MTF (Margin Trading Funding) – Risk Management policy by Nuvama Wealth and Investment Limited:

Features & Definitions:

This product offers features of buying securities against Group1 collateral pledged with EBL and against cash margin. Under this product, buy trades are allowed as per internal margin policy. Currently, all the securities are divided into various margin buckets of 25%, 30%, 40%, 60%, 70% and 100%. This HC is defined as per internal policy subject to SEBI defined criteria of VAR + 3x ELM for stocks in derivatives and VAR + 5x ELM for non-derivatives stocks.

By nature, this is a leverage product as collateral is leveraged to buy other securities on margin basis Client needs to maintain adequate margin at all point in time against his outstanding obligation. Nuvama may liquidate SMTF holding in case of margin shortage even though such stock is part of T1 holding i.e. logical holding balance.

Shares purchased on T day under MTF product will be updated on platforms from T+1 day under CNC product. Client should sell MTF holding through CNC only. No short sell orders are allowed under MTF.

Securities allowed for buying:

Internal approved securities are allowed as per various margin % buckets mentioned earlier. Other than internal approved securities, all NSE group1 securities are allowed with 100% margin.

Risk parameters:

o Only buy orders are allowed under MTF product.

o Appropriate margin as defined shall be charged for the orders.

o Concept of assigned basket is followed for this product. o Orders are allowed against cash as well as collateral valued after appropriate haircut.

o Orders are validated against Position limit and shall be rejected in case it is breaching position limit set even though sufficient margin is available.

o Client can do intraday under MTF products for all group 1 securities

o Client can convert his buy positions in CNC or MIS or NRML after system validating sufficiency of margin and risk rule to ensure no short sell position in created under MTF product.

o Newly listed securities are not allowed.

Risk:

o Price Risk as leveraged positions are allowed under this product.

o Risk of significant concentration in single scrip by a client or a group of clients.

Risk Mitigations:

o Intraday Risk monitoring forms the core part of mitigating risk arising out of price fluctuation or scrip hitting lower circuit.

o Higher margin for other than approved securities helps to mitigate risk of leverage or significant concentration in unapproved scrip.

Liquidation Policy related to SMTF:

SMTF shortfall Liquidation- Clients are given time up to 5 days for shortfall clearance. Liquidation is done if client has continuous shortfall for 5 days in SMTF. Shortfall computation: Due date SMTF balance + Pledged funded stocks @ purchase price + SMTF collateral post HC – IM margin of funded stocks (Including unsettled funded purchase) – MTM + Unsettled credit of SMTF sell transaction. If client is having shortfall for continuous five days, then liquidation is done 6th day morning.

SMTF T+ 320 Liquidation- Liquidation is done to clear debit outstanding for more than 320 days in SMTF. This is regardless of the margin available.

SMTF Non-OTP Liquidation- Only stocks which are pledged in favor of EBL can be considered as funded stock. For stocks bought on T day client need to validate OTP to pledge the stocks. Failure to validate OTP will lead to liquidation on T+3 day.

SMTF Non-Group 1 Liquidation- Client can take positions against group1 stocks only. If a stock moves out of group 1 as per list published by exchange time to time, then on 6th ageing day (6th trading day from the day of stock moving out of group 1) liquidation of non-group 1 SMTF funded stock is done.

Liquidation is done only for MTF funded stocks under all above mention liquidation type.