Risk Management Policy- June-2024

1. Introduction

Risk management is an integral part of any organization. Implementation of strong and effective risk management and controls promotes stability in the organization. At Nuvama Wealth and Investment Limited (NWIL), internal risk management policy and control are defined to address various risk that may arise in nature of broking business.

Various risks associated with investment in markets, trading in securities or trading in derivatives are mentioned as part of Account opening documents.

2. Objective

Customers should be aware about the policy a broker is adopting towards margin collection, various checks that are built in by broker risk management system, liquidation policy etc. This policy will articulate framework around this major aspect of risk management.

Our risk management policy defines risk parameters, frameworks around pre and post trade activities.

NWIL has defined a comprehensive risk policy which covers:

- Margin policy
- Pre-trade checks
- Trading products, associated risk and mitigations
- Liquidation policy
- Other policy parameters
- Operational risks

3. Margin Policy

NWIL collects margins from its respective client, in any of the following forms, after considering internal risk management policy and liquidity aspects along with regulatory guidelines.

- Funds
- Fixed deposit receipts (FDRs) received towards margin issued by any exchange approved bank and lien marked in favour of the CC.
- Non-Cash Collateral: Pledged Securities favouring NWIL in dematerialized form actively traded on the National Exchanges, not declared as illiquid securities by any of such Exchanges. (List of illiquid securities are declared on a regular basis by the Exchanges) or basis approved list published by NWIL from time to time with appropriate haircut not less than VAR.
- Pledged mutual fund units favouring NWIL in dematerialized form, whose NAVs are available, and which could be liquidated readily with appropriate hair cut not less than VAR.
- Pledged Government securities/Treasury bills favouring NWIL in dematerialized form with appropriate hair cut not less than VAR.
- Any other such collateral, as may be permitted under regulatory guidelines and approved by NWIL as collateral

Funds and Non-cash collateral forms major part of the margin provided by clients. Non-cash collateral has inherent risk of price movement and liquidity. In order to mitigate this risk, NWIL defines its internal list of approved non-cash collateral. This list and haircut are defined basis various parameters. Indicative list of parameters mentioned below:

- Should be listed on either of Exchanges
- Should not be part of Exchange defined trade to trade list

- Should not be part of Exchange defined illiquid collateral list
- Market Capitalization
- No. of non-Promoter Shareholders
- Circuit Limit
- Trading Volume
- Promoter Pledge
- Exchange defined VAR margin
- Institution Holding
- Scrip part of derivatives segment
- Credit rating of the company
- Credit rating of debt instruments
- Issuer of debt instruments like Public or Private
- Total AUM for a scheme for MFs
- Quality of AMC, Types of schemes for MFs

NWIL Risk may at its discretion modify the above parameters and acceptable form of margin from time to time depending on overall market condition and NWIL's assessment of risk.

Newly listed securities may also form part of the approved collateral if fits within the evaluation parameters.

Minimum haircut on any non-cash collateral shall be up to the VAR margin rate prescribed by the Exchanges. That is, VAR margin is the base minimum threshold while defining haircut on non-cash collateral.

4. Pre-trade checks

After the client transfers margin that is acceptable with NWIL, the client will get trading limits. Clients can utilize such margins across exchanges and segments, except for commodities segment since NWIL maintains a separate back office set up for both equity and commodities segment

While allowing trading limits, NWIL ensures that minimum upfront margin as defined by exchange is collected. To ensure this, various risk parameters are defined which validates orders at pre-trade level. These checks are in-built in the Risk Management System (RMS) of trading system.

4.1. Margin checks:

Orders are passed after validation of sufficiency of margin as defined by NWIL risk management. Such margin is defined taking into exchange defined minimum margin as base. For cash segment, this minimum margin is 20% and for Derivatives segment this minimum margin is SPAN + Exposure margin.

4.2. Real time Mark-to-Market (MTM):

All open positions including clients carried forward positions and holdings are marked to market on real time basis. No real time benefit is passed for increase in value of holdings or profit on derivatives positions. However, loss is reduced on real time basis from client's available margin. Calculations of MTM is done on real time basis by trading system based on the price feed received from the exchange.

4.3. Order value limit:

Single order value limit is defined on trading system for all the clients. Any orders placed beyond the defined limit is rejected by system.

