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RISK MANAGEMENT POLICY

Version Control Matrix

Name of the Document	Risk Management Policy

Version Tracking

Version	Date of creation/ updation	Prepared By:	Approved By:	Summary of Changes:	Board Approval on
V1	30.12.2009	Rashmi Deshpande	BOD	Initial	30.12.2009
V2	12.02.2010	Rashmi Deshpande	-	Review & Update	-
V3	31.12.2010	Rashmi Deshpande	-	Review & Update	-
V4	24.01.2013	Jayant Prakash / Anand Rao	-	Review & Update	-
V5	13.03.2014	Jayant Prakash / Anand Rao	BOD	Review & Update	28.03.2014
V6	08.05.2018	Jigar Mehta/Bharat Sharda/Anand Rao	BOD	Review & Update	28.05.2018
V7	13.01.2020	Anand Rao / Bharat Sharda / Pankaj Sharma	BOD	Review & Update	22.01.2020
V8	31.08.2020	Anand Rao / Bharat Sharda / Pankaj Sharma	-	Review & Update	-
V9	08.03.2021	Anand Rao / Bharat Sharda / Pankaj Sharma	-	Review & Update	-
V10	13-10-2021	Anand Rao & Bharat Sharda /	-	Review & Update	-
V11	25-01-2023	Anand Rao / Jigar Mehta & Bharat Sharda /	-	Review & Update	-
V12	25-06-2024	Anand Rao / Jigar Mehta & Vijay Lohar	-	Review & Update	-

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1. **Preamble**

Elara Securities (India) Private Limited (hereinafter referred to as ELARA or "the Company") is a company registered under the provisions of the Companies Act 1956, and is a SEBI registered Stock Broker having SEBI REGISTRATION NO.: INZ000238236, Member of BSE Limited (CM) and National Stock Exchange of India Limited (CM, F&O); a Depository Participant (CDSL): IN-DP-370-2018 and a SEBI registered Research Analyst: INH000000933.

2. **Policy Description:**

This policy consists of various applications to mitigate or reduce the overall risk with regard to pre-trade and post-trade settlement.

3. **Purpose:**

To identify various risk areas to which the Company may get exposed in the normal course of broking business. To build in processes and checks to mitigate / minimize the risk exposure.

4. **Applicability**:

The risk management framework of Elara for its Equities broking business is based upon the different client segments i.e. Institutional and Non-Institutional clients.

It is all applicable for the employees in Dealing, Risk Management, Operations, Finance and IT are covered and expected to adhere to this policy as well as circular, guidelines issued from time to time by the apex Regulators and Exchanges.

5. **Major Policy Areas:**

This policy covers major areas:

Pre Trade Risk Monitoring:

- Daily monitoring of Member level Margin at exchanges.
- Setting up new Client wise trading (exposure) limits.
- Monitoring for F&O: a) Member Level Limit, b) Banned List for Equity c) RBI Caution List for Non Resident Clients, d) FII Limits, e) GSM (Graded Surveillance Measures)

Online Risk Monitoring:

- Checking during the day margin status wrt Deposit placed with exchange and utilization.
- Increase of margin limit as per business requirement with appropriate approval
- Daily monitoring of Client level margin for intraday and delivery trades

Post Trade Settlement Risk:

- Timely give up of F&O Trades currently to be done before 4:15 p.m. in case of custodian settled trades.
- Handling of trades punched wrongly / Corrective Measures / Minimize exposure
- Setting / Release of trading limits.
- Settlement of DVP Trades.
- Pay-in / Pay-out of Funds and Securities

5. **Pre-Trade Risk Monitoring:**

- After internal approval from time to time, Risk Team needs to setup Client wise trading(Turnover) default limits* and ongoing its review. Exposure is assigned client wise on Omnesys for Institutional and Non Institutional clients settled through custodian , on Greek Soft for Institutional clients and on Odin application for retail clients for all Exchanges & Segments and on terminal-wise at NEAT manager.

OMNEYSIS LIMITS

Account Type	**Cash Segment**
Retail Clients	This category of clients are provided with minimum limit as described by the company from time to time
NRI Clients	Standard limits are given on the basis of balance available under PIS accounts
PMS	Default Buy & Sell limit of Rs. 5 Cr
DII & FII	Default Buy & Sell limit of Rs. 50 Cr

Further client wise position limits are uploaded in Omnesys, Greek Soft system and Odin application for all F&O traded stocks to avoid breach/penalty to clients by exchange. **Also all the above limits are subject to the exchange-level single order restriction set for 10 lakh qty (this value is subject to revision in consultation with the dealing team) or Rs. 10 crore value across clients, whichever is lower.**

- At time of activation, default exposure limit of Rs. 5 lac would be assigned to any new client set up in retail on ''0'' day.

- Post '0' day, client would be given 4 times exposure of its **<u>credit balance</u>** as appearing in back-office based on the Category of the stock and in case of T2T stocks only one time exposure will be available to the client.

  Note: ''0'' day is day on which client is activated in back-office.

