reasons beyond the control of GIL viz. technical issues, price band etc. shall be squared-off in the immediate session thereafter or whenever the security/commodity/contracts is traded.

GIL reserves the right to square off any position taken without sufficient margin at any point of time without any further notice.

GIL reserves the right to square off existing positions if cheques received against these are dishonoured.

GIL reserves the right to invoke/sell pledged shares/any other collateral to cover MTM losses.

- Covered losses above a specific percentage of MPR value/ a specific period will be cleared after intimation to clients
&
- For uncovered losses, recovery process - Demand Notice, Arbitration etc. will be preceded after a permitted period subject to loss amount and management decision.

In addition to above points, there will be auto squaring of positions (Cash & Derivative) taken in *intraday* option. The timings of auto square off will be displayed on the internet trading website.

GIL reserves the right to close the positions and the shares available as holdings to recover the outstanding dues.

In case of Physically Settled Derivative contracts, current month FAO contracts need to roll over/close before two days prior to final settlement day. GIL reserves the right to square off such contracts, If there is no sufficient margin/securities in the client account for long/short positions. In case of Commodity derivatives, requirements for valid delivery should be met on or before commencement of delivery period or else positions will be squared off.

10. POLICY ON PENNY STOCKS

Definition: This policy defines penny stocks as those trading below their face value on an Exchange. Further, such stocks may have weak fundamentals such as low net worth, sales, market capitalization and/or profitability and may have violated provisions of the Listing Agreement of the exchange in which they are listed or have large number of investors' complaints pending against them.

GIL reserves the right to refuse execution of trades in such stocks. List of penny stocks is available in the customer care site. Further, as per SEBI circular CIR/MRD/DP/6/2013 dated February 14, 2013, clients are requested to note the penalty criteria for certain trades in periodic call auction.

11. SHORTAGES IN SECURITIES PAY IN

Any shortages in securities pay in will be handled as per circular NCL/CMPT/66688 dated 4-Feb-2025 or any regulatory guidelines from SEBI/CC/Exchanges time to time.

The Clearing Corporation (CC) of respective stock exchanges will conduct auction for shortages. If securities are successfully obtained, CC shall allocate the securities in auction settlement to clients who did not receive their pay out in normal settlement. If a client does not receive the securities even after the auction, CC will close out such securities.

CC shall identify internal shortages and determine the valuation amount. The valuation price for internal shortages shall be based on the settlement price of the security and an additional 20% mark up or as specified by CC from time to time.

Accordingly, the close out proceeds provided from CC will be accounted in client's trading account.

12. POLICY FOR EXPOSURE TO BE GRANTED TO CLIENTS BASED ON FINANCIALS

We are required to grant exposure to clients based on the financials (annual income & net worth) declared by the clients. This is in line with NSE circular NSE/INSP/36248 dated Nov 06, 2017, and BSE Notice No. 20171109-28 dated Nov 09, 2017, and based on the advice received from the Exchanges. To comply with the above guidelines, we have framed a revised policy for granting exposure to clients considering their declared financials. The salient features of this policy are as under.

- ❖ The exposure is set based on buying power. The buying power for open exposure at any time shall be limited to 4 times of the declared net worth or 15 times of the declared annual income.
The value of open exposure in case of delivery trades and margin requirements for leveraged products will be diminished from the pre- set limit on disclosed financials.
- ❖ Higher of the 4 times Net worth or 15 times Annual Income will be considered when client has declared both
- ❖ In case of private companies, Loan from Directors will be added to Net worth
- ❖ If the client has declared Net worth & has DP holdings with GIL, the higher of the two will be considered.
- ❖ If a client brings net-pay in, in the form of funds more than permitted limit of 4 times of net worth and 15 times of annual income, 30 days' notice will be served to regularize the net worth/ annual income. No exposure against holding will be allowed beyond the permitted limit. In case no change in annual income / net worth is submitted by client within 30 days, the account will be reported to compliance as suspicious.
- ❖ If a client avails the exposure against shares Pledged under MPR framework, no fresh position will be permitted beyond the permitted limit.
- ❖ Necessary proof of financials declared should be provided in the case of Equity derivatives and Commodities.

13. POLICY FOR CUSTODIAL PARTICIPANT (CP) CODE CLIENTS (NRI FO TRADING CLIENTS)

GIL is a Self-Clearing Member (SCM). Accordingly, GIL is not Clearing trades for other Trading Members or other Custodial Participant Clients. As per Exchange guidelines, NRI clients who want to trade on the F&O segment, is required to approach the Exchange through CM (GIL), through whom the NRI would like to clear his trades for allotment of custodial participant (CP) code. All the relevant provisions of RMS policy is applicable to CP clients as such.

1. Internal escalation matrix with respect to non-compliances / defaults by CPs:

Any non-compliance/default by CPs shall be first reported to the Head- Risk and Settlement dept. The further escalation shall be made to the Chief Financial Officer (CFO) of the Company on case-to-case basis.

2. Performance evaluation process of CPs registered with the CMs including its periodicity

Performance evaluation of CP clients shall be done as per the general applicable policies of Risk, Operations and Compliance dept on a continuous basis.