4.4. List of securities or contracts allowed for trading:

While exchange allows trades in all the listed securities in cash segment and contracts in derivatives segment, NWIL restricts trading in certain securities and contracts. These restrictions are largely based on the liquidity aspects, certain scrips falling under exchange defined surveillance measures, Z/P group stocks, stocks part of unsolicited messages etc.

4.5. Capping of Collateral benefit:

Client may pledge securities to avail margin benefits that is part of approved list with NWIL. However, NWIL may apply cap on the maximum benefit that client can get against a particular pledged security. This parameter is used to mitigate concentration and liquidity risk.

4.6. Maximum permissible scrip limit:

NWIL allows its client to build leverage position under margin trading funding or any other such product. Derivatives by nature is also leverage product. Client may build concentrated positions under leverage product. In order to mitigate this risk, NWIL may apply scrip limit as pre-trade checks. This parameter, if applied, restricts client to build positions in a given scrip under leverage products.

This pre-trade checks controls are further covered under various trading products that NWIL offer on its trading platform.

NWIL risk may apply more controls and parameters from time to time as per its own discretion and assessment of risk

5. Trading products, associated risk and mitigates

This part of the policy will mention various types of trading products offered by NWIL to its clients through its multiple trading platforms i.e., EXE, Mobile trading app, TX3, Web based login.

Below Product and Exchange segment matrix will help to understand the available trading products:

Products	Exchange segments							
	NSE Equity	BSE Equity	NSE FO	BSE FO	NSE CUR	IPO	OFS	MF
CNC (Cash and Carry)	Y	Y	N	N	N	N	Y	Y
NRML (Leverage)	Y	Y	Y	Y	Y	N	N	N
MTF (Leverage)	Y	Y	N	N	N	N	N	N
MIS (Intraday)	Y	Y	Y	Y	Y	N	N	N
BO (Intraday)	Y	N	Y	N	N	N	N	N

For detail understanding of Product feature and risk associated with each product, we shall divide products into Cash segment, Derivatives segment, and other segment.

5.1. CASH SEGMENT PRODUCTS:

- CNC (Cash and Carry)
- NRML (Delivery product against collateral)
- MTF (Margin Trading Funding –SEBI)
- MIS (Margin Intraday Square-off)
- BO (Bracket Order)

5.1.1. CNC (Cash and Carry):

This product is available for equity segments for all set of clients. Under this product, buy trades are allowed against clear cash margin available and sell trades are allowed only against available holdings uploaded on trading systems. All the holdings available in NWIL's pool, pledged with NWIL and in POA DP of NWIL are uploaded on trading systems. Shares lying in DP POA but marked pledged in favour of outside entity are not uploaded on trading systems. Buy trades will consume 100% cash margin and sell trades will release credit equivalent to 80% of the sell value upon early pay-in of securities and as per prevailing regulatory guidelines.

5.1.1.1.SECURITIES ALLOWED:

Sell trades are allowed for all the securities uploaded on trading systems including T1 holding (Unsettled holding). As per regulatory requirement, upfront margin of 20% is required. However, NWIL at its discretion, may not allow selling of unsettled holding on settlement holiday. Buy trades are allowed for all listed demat securities. Client can sell T1 holding assuming the risk of pay in short in case of pay-out short from exchange. For clients not satisfying with internal surveillance guidelines, both buy and sell may be blocked for trading in all or a particular security.

5.1.1.2.RISK PARAMETERS:

- 100% cash margin required for all buy trades
- Selling allowed only against holdings available on trading systems
- Credit equivalent to 80% of sell value will be released after Early pay-in as per prevailing regulatory guidelines
- T/TS and any other trade for trade segment securities purchased today cannot be sold during the same day
- Client can do intraday trades in all the securities other than trade to trade securities
- Buy trades are also validated against scrip limit set for GSM and SMS categorized securities. Order shall be rejected for buy trades if it breaches scrip limit even if sufficient cash margin is available.
- BTST trades will attract 20% margin on sell of T1 holding if it is a settlement holiday.
- BTST trades will attract 20% margin on sell of T1 holding post physical settlement expiry day.