  Transfer of client securities in the event of non-payment / partial payment:-

  Elara shall not permit transfer of securities to the clients in the event of non-payment / partial payment, and then such securities shall be disposed-off within 5 trading days from the date of pay-out., in proportion to the amount not received and after taking into account any amount lying to the credit of the client. The balance securities shall be transferred to the respective client's demat account. Further, as per the demand made by the client, Elara will be required to release the securities to the client demat account to the extent of the amount received.

- Monitoring of Banned List / Caution List / Securities identifies under GSM / FII Limits / Member Level Limit by Risk team and its dissemination to Dealing team.

- **Collection of Margins / Funds / Securities from Clients:**

  Following guidelines in this regard shall be broadly followed –

  As per SEBI circular on Collection and reporting of margins by Trading Member (TM) /Clearing Member (CM) in Cash Segment dated November 19, 2019 having reference no CIR/HO/MIRSD/DOP/CIR/P/2019/139 & SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020 and SEBI/HO/MIRSD/DOP/CIR/P/2020/146 dated July 31, 2020 and NCL/CMPT/45405 dated August 20, 2020 Wherein trading members need to mandatorily collect minimum **20% upfront margin** in lieu of VaR margins and ELM margins in advance of the trade from their non-custodial settled clients.

  Availing of trading limits against securities that are in client demat account:

- As per the new regulation the shares in the client demat account will now be pledged in favour of Elara Securities (India) Private Limited to be treated as margin for the client trades.
- If partially unpaid securities are not pledged within an appropriate time frame, such positions will be liquidated by ESPL. (Securities are considered to be partially unpaid when they are bought on margin and the remaining amount is not paid.)

Table that explains when client needs to provide upfront margin:

Demat account with	**POA in favour of ESPL**	**Upfront margin required for selling securities:**			
		Sell from Demat a/c	Intraday#	T+1 Day	T+2 Day
Elara Securities (India) Private Limited	Yes	No^	No	Yes	No^
Other DP's	No	Yes	No	Yes	Yes

^On T day, we will try to do an EPI or Early Pay-In settlement of these securities. Upfront margin will not be required in case EPI is done. However, it's important to be careful while selling the securities on the second trading day (T+2). In case there is any mismatch in the quantity of securities sold and the quantity of securities delivered to your DP, it could potentially trigger a shortfall and lead to an auction. In case the securities in your demat account are not pledged in favour of ESPL Securities, selling them will result in early pay-in. No margin will be released in such a transaction. Any further buying in the same security will require upfront margin.
#Square-off trade. Upfront margin will be needed for the first leg of the intraday order.

Here is an example to help you understand further:

CASE A		**CASE B**	
Available margin	Rs 60,000	Available margin	Rs 30,000
Order Value	Rs 1 lakh	Order Value	Rs 1 lakh
Margin Requirement	20%	Margin Requirement	20%
Margin blocked during BUY order	Rs 20,000	Margin blocked during BUY order	Rs 20,000
'Sell' margin requirement:	20%	'Sell' margin requirement:	20%

Sell on T+1 day:	Rs 20,000 in cash / other acceptable margins	Sell on T+1 day:	Rs 20,000 in cash / other acceptable margins
Total margin required	Rs 40,000	Total margin required	Rs 40,000
Balance margin available:	Rs 20,000 (Initial Rs 60,000 minus margins blocked Rs 40,000)	Additional margin needed	Rs 10,000 (Initial Rs 30,000 minus margins blocked Rs 40,000)
Additional margin needed	0	-	-

Based on the above requirement appropriate clients exposure limit will be assigned for non-custodial settled clients

As per Exchange circular on Collection and reporting of margins by Trading Member (TM) /Clearing Member (CM) in Cash Segment dated December 12, 2019 having reference no NCL/CMPT/42900 & NSE/INSP/43069 dated December 31, 2019 and NCL/CMPT/45516 dated August 29, 2020.

➢ **Custodial Transactions**

- ESPL (TM/CM) are exempted from collecting upfront margins in respect of Institutional transactions. Institutional transactions shall mean transactions done on behalf of Institutional investors.
- **As per NCL Circular NCL/CMPT/45516 dated August 29, 2020. Custody Confirmation window end time (for purpose of client margin reporting of Non Institutional Custodian Trades is 7:30pm):**
- CC shall consider trades approved by custodians of non-institutional clients only.
- For all trades approved, till cut-off time the margin shall be levied on custodians. Custodians shall be required to report margin collection for such trades
- In respect of non-institutional custodial transactions, the margin collection and reporting shall be done by the executing TMs (ESPL) for the margins applicable on T day and by the Custodians post confirmation for the margins applicable on T+1 day
- In respect of custodial transactions not allocated/rejected/not accepted by the custodians, such positions shall be considered as own transactions of ESPL (TMs/CM) who have executed the transactions and the margins shall be levied on such TMs.
- For trades not approved by custodians by cut-off time, custodian shall have the opportunity to approve such trades by T+1 day 1:00 PM

➢ **Early Pay-in of Securities and Funds**

- ESPL shall not be required to collect upfront margins, in respect of positions for which early pay-in of securities/funds is made by the clients to the trading member on the date of execution of the transaction.