3. Seeking data information from CPs in the event of repeated cases of shortfall in margins / margins on Consolidated Crystallized Obligation or governance issues

The Risk and Settlement dept shall seek information/details from CPS in the event of repeated cases of shortfall in margins on Crystallized Obligation/MTM etc. If no satisfactory reply is received from the client for such cases, the details shall be informed to CFO and Compliance dept on a case-to-case basis. Similarly, the Risk & Settlement dept will seek information from CPs in case of repeated cases of governance issues and details will be informed to Compliance dept to take necessary action on case-to-case basis.

4. Ratio of cash and non-cash components of collateral

The cash and non-cash component ratio shall be the same for normal retail clients and CP clients. The ratio of cash and non-cash component shall be determined by the relevant Regulatory guidelines /Management policies applicable from time to time. Any change in the ratio of cash and non-cash component shall be duly intimated to CP clients.

5. Upper Cap for acceptance of securities from CP Clients (direct clients) in absolute terms and / or on an overall basis to avoid concentration risk.

Geojit investments Ltd is a self-clearing Member and not acting as a clearing member for other trading members and other custodians. Hence no securities are accepted from any other TMs / Other Custodians. We clear trades for our direct clients with respect to the trades executed through GIL itself.

We accept Securities (non-cash collateral) from clients which are approved by the respective Clearing Corporations and no upper cap is fixed in general. GIL has the sole discretion to specify the Upper Cap for acceptance of securities from CP clients in absolute terms and / or on an overall basis to avoid concentration risk. GIL also has the sole discretion to control the exposure limit against the securities (non-cash collateral)

6. List of securities that shall be accepted as collateral.

GIL will accept securities which are approved by the respective clearing corporations from time to time.

7. Haircut percentage for all types of collaterals

Haircut will be VaR + ELM or 20% whichever is higher.

8. Timelines and threshold limits beyond which action such as square off of positions shall be undertaken by CM for non-payment of margins on Consolidated Crystallized Obligation by the CP Clients (direct clients) .

If total debit/MTM % in the client's account is greater than or equal to the stipulated % of the total Collateral, then the existing positions will be squared. In the Derivative segment, if there is no sufficient margin, the open positions will be squared. If shares purchased by clients are pledged in CUSPA (Client Unpaid Securities Pledgee Account) due to non-payment of required funds, such shares will be sold to the extent of amount due, at any point of time after settlement pay-in time stipulated by Exchange/CC

14. FACILITIES PROVIDED TO CLIENTS FOR VOLUNTARY FREEZING/BLOCKING ONLINE TRADING

Policy is framed to provide the facility of voluntary freezing/ blocking the online access of the trading account, used by the clients, on account of suspicious activities.

Objective and scope:

This policy is applicable to clients using online trading platform with the option to temporarily freeze their online trading accounts if any suspicious activity is observed in the trading account.

Mode to request for voluntary freezing / blocking the online trading account:

- **My Geojit**
Client must log in to My Geojit Application and access "User Profile" and proceed to select the desired action to Freeze / Block.
- **SMS from registered Mobile number**
Client can send SMS from the registered mobile number to 8157832222 in the format STOPTRADE<space>TRADECODE

The timelines for freezing/ blocking of the online access of the clients' trading account is as under

Scenario	Timelines for issuing acknowledgement as well as freezing/ blocking of the online access of the trading account.
Request received during the trading hours ¹ and within 15 mins before start of trading.	Within 15 Mins
Request received after the trading hours and 15 min before the start of trading	Before the start of next trading session

Trading hours shall be as follows: Capital Market Segment: 9.15 am to 3.30 pm, Equity Derivatives Segment: 9.15 am to 3.30 Pm, Currency Derivatives Segment: 09.00 am to 05.00 pm, Commodity Derivatives Segment: 09.00 am to 11:30 pm

Action followed on receipt of request through any of the Mode mentioned above

1. Freeze/ Block the online access of clients Trading account and simultaneously cancel all the pending orders of the client.
2. Post Freezing/ Blocking the client's trading account, communication is sent on registered mobile number and registered e-mail id of the client, stating that the online access to the trading account has been frozen/blocked and all the pending orders in the client's trading account, if any, have been cancelled along with the process of re-enablement for getting the online access to the trading account.

3. Details of open positions (if any) is to be communicated to client along with contract expiry information within one hour from freezing/blocking of the trading account to eliminate risk of unwanted delivery settlement.

Risk Management

1. Freezing/blocking is only for the online access to the client's trading account, and there shall be no restrictions on the Risk Management activities of the Trading Member
2. The request for freezing/ blocking does not constitute request for marking client Unique Client Code (UCC) as inactive in the exchange records.

Re-enabling the client for online access of the trading account: -

1. To unfreeze account, client can send an email request to customercare@geojit.com .

Reference:

- SEBI Circular no. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024

15.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

16. 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.

17. GLOSSARY

- IBP: Initial Buying Power
- Scrip margin: The Margin percentage applied at GFSL
- Holdings: securities held by the client
- VAR margin : Value at Risk margin as per exchange
- ELM : Extreme loss Margin
- Span margin : Margin as per exchange
- BTST :Buy Today Sell Tomorrow
- F&O: Future and Options
- Intraday trading : Day trading with no positions carried over
- MTF :Margin Trade Funding
- Smart Plus: a product where trades permitted for the day.
- CD : Currency Derivative
- T& C : Terms and Conditions
- CUSA : Client Unpaid Securities Account
- MPR-Margin pledge and Re-pledge