5.1.2. NRML Product

This product offers features of buying securities against approved collateral pledged with brokers and also against cash margin. Under this product, buy trades are allowed as per internal margin policy. By nature, this is leverage product as collateral is leveraged to buy other securities at particular margin percentage. Client needs to settle debit obligations that have arisen out of buy trades by T+1 settlement cycle. On successful receipt of the funds with broker, securities shall be transferred to clients DP account. In case of debit obligation stock will be moved to CUSPA (Client Unpaid Securities Pledgee Account). Debit in broking account shall be considered under T5 liquidations policy and securities shall be liquidated accordingly. Client needs to maintain adequate margin at all point in time against his outstanding obligations. Nuvama may liquidate collateral in case of margin shortage even though collaterals are in form of T1 holdings.

Sell orders are not allowed under NRML product, unless is approved for specific client on exception basis subject to availability of margin/ Stock in DP.

5.1.2.1. SECURITIES ALLOWED:

Internal approved securities are allowed as per various margin % defined basis parameters mentioned in non-cash collateral part of the policy. Other than internal approved securities, other active securities can be allowed with 100% margin. In BSE, securities with ODD LOT market lot are not allowed under NRML segment.

5.1.2.2. RISK PARAMETERS:

- Only buy orders are allowed under NRML product.
- Appropriate margin as defined shall be charged for the orders
- Orders are allowed against cash as well as pledge collateral value after appropriate haircut
- Orders are validated against scrip limit and shall be rejected in case it is breaching scrip limit set, even though sufficient margin is available
- T/TS/BE and other trade for trade group orders are allowed for only buy side. No square off orders is allowed for the same.
- Client can do intraday under NRML product for all the securities except trade to trade

Newly listed securities, subject to internal parameter, are allowed with 100% margin on listing day itself. Lower haircut may be allowed on case-to-case basis, subject to adherence to the Exchange specified margins.

5.1.3. MTF (SEBI Margin Trade Funding):

This product offers features of buying securities against approved Group 1 pledged collateral placed with NWIL and cash margin. Under this product, buy trades are allowed as per internal margin policy subject to regulatory norms. By nature, this is a leverage product as collateral is leveraged to buy other securities at particular margin percentage. Client needs to maintain adequate margin at all point of time against his outstanding obligations.

5.1.3.1. SECURITIES ALLOWED:

Only Group I equity shares including ETF are allowed for purchase under MTF product.

Subject to Group-1 category validation, NWIL allows internally approved securities at margin defined as per risk parameter and remaining are allowed at 100% margin.

5.1.3.2. RISK PARAMETERS:

- Only Group I securities are allowed for collateral benefit and purchase under MTF product
- Appropriate margin as defined in the approved list shall be charged for the orders
- Orders are allowed against cash as well as collateral valued after appropriate haircut
- Orders are validated against scrip limit and shall be rejected in case it is breaching scrip limit set, even though sufficient margin is available
- Client can do intraday under MTF products for all the securities (Except Trade to Trade)
- Newly listed securities are not allowed
- Any scrip part of Group I can also be allowed under MTF

5.1.4. MIS (Margin Intraday Square-off):

This is an intraday product where all the trades taken under the product remains intraday only unless is converted to carry forward positions (MTF or NRML or CNC) before timer based square off. Orders are allowed against available margin that is cash and collateral after applying appropriate haircut.

Since all the positions are allowed only for intraday, leverages are higher compared to NRML/MTF product subject to regulatory norms.

5.1.4.1. SECURITIES ALLOWED AND MARGIN APPLICABLE:

For cash segment applicable margin is minimum 20% and above as per internal MIS approved list with max cap per scrip.

Both buy and sell trades are allowed under this product at mentioned margin% for given security. In case of volatility in scrip / market, if required scrip margin % might get increased up to 100% during the day or removed during the week.

5.1.4.2. RISK PARAMETERS:

- Internal approved securities are allowed for intraday only
- Both buy and sell orders are allowed
- At the time of timer based square off, All pending orders are cancelled first, and open positions are square off at 3.10 pm for cash segment.
- Newly listed securities are not allowed under this product
- No trade-to-trade securities are allowed

5.1.5. BO (Bracket Order) Product

Bracket order is an intraday product whereby the users will be able to place three orders vis Main leg, Square off leg and SL order leg, as a combination from a single window. The user will be able to enter parameters for taking a new position, squaring off the position and keeping a stop loss for that position.

When the user submits a Bracket Order, a limit order will be placed for the position initiation order. When this order gets fully or partially traded, a limit order will be placed to square off the position, with its limit price determined based on user set parameters, and a stop loss limit order will be placed, with its trigger price determined based on user set parameters. If the square off order gets traded, the stop loss order will get cancelled. If the stop loss order gets traded, the square off order will get cancelled.
Maximum stop loss range is 10% of the best available bid-ask price. Minimum margin consumption is aligned as per Exchange defined minimum upfront margin norms.

