



GEOJIT FINANCIAL SERVICES LTD.

## RISK AND SETTLEMENT POLICY

### Document Information

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## SCOPE

This document covers norms applicable to Risk Management which determines Initial Buying Power (IBP), exposure setting, leveraging norms for IBP, Collection & reporting of margin, closing out of positions etc. This is applicable for all GFSL clients, subject to the documentations made by them as per GFSL policies considering their balance of cash and /or collaterals.

## COLLECTION OF MARGINS

Margins, by whatever name called & defined by the Exchanges viz. Initial margin, Mark-to-Mark Margin, Exposure margin, Pre-expiry margin, Tender period or delivery period margin, Additional margin and Special cash margin or any other margin specified by Exchanges/Regulator from time to time. Geojit reserves the discretion to call for a higher percentage of margins from the client, than stipulated by the Exchanges/Regulator, depending on its risk assessment or Surveillance parameters or volatility in the markets.

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 MPR framework, Fixed Deposit Receipt, BGs, Warehouse Receipts, and any other form decided by Geojit subject to guidelines from Regulator/Exchanges from time to time. The threshold/apex limit for each form of collaterals, the ratio of funds and collaterals and their haircuts are solely at discretion of Geojit subject to the guidelines laid down by Exchanges/Clearing House /Regulator.

Acceptance & Approval of Margins on fixed Deposit Receipt, BGs, Ware-House Receipts will be decided by Geojit on case-to-case basis.

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

Margin reporting to Exchanges will be carried out as per the norms and guidelines of the Exchanges/Regulators. In case of open positions at multiple Exchanges/Segments, Geojit can apportion the available funds and collaterals on its desecration and practice.

Applicable penalties on instances of shortages will be debited to clients' ledger with applicable tax rates subject to regulatory guidelines from time to time.

## EXPOSURE SETTING

Geojit 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, margin prescribed for any product/segment shall not be lower than the minimum margin stipulated by the Regulator/Exchanges from time to time.

Geojit 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/Risk and Settlement policy of Geojit.

During the day Fund Transfers and collateral pledge under MPR framework will be updated on 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 Geojit 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.

Geojit 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 is based on the security selected. This is made available in the Trading platform.

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

Geojit reserves the right to block trades in any securities/ contracts, based on risk assessment or Surveillance parameters of Geojit/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 Geojit subject to restrictions of Exchanges/Regulator.

No fresh trades 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

### 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 or MTF cost whichever is lower) –MTF ledger debit
  - Delivery pending: Shares sold but not yet given by the client to GFSL A/c
  - Pledge/ Ware-House Receipts: Value of Shares pledge under MPR framework (Ware House Receipts are only for Commodity Derivatives.)
  - 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 or 20%.

### 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	Maximum 4 times exposure i.e. 75 % will be funded by GFSL, based on scrip 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 as per the credit policy of Geojit and GFSL 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.

## CLOSING OUT OF POSITIONS

If shares purchased by clients are pledged in **CUSPA (Client Unpaid Securities Pledge 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.

Clearance from CUSPA will be done 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 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 square off any point of time without further notice.

Geojit 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 Geojit viz. technical issues, price band etc. shall be squared-off in the immediate session thereafter or whenever the security/commodity/contracts is traded.

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

Geojit reserves the right to square off existing positions if cheques received against these are dishonored.

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

**1. Covered losses above a specific percentage of MPR value/ a specific period will be cleared after intimation to clients &**

**2. for uncovered losses, recovery process - Demand Notice, Arbitration etc. will be proceeded after a permitted period subject to loss amount and management decision.**

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

Geojit reserves the right to close the positions and the shares available as Collateral/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. Geojit 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.

## POLICY ON PENNY STOCK

**Definition:** Any stock which is trading on a stock exchange at a price less than the face value is defined as a penny stock. Further, such stocks can be fundamentally weak in terms of 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.

Geojit will have the right to refuse execution of trades in the above 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.

### **SHORTAGES IN OBLIGATIONS ARISING OUT OF INTERNAL NETTING OF TRADE**

If a client fails to make timely delivery to Geojit in respect of the shares or securities sold by him as notified by the Exchange from time to time i.e., in case of short delivery, 150% of the short sell amount will be deducted from the ledger while calculating Initial buying power till the settlement and the said un-discharged obligation on the part of the client shall be subjected to close out or auction in accordance with the rules and regulations of the Exchange.

The loss, if any, on account of such close out or auction shall be debited to the account of the client. Under such cases, no further claims shall lie between the client and Geojit.

In case of an internal shortage situation within Geojit, i.e. the buyer and seller are both Geojit clients and the seller defaults in delivery due to which the buyer may not receive the shares, firstly the defaulting seller would be debited 150% of the short sell amount for the default till such time the Settlement/auction process is completed. The defaulting seller would be debited statutory costs and other incidental charges including penalty for non-delivery.

In case of shares purchased by client where no delivery was timely effected as required under the Rules and Regulations by the Exchange the short delivery will be closed-out by Geojit in accordance with the Exchange procedures and the credit on account of such close-out or auction shall be made to the account of the client. Under such cases, no further claims shall lie between the client and Geojit.

In case where there are internal shortages, Voluntary Auction (system prevailing in Clearing Corporation) will be arranged in all possible cases. Other short position if any for which Voluntary Auction was not done would then be closed out on the closing price of the exchange auction day + 10% (If rate is increasing daily till auction day, it will be 20%) or settlement high whichever is higher.

In case of securities being de-listed/suspended from trading / unable to buy on account of corporate action, Geojit will close out internal shortages with closing price of the Exchange on auction day + 10% or settlement high whichever is higher (Credit to buyer & debit to seller).

### **POLICY OF INTERNAL SHORTAGE**

In case of internal shortage, Voluntary Auction will be arranged in all possible cases, otherwise it will be closed out as per the Exchange norms for which Voluntary Auction was not done Squaring/Close out price will be the closing price of the scrip on auction day plus 10% (but if rate is increasing daily till auction day, it will be 20%) or Settlement high whichever is higher. Geojit reserves the exclusive right to decide such instances of internal shortage handling subject to guidelines published by Exchanges /Regulator on time to time.

## 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 also 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 Geojit, 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 of 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.

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

Geojit is a Self-Clearing Member (SCM). Accordingly, Geojit is not Clearing trades for other Trading Members or other Custodial Participant Clients. As per Exchange guidelines, NRI clients who wants to trade on the F&O segment, is required to approach the Exchange through CM (Geojit), 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 the 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 case-to-case basis. Similarly, 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 ratio of cash and non-cash component shall be duly intimated to CP clients.

**Facility provided to clients for voluntary Freezing/Blocking Online Trading Account**

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 <sup>1</sup> 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

<sup>1</sup> 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 the 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](mailto:customercare@geojit.com) .

### Reference:

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

## 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
- CUSPA : Client Unpaid Securities Pledgee Account
- MPR-Margin pledge and Re-pledge