➢ **Margin be collected in case of intra-day transactions (buy & sell) in same scrip**

- Wherein upfront margins viz. VaR margins and ELM are required to be collected in advance of trade. In case of any intra-day transactions in the same scrip on the same day, Margins shall be collected as per the below illustration:

Transaction	**Scrip**	**Qty**	Margin @ 10%
Buy	**ABC LTD**	**100**	10
Sell	**ABC LTD**	**100**	Nil (Since the net quantity of the scrip is nil)
Total Upfront Margin collected			10
Note: In this case, member can consider 80 (100-20) as margin for other positions across all the segments up-to T+1 day.			

➢ **Upfront margin collection and reporting be undertaken in case of NRI clients under the portfolio investment scheme (PIS) on repatriation basis.**

- In case of NRI clients undertaking buy transactions under PIS on repatriation basis, funds received from the NRI's PIS bank account (NRE) before the respective pay-in, will be considered as collection of upfront margin.
- In case of NRI clients undertaking sell transactions under PIS on repatriation basis, securities received before the respective pay-in, shall be considered as collection of upfront margin.

Collection of Margin in Equity and all Derivatives Segments from clients

Further to SEBI circular SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated 20th July 2020, Peak Margin was introduced in Equity, Commodity & Currency segment from 01st December 2020. Following are the guidelines for collection of upfront margin from clients in Cash & Derivative segment: -

As per SEBI directives, the collection of upfront VaR and ELM margins from clients is required mandatorily for the cash segment also. The clients must ensure that the VaR margins and ELMs are paid in advance of trades failing which the exposure may not be approved or assigned.

As per revised framework of upfront collection of margin, members are also required to ensure peak margins are in place in addition to the above mentioned margin requirements. Peak margin is the maximum of clients' intraday upfront margin requirements across various snapshots provided by exchanges.

		PHASE I(DEC 2020 - FEB 2021)				**PHASE II(MAR 2021 - MAY 2021)**				**PHASE III(JUN 2020 - AUG 2021)**			
Segment	**Group**	**MIS**	**CNC/ NRML**	**BO**	**CO**	**MIS**	**CNC/ NRML**	**BO**	**CO**	**MIS**	**CNC/ NRML**	**BO**	**CO**
NSE/BSE	A	10	3	20	NA	8	2.5	10	NA	5	1.5	5	NA
NSE/BSE	B	7	1	NA	NA	6	1	NA	NA	3	1	NA	NA
NSE/BSE	OTHERS	1	1	NA	NA	1	1	NA	NA	1	1	NA	NA
NSE FUTURES	ALL	4	1	4	4	2	1	2	2	1.25	1	1.25	1.25
NSE OPTIONS BUY	3% LTP range with SPOT price	1	1	NA	4	1	1	NA	4	1	1	NA	4
NSE OPTIONS SELL	3% LTP range with SPOT price	4	1	NA	NA	2	1	NA	NA	1.25	1	NA	NA
MCX	ALL	4	1	4	4	2	1	2	2	1.25	1	1.25	1.25
CDS	ALL	4	1	NA	NA	2	1	NA	NA	1.25	1	NA	NA

Clients, at any point of time, are required to maintain adequate margins as prescribed by the exchanges.

In case of short collection or non-collection of margins, the client will be levied the following penalty:

‘a’ (Short-collection/non-collection of margins per client per segment per day)	Per day Penalty as %age of ‘a’
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0

If short / non-collection of margins for a client continue for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.

If short/non-collection of margins for a client takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.

However, as per the circular issued by the Exchanges i.e BSE having Notice No 20211012-54 dated October 12, 2021 and NSE having reference no NSE/INSP/49929 dated October 12, 2021

Elara Securities (India) Private Limited shall not pass on the penalty w.r.t short collection of upfront margins to clients under any circumstances.

In case of failure (requirement not met by the client) on part of the client resulting which penalty is levied by the Clearing Corporation to ESPL for short reporting of margins other than “upfront margins” such as consolidated crystallized obligation, Delivery margins, other margins (Mark-to-market & additional margins), ESPL may pass on the actual penalty to the client, provided we have sufficient evidence to demonstrate the failure on part of the client. Wherever penalty for short reporting of margins other than “upfront margins” is being passed on to the client relevant supporting documents for the same will be provided to the client.

Exposure rules in Cash Segment:

The exposure in offline and online segment will be as under:-

Each and every client registered with Elara needs to provide initial deposit by way of Cheque / Funds Transfer / Securities towards margin. On clearance of the cheque the client will be able to put buy or sell orders through Elara trading platform. The term ‘Exposure’ means the extent to which the client’s initial deposit can be utilized for trading activities.

ESPL will provide Margin based limit following the VAR and Extreme loss margin applies to scrip as defined by the Exchanges. Hence Exposure for intraday and delivery transactions can be multiple (varying from scrip to scrip based on VAR (Margin rates) applies to scrip) of the ledger balance ,value of collateral benefit after applying haircut on holding lying in the client account and credit for sales .

The value of the “multiple” and the “haircut” shall be decided by ESPL based on market volatility and quality of collateral.