For all open positions, it would be liquidated on the same trading day at 3.10 pm.

There is also a feature for order modifications and cancellations. Client can do so by selecting the order he wants to modify/cancel, and press modify or exit button respectively.

5.1.5.1. RISK PARAMETERS:

- Only for selected CASH stocks are allowed
- Only allowed in NSE exchange
- Order modification within stop loss is allowed
- Full and partial order cancellation is allowed
- Timer based square off at 3.10 pm for all open positions
- Positions conversion is not allowed to and from BO
- Max cap per scrip is applicable for stocks allowed under BO

5.2. DERIVATIVES SEGMENT PRODUCTS:

- NRML (Carry-forward Product)
- MIS (Margin Intraday Square-off)

5.2.1. NRML (Carry forward) Product

This is a default product for derivatives segment. All open positions are uploaded under this product and this product is allowed for all active clients of derivatives segment.

Clients can place orders using this product in derivatives based on cash and collateral margin available. Span and Exposure margin shall be consumed for future buy and sell trades. The same is also applicable for options sell order. Margin consumptions shall be equivalent to premium in case of options buy orders. While premium paid shall be debited at the time of order, but premium received shall be credited only after trade is executed.

Margin shall be blocked considering worst case scenario that is system shall consider margin charged on all open positions including pending orders. Net MTM losses (both realized and unrealized) shall be deducted on real time basis from available margin. Net MTM profit (both realized and unrealized) no credit shall be considered in available margin.

Credit received against option selling and booked profit shall not be available to utilize for further exposure in cash segment as well as towards Span and Exposure margin. However, option buying is allowed against option sell credit of the same segment i.e. for NFO and Currency separately.

This product can even be used for placing order in Spread contract. Margin consumption shall be based on worst case scenario as mentioned earlier.

5.2.1.1. CONTRACTS ALLOWED:

All contracts available in derivatives segment may be allowed for trading under this product. However, NWIL Risk restricts certain contracts for trading based on liquidity and other aspects.

5.2.1.2. RISK PARAMETERS:

- Carry forward positions are uploaded under this product which shall consume Span + Exposure margin
- All trades are validated against available margin calculated on real time basis and Span + Exposure margin shall be charged for the same
- Trades in long dated options (LDO) are allowed for buying and selling for quarterly expiry months i.e. 3 months post near expiry.
- Only Option buying is allowed in quarterly expiry post 6 months and less than 12 months.
- Options strike price up to 10% of previous close price are allowed for these LDO contracts
- By default, 10 lots are allowed for LDO. However, on case to case basis, this can be allowed higher after considering OI and Volume.
- For trades in long dated options (LDO) beyond 12 months are allowed on case-to-case basis after verification of client history with NWIL and additional margin, if required.
- Options strike prices are dynamically blocked at 20% away from underlying LTP
- Buy options orders are allowed on cash + collateral margin available. Margin shall be charged equivalent to premium payable.
- Delivery Margin will be applicable for all in-the-money long current month stock options, applicable from 4 Days before expiry.
- Max position limit per stock is applicable.

5.2.2. MIS (Margin Intraday Square-off):

This is an intraday trading product with timer based square off. Margin charged under this intraday product is aligned with exchange defined minimum upfront margin norms.

Position taken under MIS needs to be squared off on the same day. If clients do not square off positions on the same day by stipulated time limit that is 10 min prior to market close then the positions would be squared off automatically.

Clients can place orders using this product in derivatives based on cash and collateral margin available. Span and Exposure margin shall be consumed for future buy and sell trades. The same is also applicable for options sell order.

Margin shall be blocked considering worst case scenario that is system shall consider margin charged on all open positions including pending orders. Net MTM losses (both realized and unrealized) shall be deducted on real time basis from available margin. Net MTM profit (both realized and unrealized) no credit shall be considered in available margin.

However, credit received against option selling and booked profit shall not be utilized for further exposure in cash segment as well as span and exposure margin utilization.

Clients can convert MIS positions to NRML before timer based square off after system validating sufficiency of margin.

5.2.2.1. CONTRACTS ALLOWED:

All contracts available in derivatives segment may be allowed for trading under this product. However, NWIL Risk restricts certain contracts for trading based on liquidity and other aspects.

5.2.2.2. RISK PARAMETERS:

- Contracts mentioned above only shall be allowed under MIS product
- Positions taken during the day can be converted to NRML and visa-a-versa.
- Fresh order is blocked and Pending orders in MIS is cancelled first at 3.20 pm and timer based square off shall be executed to square off all open positions under MIS

6. Liquidation Policy

Client is required to maintain margin as specified by NWIL and Exchanges at all point in time. In case margin is not sufficient or obligations are not cleared within stipulated time frame, then it may lead to liquidation of client positions.

Broadly, liquidation policy is divided in to two parts:

7.1. Regulatory liquidation

- Debit ageing T5 Liquidation
- SEBI MTF Liquidation

7.1.1. DEBIT AGEING LIQUIDATION:

T+5 amount shall be derived by considering due balance which shall be T-5 day balance. Such due balance shall be adjusted for all subsequent realized and unrealized credit bill posted in ledger at EOD of T+5. All credit JV passed in client’s ledger as well as clear funds received shall be considered while deriving T+5 amounts by 5.00 PM. Such credit amount realized will be apportioned on FIFO basis towards T-5 day balance. The debit amount so derived shall be considered for T+5 liquidation as per the Liquidation Policy prevailing from time to time.

All debits including non-trading (DPI, DP charges, penalties, etc.) across exchanges and segments shall be considered for deriving T+5 debit amounts. However, debit arising out of purchase of stocks under

MTF shall not be considered while arriving at T+5 debits as separate regulatory framework and risk policy is applicable towards such debits.

LOGIC & SEQUENCE FOR STOCK PICK-UP FOR T+5 LIQUIDATION:

- Stock will be picked for liquidation from auto-pledged in client's DP account in favour of "Client Unpaid Securities Pledgee Account",.
- Priority of stocks selection, Lowest haircut stock to be picked up first for liquidation.
- For stock having same haircut, stock with lowest market price as on the previous closing will be picked for liquidation.
- Stock will be picked equivalent to T+5 debit amount calculated by valuing stock at last closing price of process day. No mark-up will be used for stock pick up.
- If a client is having single scrip as auto-pledge in his account and value of one quantity is higher than T5 debit amount, the same will be picked for liquidation.

OTHER IMPORTANT POLICY PARAMETERS:

- No fresh exposure will be given to client under T+5 debit (for any debit amount). That is all clients having T+5 debit will be blocked for fresh exposure despite having surplus collateral. Such blocking will be applicable across exchanges and segments and will continue till there is any debit in the account.

- Clear funds received till 8.00 AM on liquidation day i.e. (T+1+4) will be considered towards debit clearance.
- Funds lying in third party (TPC) account will not be considered.
- Unrealized credit bill till process day will be considered towards debit as such credit will be realized within T+7 (T+1+5).
- Stock sold by client on liquidation day will not be considered towards clearance of T+5 debit.
- Any residual debit left after liquidation of shares auto pledged under "Client Unpaid Securities Pledgee Account" will be cleared under T+15 where stocks from pledge and POA will also be picked-up for clearance of debit. All other policy parameters will remain same.
- Liquidation of stock will be done on a best effort basis. There are chances that sell orders may remain untraded due to lower freeze in a stock or any other reason beyond the control of NWIL. In such cases, clients are liable to pay funds for clearance of debit.

8. SEBI MTF LIQUIDATION

8.1 SMTF SHORTFALL LIQUIDATION:

Clients are given time up to 5 working days for shortfall clearance. Sufficient margin calls shall be made to the clients. 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 haircut – Initial margin of funded stocks (Including unsettled funded purchase) – Post Haircut MTM + Unsettled credit of SMTF sell transaction.

If client is having shortfall for continuous five days, then liquidation is done 6th day morning.

8.2 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.

8.3 SMTF NON-OTP LIQUIDATION:
Only stocks which are pledged in favour of NWIL can be considered as funded stock. For stocks bought on T-day, clients need to validate OTP by T+1 to pledge the stocks. Failure to validate OTP will lead to liquidation on T+2 day.

8.4 SMTF NON-GROUP 1 LIQUIDATION:
Client can take positions against Group1 stocks & ETF only. If a stock/ETF moves out of Group 1 as per list published by exchange from time to time, then on 6th working day of the next month, liquidation of non-group 1 SMTF funded stock is done.