As per Exchange (NSE) circular on Clarification on the revised Margin framework dated May 26, 2020 having reference no NSE/INSP/44459 and NSE/INSP/45134 dated July 25, 2020.

Futures & options Segment (NSE)

The product is offered to Online / Offline customers.

Wherein trading members need to mandatorily collect SPAN margin & Extreme loss margin in advance of the trade from their non-custodial settled clients.

Based on the requirements of exchanges, Elara insists that all the clients in F&O segment should have sufficient margins for taking position in the F&O segment. The margin should either be clear credit balance or in the form of exchange approved collaterals or shares duly transferred to Client Collateral Account or as a combination of these three. The nominal hair cut of 20% to 25% is applicable for collaterals in the form of shares before taking the valuation.

The MTM loss arising in F&O positions need to be paid on the same day (T day) so that MTM settlement can be performed properly, failing which the positions will be reduced to the available margin level. No fresh positions will be granted against unclear cheque. Elara risk team will reduce the positions if the MTM loss incurred on a day is more than 40% of the actual margin requirement. In order to retain the position in such cases is possible only if Funds are transferred from the client's bank account either through online banking or Fund Transfer.

Clients can provide margin in the form of securities only by transferring the securities to client collateral account. In such cases also sufficient credit balance should be maintained in client's trading account in order to meet the daily MTM requirements. Elara stipulates that minimum 10% of the total margin should be in the form of clear credit (Cash component should be 10%). If the cash component is not sufficient to meet the MTM, the shares given as margin will be liquidated to bring the position to required margin level on T+1 day.

- Funding of margin to be arranged with PCM (ICICI) for F&O trades done for clients having other Clearing Members.

- Custodian settled Cash trades for non-marginable clients funding is not required. And for marginable clients to be funded on case to case basis.

- For HNI, Retail, NRI, Employee account trades, funds & securities due to be collected on trade date or latest by T+1

- Additional Adhoc Margin (i.e. over & above initial margin) may be levied 10% or higher as a risk containment measure to be determined on the basis of market factors and risk factors associated with the securities being traded.

- Margins would be provided in the form of:
  - Cash & Cash equivalents would include following:
    - ✓ Cash i.e. ledger clear balance.
    - ✓ Bank fixed deposits

  - Securities & non-cash collaterals would include following:
    - ✓ Equity shares in Demat form as collateral with Elara.
    - ✓ Units of Exchange traded liquid Mutual Funds.

Special Points relating to Options segment :

1. The options buying should be allowed only against premium margin which should be in the form of clear credit balance only. Collaterals, in any form, will not be considered as margin for options buying.
2. Options selling involve unlimited risk and thereby Exchanges specify high initial margin & exposure margin and hence will be allowed only against the exchange specified margin. Deep out of the money options selling will not be entertained and similarly option s having lesser activities will not be allowed. The credit realizing from selling of options will not be considered as liquid credit balance and henceforth will not be considered for payout of funds.

Trading Limit Setting on the Trading Terminals:

- In order to mitigate/minimize risk arising out of wrong punching / Over Trading, Risk Team will assign a trading (Turnover) limit of maximum Rs.1.5 Cr (each for BUY and SELL) for each retail dealer terminal in the Beginning of the Day (BOD).

- These limits shall further be enhanced in the increment of Rs. 50 lakhs or its multiple or as required by business each time the limit is about to be crossed. This needs to be monitored so that at any given point of time marginable exposure in any segment / exchange shall not breach 70% and during expiry 80%. End of day margin utilization shall be within 70%.

- In cases where a large trade is to be done Dealer/ Trader can intimate the Risk Team of the higher limit requirement and the Risk Team can raise the limit accordingly. However Risk Team can assess whether to enhance the limit at one go (in case of bulk or block deals) or incrementally.
  (* At present the default Turnover limits are. For Retail clients – Rs. 5lakhs; b. For Marginable clients including NRI, Corporate etc. – Rs. 5lakhs; For Institutional non-marginable clients – As per standard industry practice and as mutually agreed with the client.)

6. Online Risk Monitoring:

- Daily monitoring of Client level margin for intraday and delivery trades.
- Checking margin status wrt. Deposit placed with exchange and its utilization
- Increase of margin limit as per business requirement with appropriate approval.

- **Receipt of Orders from Clients:**

Any communication gap in receiving orders from the client also poses a risk to the Company. Accordingly, order from Clients shall be received only through such means of communication which leave an audit trail.

Elara shall execute trades of clients only after keeping evidence of the client placing such order; it could be, inter alia, in the form of:

- Physical record written & signed by client,
- Telephone recording*,
- Email from authorized email id,
- Log for internet transactions,
- Record of SMS messages,
- Any other legally verifiable record.

*Further, wherever the order instructions are received from clients through the telephone, the stock broker shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.