Liquidation is done only for SMTF funded stocks/ETF under all above mentioned liquidation types.

8.5 RISK LIQUIDATION
Apart from the regulatory liquidations mentioned above, NWIL risk may also liquidate positions of clients if sufficient margin is not maintained as defined by NWIL or stipulated by exchanges. Such rights to liquidate position or holdings of client is mentioned in the account opening documents or communicated to clients separately.

Risk liquidation is broadly divided into two main parts:

- Cash liquidation
- Derivatives liquidation

8.6 Cash liquidation
Cash shortfall is calculated only for clients where Span + Exposure margin is not applicable. For the purpose of margin and auto liquidation, client ledger and stock pledged in favour of NWIL are only considered.

8.7 Important policy points:
- It is designed in such a way to ensures that adequate benefit is provided to client basis both quality of individual scrips and overall portfolio. This will take care that positions of client's account are not liquidated with small price movement.
- Benefit is given to clients for all approved collateral pledged in favour of NWIL.
- Benefit on unapproved bonds and MFs may also be given basis internal risk assessment
- Benefit on unapproved equity collateral may also be given basis internal risk assessment
- In case of overlap of regulatory and cash shortfall, debit and collateral as per regulatory liquidation is adjusted for and post that cash shortfall amount is calculated.

8.8 Identification of clients in shortfall

Step 1- Portfolio is classified as Concentrated / Diversified

A client's portfolio will be considered concentrated if any of below criteria is met-

- Top scrip weightage is > 40%

or

- Top three scrip weightage is > 70%

If none of the above criteria is met than the client's portfolio will be considered as diversified

Step 2- Risk shortfall is calculated

- Risk shortfall is calculated for clients having debit
- collateral is valued at previous day close price with internal approved HC without considering the scrip level capping

Liquidation:

To regularize the shortfall, stocks will be picked based on following criteria for clients shortlisted based on above mentioned steps.

By default, only stocks whose pay-out is received from exchange and pledged with NWIL will be considered for liquidation basis priority defined below:

- Equity stock with liquidation haircut < 100% - priority will be given to lowest haircut, lowest price
- Equity stock with 100% liquidation haircut- stock with highest price will be given priority
- Identification of Mutual funds and Bonds are picked for liquidation however liquidation process is manual for MF & bonds.

8.9 Derivatives liquidation:

Positions will be liquidated as per below threshold-

- Overnight position will not be carried -
- with margin cover less than 85%. NWIL risk team may allow to carry positions below 85% margin cover based on internal risk assessment.
- 85% margin cover is also calculated without considering expiring positions on expiry day, to assess if there is any increase in margin post expiry.
- Clients having margin cover more than 85% are normally excluded from liquidation. However, NWIL risk may liquidate position for any clients who are not covered as per NWIL and/or Exchange margin policy.

Risk Liquidation for clients appearing in PEAK margin shortfall is also done. Risk Liquidation will be done during the day for clients having exchange Peak margin shortfall as per alert generated by internal risk monitoring system.

Other important parameters:

- Position may be liquidated before above-mentioned threshold during-
- extreme market or scrip volatility
- For clients having concentrated or large exposure
- Client in exchange penalty or who may come in penalty irrespective of margin cover and shortfall amount.

<u>Exchange Margin Shortfall including NFO Delivery Margin Liquidation 4 days before expiry</u>

All stocks which are in Equity Derivatives were moved from cash to physical settlement from October 2019 expiry.

In case of long In the Money (ITM) stock options, sufficient delivery margins as per exchange requirement needs to be maintained starting from 4 trading days before expiry till the last trading day of the contract.

If any client is not covered as per delivery margin to be levied by exchange, then risk may liquidate the position to avoid margin shortfall.

8.9.1 Liquidation around physical Settlement in Derivatives:

- Securities which form the part of physical settlement shall be squared off from risk for clients not meeting internal risk margin norms on best effort basis prior to expiry.

- Further, clients also have the option to avail physical settlement in stock derivatives.

Decision to liquidate positions will be taken by NWIL risk team based on prevailing market conditions while monitoring client positions. Client positions are monitored by risk team on real time and appropriate corrective actions are taken wherever required.

9 Other policy parameters

Haircut for Securities:
Haircut on_security is the higher of the haircut applied by the exchange and the haircut calculated based on internal risk parameters for a collateral. Same haircut criteria shall be applied at the time of actual settlement of funds and securities done periodically.

COMMODITY RISK POLICY

Nuvama Wealth and Investment Limited offers a commodity platform to clients.

1. Margin Policy

NWIL collects margins from its respective client, in any of the following forms, after considering internal risk management policy and liquidity aspects along with regulatory guidelines.

- Funds
- Fixed deposit receipts (FDRs) received towards margin issued by any exchange approved bank and lien marked in favour of the CC.
- Non-Cash Collateral: Pledged Securities favouring NWIL in dematerialized form actively traded on the National Exchanges, not declared as illiquid securities by any of such Exchanges. (List of illiquid securities are declared on a regular basis by the Exchanges) or basis approved list published by NWIL from time to time with appropriate hair cut not less than VAR.
- Pledged mutual fund units favouring NWIL in dematerialized form, whose NAVs are available, and which could be liquidated readily with appropriate hair cut not less than VAR.
- Pledged Government securities/Treasury bills favouring NWIL in dematerialized form with appropriate hair cut not less than VAR.
- Any other such collaterals, as may be permitted under regulatory guidelines.

Funds and Non-cash collateral forms major part of the margin provided by clients. Non-cash collateral has inherent risk of price movement and liquidity. In order to mitigate this risk, NWIL defines its internal list of approved non-cash collateral.

2. Exchange Traded Products – Commodities Segment

- Normal Product
- Intraday Product

2.1. NORMAL PRODUCT

2.1.1. FEATURES & DEFINITIONS:

- All liquid Commodities are available for trading in the normal product.
- Trades initiated through normal product would attract at least 100% of the exchange margin.
- Any new product launched by the exchange, would be made available for trading post checking if there is sufficient volume over a considerable period.

2.1.2. COMMODITIES ALLOWED:

- Commodities which are liquidly traded are allowed for trading in NRML category.
- Commodities need to have certain Volume and OI (Open Interest) to be eligible for trading in NRML category.
- Any Client wishing to trade in illiquid commodity which do not satisfy the above criteria need to take approval of NWIL Risk.
- All illiquid commodities are blocked through the Restricted Basket.

2.2. INTRADAY PRODUCT

2.2.1. FEATURES & DEFINITIONS:

- Only Commodities which are liquidly traded and are allowed for trading in intraday.
- The clients are not given any leverage in line with Peak Margin reporting norms issued by exchanges.
- Clients have an option to convert the positions to NRML subject to exchange margin available in the client account.
- All the position initiated in MIS Product will be liquidated @ 11:05 PM/11:30 PM when markets close @ 11:30 PM/11:55 PM.

2.2.2. COMMODITIES ALLOWED:

- Agro Commodities are not allowed under Intraday product.

3. Liquidation Policy

Positions will be liquidated as per below threshold-

- Overnight position will not be carried -
  - with margin cover less than 85%. NWIL risk team may allow to carry positions below 85% margin cover based on internal risk assessment.
  - Clients having margin cover more than 85% are normally excluded from liquidation. However, NWIL risk may liquidate position for any clients who are not covered as per NWIL and/or Exchange margin policy.

3.1. Delivery liquidation policy:

<u>Open positions in NCDEX Exchange are liquidated as per the following:</u>

Commodity	Delivery Logic	Delivery start date	Liquidation	
			Long positions with no delivery intentions	Short positions with no delivery intentions
All Agro commodities	Compulsory	5 working days prior of the contract expiry	1 working day prior to the delivery period start date (Delivery period start date = 5 working days prior of the contract expiry)	20th day of the delivery month. If 20th day is a holiday, then preceding working day.

Open positions in MCX Exchange are liquidated as per the following:

Commodity	Delivery Logic	Liquidation of Long positions	Liquidation of Short Positions
Bullions	Compulsory	5 working days prior of the contract expiry	5th Day of contract expiry month.
Bullions, Base Metals and MCX Agro Commodities	Compulsory	5 working days prior of the contract expiry	Last working day of the contract expiry month

4. Other important parameters:

- Position may be liquidated before above-mentioned threshold during-
  - extreme market or scrip volatility as per NWIL's assessment
  - Client in exchange penalty or who may come in penalty irrespective of margin cover and shortfall amount.
  - Clients are allowed to take delivery basis internal risk assessment and exchange mandated guidelines.

Client are allowed to tender delivery in the exchange basis internal risk assessment and exchange mandated guideline