As per SEBI Circular: CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 Dated: 30th Nov, 2017:

- Brokers are required to maintain the records specified at para III of CIR/HO/MIRSD/MIRDSD2/CIR/P/2017/108 26th September 2017) for a minimum period for which the arbitration accepts investor complaints as notified from time to time, currently three years. However in cases where dispute has been raised, such records shall be kept till final resolution of the dispute.
- If SEBI desires that specific records be preserved then such records shall be kept till further intimation by SEBI.
- The above mentioned SEBI circular also prescribes that 'when dispute arises, the burden of proof will be on the broker to produce the above records for the disputed trades'. However for exceptional cases such as technical failure etc. where broker fails to produce order placing evidences, the broker shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/ securities by client in respect of disputed trade, etc. shall also be considered.

- **Risk Management of Marginable Trades:**

- Special care needs to be exercised both by the Dealers/Traders and the Risk Team in case of F&O trades and marginable Capital Market trades. This is important as a trading member can only trade to the extent of its margins deposited with exchanges for the respective segments.

- It is important that the Risk Team is aware of the extent of the margins available each morning for each of the exchanges/ segments and Dealers/Traders must check the margin availability before punching any large marginable trades based on the intimation received on previous day evening from the Risk Team. Over trading beyond the margin limits will lead to deactivation of the terminal.

  Further, Dealers/ Traders and the Risk Team must watch for any Client wise limits which might have been set up.

- Additional Surveillance Deposit (ASD): Dealer needs to guide client regarding securities falling in GSM/S+ frameworks whenever he wants to trade in such securities. Additional Surveillance Deposit (ASD) shall be paid only in form of cash and to be retained till review of the Graded Surveillance stages i.e. Quarterly review. This ASD shall not be refunded or adjusted even if securities purchased is sold off at the later stage within a quarter and also shall not be considered for giving further exposure.

- **Segregation and Monitoring of Collateral at Client Level:**

  With reference to SEBI Circular bearing reference number SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021 and NSE Circular bearing reference number NCL/CMPT/51657 dated March 17, 2022, wherein it has been informed that Trading Member (TM) needs to report and allocate client collateral / assets segment wise – asset wise on a daily basis to Clearing Corporation (CC).

  Kindly note:- W.e.f. 02nd May 2022, Trading Members shall be required to maintain Cash and Non-Cash Collateral in the ratio of 50:50 client level segment-wise.

Client will be required to maintain at least 50% of funds in cash compulsorily in their trading account balance. This change is due to the SEBI Mandate which says Clients are required to maintain at least 50% of the total collateral in the form of cash or cash equivalents.

Collateral is broadly divided in 2 categories i.e. Cash Collateral (Clear Ledger Balance) and Non Cash Collateral (Re-Pledge Securities / Approved Securities after haircut prescribed by CC).

For overnight positions, 50% of the margin needs to compulsorily come in cash or cash equivalent collateral (Exp- Liquid MF ETF, GSEC, SGB, etc) and the remaining 50% can be in terms of non-cash collateral margin (Pledged shares).

Below transaction require minimum 50% cash or cash equivalent:

Trading Activity	Fund Requirement
Equity Derivative	50% Cash / Cash Equivalent
Option Buy / Sell	50% Cash / Cash Equivalent
Future Buy / Sell	50% Cash / Cash Equivalent

The same is explained in below mentioned illustration:
Cash or Cash Equivalent = 125000/-
Non-Cash Collateral = 300000/-
Total Limit = 425000/-
Margin used = 400000/-

For the above transaction to be processed, the client needs to have minimum cash or cash equivalent to be Rs.2,00,000/- (50% of Rs.4,00,000/-), but we can see that client only has Rs.1,25,000/- cash balance.

7. Post Trade Settlement Risk:

- Timely give up of F&O Trades.
- Handling of trades punched wrongly / Corrective Measures / Minimize exposure.
- *Setting / Release of Trading Limits:*
- Daily monitoring of Member level Margin at exchanges, we check MG02, PS03 and MP files which received from exchanges on daily basis.
- **Settlement of DVP Trade:**

- Once post exchange cut-off time whichever trades are not confirmed and become DVP trades, Operation team will communicate the same to the respective department (Finance, Sales Trading,). In case of buy, Operation team will transfer the securities to client on T+2 days and will follow up with them till funds get credited into our account. In case of sell, Operations will intimate accounts to transfer the fund T+1 or T+2 days and will follow up with client till the securities get credited into our securities pool account.

- **Post Trade Settlements:**

  Non-settlement of trades as per requirement also poses certain risks to the Company; accordingly following processes shall be followed in this regard:

  - Close monitoring of settlement of trades till the settlement is confirmed.
  - Ensure timely Pay-in / Pay-out of funds/securities for settlements on Company Account.

- **<u>Ageing Debit Square off</u>** (T+1+5) It is client's obligation to clear his/her outstanding dues by T+2 (T indicates Trading day). The client shall ensure timely provision of funds / securities to Elara so as to meet exchange obligations. Elara reserves the right to close the positions / sell securities to the extent of ledger debit and /or to the extent of margin obligations. Selling will be done in clients account beyond T+2+5 days for the ledger debit which is more than T+2+5 days on ageing basis. For e.g.: All trades executed on Monday will be squared off on next Wednesday (T+7) where T indicates Trading day. In other words, if funds are not received for scrips purchased on Monday by next Tuesday i.e. T+6, Elara shall liquidate securities to the extent of ledger debit.

- Elara shall not grant further exposure to the clients on those scrips / stocks where debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in.

- Respective client's RM will be made aware of client debits and to do the recovery from clients for clearing the same.

- A client's debit to collateral ratio should be always be in a ratio of 3:4. For a debit of Rs.3/ there should be a minimum collateral valuation of Rs.4/. Any decrease in the collateral valuation will lead to realisation of funds by selling of shares so that the minimum debit to collateral ratio is maintained.

- **Liquidation of Securities without Consent of Clients:-**

  - The Client needs to furnish adequate margin as specified by Elara from time to time from its sole and absolute discretion. It shall be the responsibility of the Client to ascertain in advance the margin requirement for its order/trades/deals and to ensure that the required margin is made available to Elara in such form and manner as may be required by Elara.
  - The margin will have to be paid within the time frame stipulated by the Exchanges or Elara, generally in case of fresh positions upfront, in case of Mark-to-Market and/or any other additional margins before the commencement of trading on next trading day and in case where the exchanges levy and/or increase any margin required during the day, immediately upon levy and/or increase in any such margin.
  - The Client shall fulfill all its settlement obligations within the time frame, stipulated by Elara or the Exchanges, whichever is earlier. The Client shall ensure timely availability of funds/securities in designated form and manner at designated time and in designated bank and depository account(s) at designated place, for meeting its pay-in obligations of funds and securities. Elara shall not be responsible for any claim/loss/damage arising out of non-availability/short-availability of funds/securities by the Client in the designated account(s) of Elara for meeting the pay-in obligation of either funds or securities.
  - Elara shall have right to sell securities of the Client, both on paid securities as well as collaterals deposited towards margins, or close-out open positions of the Client, without giving notice to the Client where there is a delay/failure of the Client to meet the pay-in obligations and/or there is a failure of the Client to bring additional margins to cover the increase in risk in the dynamic market conditions.

- As per the present Exchange requirements, the Member Broker is required to maintain 50:50 ratios between cash and collateral margin deposited with the Exchange. Elara shall therefore have the prerogative to insist for margin in the similar ratio as mandated by the Exchange from its Clients and may not consider the value of securities over and above the cash component for the purpose of calculating margins shortfall and close the Derivative position where it finds the deviation. However, sales made in capital market segment are not considered while closing Derivative positions on T and T+1 basis due to margin shortfall.
- There should be morning intimation from RMS to Branches intimating the names of the clients whose positions are to be exited. Normally a time limit up to 1.30 p.m. can be given for the purpose so that clients can transfer surplus margin from Cash Segment to F&O Segment to augment margin or transfer funds through RTGS / NEFT /securities covering the shortfall amount.
- Elara has the right but not the obligation to cancel all pending orders and to sell/close/liquidate all open positions/securities/shares at the pre-defined square-off time or when mark-to-market (MTM) percentage reaches or crosses stipulated margin percentage decided by Elara. Elara will have sole discretion to decide referred stipulated margin percentage depending upon the market conditions. Such margin percentage will be communicated from time-to-time orally or through e-mails or through its Trading Terminals, Branch representatives etc. However in the event of extreme volatility and/or open position (outstanding) of Client resulting in mark to market losses beyond margin percentage of Elara anytime during the trading session, and/or positions of the Client or collateral being not saleable, thereby forcing Elara to liquidate any of the available positions of the Client and collateral same shall be done by Elara during the course of Trading Session without recourse to the Client.
- In the event of such Square-Off, the Client agrees to bear all the losses (actual or notional), financial charges, damages based on account of such liquidation/sale/closing-out on actual executed prices.
- Elara is entitled to prescribe the date and time by which the margin/security is to be made available and Elara may refuse to accept any payments in any form after such deadline for margin/security expires. If the Client fails to maintain or provide the required margin/fund/security or to meet the funds/margins/securities pay-in obligations for the orders/trades/deals of the Client within the prescribed time and form, Elara shall have the right without any further notice or communication to the Client to take any one or more following steps:

  a) To withhold any pay-out of funds/securities.

  b) To withhold/disable the trading of the Client.

  c) To liquidate one or more securities of the Client by selling the same in such manner and at such rate which Elara may deem fit in its absolute discretion. It is agreed and understood by the Client that securities here includes securities, which are pending delivery/receipt.

  d) To liquidate/square-off partially or fully the position of sale and/or purchase in any one or more securities/contracts in such manner and at such rate which Elara may decide in its absolute discretion.

  e) To take any other steps, which in the given circumstances, Elara may deem fit.

- The Client agrees that the losses if any, on account of any one or more steps enumerated herein above been taken by Elara, shall be borne exclusively by the Client alone and agrees not to question the reasonableness, requirements, timings, manner, form, pricing, etc., which shall be chosen by Elara.
- Elara may follow the **FIFO method** for liquidation of securities but it may not be binding on it to follow this method in all cases.
- Elara shall have right to close-out any intra-day positions taken by the Client after a defined “Cut-Off” time as decided by Elara. Such “Cut-Off” time will be communicated from time-to-time orally or through e-mails or through its Trading Terminals, Branch representatives etc.
- Elara shall have the right to sell securities of the Client or Close-Out open positions of the Client but it shall not be under any obligations to undertake this exercise compulsorily. Elara shall therefore not be under any

obligation to compensate/or provide reasons of any delay or omission on its part to sell securities of the Client or close open positions of the Client.

Operational Principle: These are as follows:

Elara shall in normal circumstances avoid liquidation of Securities without informing the clients. However, in exceptional market circumstances, Elara may have to resort to liquidation of securities to realize dues and cover risk of the Company. Written Authorization from the Clients shall be obtained at the time of Opening of Accounts, with regard to squaring-off client position in case of margin/pay-in default.

Elara shall inform the client regarding the dues and margin obligations on a daily basis through e-mail/courier/Hand Delivery. The RMS Officer / RM shall personally call upon the clients, whose margin is due, to apprise the clients of the penalties which are charged due to shortfall in Margin as well as the recourse which the Company has to most reluctantly initiate as per the Rules and Regulations laid by the Exchange/Regulator. Continuous follow up with the clients shall be made till **T+4** days, regarding the dues to make good in the stipulated time period.

Records regarding margin calls made are shall be maintained by the Risk Management Department and reported to the Compliance Officer.

- **Approved List of Securities:**
  List of Securities should be from the approved list as specified by NSE & BSE. In case of securities outside the approved list, Business Head in consultation with compliance will take a call and provide approval to RMS.

8. Internet Based Trading (IBT):

Elara provides internet based trading facility for its clients through Odin Application.

The exposure for IBT clients in capital market would be given 4 times exposure of its **credit balance** as appearing in back-office based on the Category of the stock and in case of T2T stocks only one time exposure will be available to the client. The primary responsibility to monitor the risk of IBT customer lies with the branch where the client is mapped. However, RMS team located at HO will closely monitor the risk associated with trading of such clients.

Client opting for IBT facility will be deactivated at the Dealers trading terminal for placing trades in order to minimize the risk. Internet trading involves many uncertain factors and complex hardware, software, systems, communication lines, peripherals, etc. which are susceptible to interruptions and dislocations. In such case client can place orders through offline mode by calling the branch / HO where the client is mapped for placing the trade order.

9. PHYSICAL SETTLEMENT OF EQUITY DERIVATIVES

As mandated by SEBI, stocks which do not meet the Enhanced Eligibility criteria shall move from cash to physical settlement. Kindly refer the circular as communicated by NSE dated 15/06/2018 NSCCL/CMPT/38039 and FAQ on the same is provided in detail wide circular no. NSCCL/CMPT/38332 dated 16.07.2018, where physical settlement has been introduced for July 2018 expiry and onwards.

- 46 Scrips (Physical Settlement)
- FAQ for Physical Settlement
- FNO ANNEXURE

With introduction of physical settlement, all the open positions (Futures & in the Money Options) of near month will be settled through actual pay-in or pay-out of shares if positions are left open.

Important points with respect to physical settlement are as given below.

The following positions in respect of contracts identified by Exchange shall be physically settled:

Unexpired Futures

1. Long Futures shall result into a buy (Security receivable) Positions.
2. Short Futures shall result into a Sell (Security deliverable) Positions.

In-the-Money Call Options

1. Long Call exercised shall result into a buy (security receivable) positions
2. Short Call assigned shall result into a sell (security deliverable) positions

In-the-Money Put Options

1. Long Put exercised shall result into a sell (Security deliverable) positions
2. Short Put assigned shall result into a buy (Security receivable) Positions

The quantity to be delivered/ received shall be equivalent to the market lot * number of contracts which result into delivery settlement.

Buy/Sell price of the physically settled stocks

The expiry day will be the buy/sell date of the shares that have undergone physical delivery. The buy/sell price for the various cases is as below-

Long/short futures- The settlement price on the expiry date will be the buy/sell (average) price of the stocks.

Call/Put options – ITM options get exercised but expire at 0 value. The strike price of the contract will be the buy/sell (average) price of the stocks.

Additional costs of physical delivery

All positions that result in you receiving delivery of shares will require you to have funds equivalent:

For Futures: Settlement Price * Lot Size * Number of lots
For Options: Strike Price * Lot Size * Number of lots

In the event that you do not have sufficient funds to meet this obligation, interest at the rate of 0.05% per day will be charged on the debit balance.

All positions that result in you having to give delivery of shares will require you to have shares in your demat account equal to the deliverable quantity. In the event that you do not have the required quantity of shares, this settlement would result in a short delivery. Appropriate penalties shall be charged on such short deliveries.

The same delivery brokerage slab which is applicable in Capital Market shall be applicable in Derivative Physical Delivery and 18% GST shall be charged.

As clarified by the exchange based on the direction of the Hon'ble Bombay High Court, all physically settled contracts (both Futures and Option) will carry an STT levy of 0.1% of the contract value for both the buyer and the seller of the contract.

The physical settlement shall be effected on Expiry+2 days.

Post expiry, positions which are converted to physical settlement, margins as applicable in Capital Market segment (i.e. VAR, Extreme Loss Margins, and Mark to Market margins) shall be applicable and levied as delivery margins.

Failure of the seller to deliver securities shall result in buy-in-auction for the shares by Clearing Corporation as per auction schedule declared periodically. Currently auction shall be conducted on Expiry+3 days and settled on Expiry+4 days. The auction amount shall be charged in case of short delivery of shares. Failure to procure shares in auction shall be closed out.

Please note that Elara Securities (India) Private Limited RMS will square off open position in Stock Futures / Option's which has been mandated by Exchanges for physical settlement, at least 2 days before expiry day. You can choose to rollover your positions or close the same before 3 days including expiry day (Monday).
E.g. July expiry contracts needs to be closed/rollover by you on or before 3 days including expiry day or else the same would be closed by Elara Securities (India) Private Limited RMS any time of last 3 days expiry.

Also all open position in such contract's will be on-square off mode before 3 days including expiry day (Tuesday, Wednesday, Thursday).

Hence for every expiry Elara Securities (India) Private Limited RMS will square off open positions in Stock Futures / Options as at least 2 days prior to expiry day (last Thursday of every expiry).

Kindly take adequate care while trading in options as in case of illiquid contract it will be difficult to square-off position which may result in physical settlement.

In case Elara Securities (India) Private Limited RMS is unable to square off, then such contracts will be physically settled and client will be required to honor the securities and funds settlement obligations resulting out of such settlement.

Policy & Framework for Voluntary Freezing / Blocking the Online Access of the Trading Account by Clients On Account of Suspicious Activities

1. Preamble:

Elara Securities (India) Private Limited (hereinafter referred to as ELARA or "the Company") is a company registered under the provisions of the Companies Act 1956 and is a SEBI registered Stock Broker having SEBI REGISTRATION NO.: INZ000238236, Member of BSE Limited (CM) and National Stock Exchange of India Limited (CM, F&O); a Depository Participant (CDSL): IN-DP-370-2018 and a SEBI registered Research Analyst: INH000000933.

2. Policy Description & Purpose:

This policy is framed as a part of risk management policy for providing facility of voluntary freezing/blocking the access of the trading accounts of the clients on account of suspicious activities.

3. Applicability:

As a part of online trading facility, ELARA provides following services:

- Internet Based Trading (IBT)
- Security Trading through Wireless Technology (STWT)

4. Process For Voluntary Freezing/ Blocking the Online access of the Trading Account:

A. In case of any suspicious activity being observed by client, the client can raise a request for voluntary freezing / blocking the online access of the Trading Account, by intimating through following modes:

   1. Sending an e-mail on **stoptrade@elaracapital.com** from registered e-mail id.
   2. Web link: **https://elarasecurities.com/freeze-ac/**
   3. Calling on +91 22 42048605 / +91 22 42048605 / +91 22 42048617

B. On receipt of request from client, the request will be validated to ensure that the request placed is a genuine one.

C. After validation of the request, acknowledgement will be provided to the client and online access of the client's trading account will be freezed /blocked and all the pending orders will be cancelled.

D. The Confirmation of the freezing/blocking of the clients trading account will be sent on the registered mobile number and e-mail id of the client.

E. The details of open positions (if any) will also be communicated to the client along with contract expiry information within one hour from the freezing/blocking of the trading account.

F. ELARA will maintain the appropriate records/logs including, but not limited to, request received to freeze/block the online access of trading account, confirmation given for freezing/blocking of the online access of the trading account and cancellation of pending orders, if any, sent to the clients.

5. **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 minutes before the start of trading.	Within 15 minutes[2]
Request received after the trading hours and 15 minutes before the start of trading	Before the start of next trading session

[1] Trading hours shall be as follows:
Capital Market Segment: 9.15 a.m. to 3.30 p.m., Equity Derivatives Segment: 9.15 a.m. to 3.30 p.m., Currency Derivatives Segment: 09.00 a.m. to 05.00 p.m., Commodity Derivatives Segment: 09.00 a.m. to 11:30 p.m.

[2] To begin with, the time limit of 15 minutes is being specified for the purpose of issuing acknowledgement as well as freezing/blocking of the online access of the trading account. This time limit shall be contracted after a review in the next six months after the date of its applicability to enhance protection of investors from suspicious activities.

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

The online access of trading account will be reenabled after carrying out necessary due diligence including validating the client request and unfreezing / unblocking the online access of the trading account. The process for re-enablement is as under:

A. Client can raise a request for voluntary freezing / blocking the online access of the Trading Account, by intimating through following modes:

- Sending an e-mail on stoptrade@elaracapital.com from registered e-mail id.
- Calling on +91 22 42048605 / +91 22 42048608 / +91 22 42048617

B. On receipt of request from client, the request will be validated to ensure that the request placed is a genuine one.

C. After validation of the request, acknowledgement will be provided to the client and online access of the client's trading account will be unfreezed /unblocked.

G. The Confirmation of the unfreezing/unblocking of the clients trading account will be sent on the registered mobile number and e-mail id of the client.

7. In case of failure of ELARA in freezing/ blocking the online access within the prescribed timelines, ELARA will be responsible for any trades executed from the time of receipt of such request till such time the online access is blocked / frozen.