Surveillance Risk Management Policy

(Review Date: 03/03/2023)

Client Margin Policy

Wealthstreet Financial Services Private Limited follows prudent margin collection policy for its broking business. Client can infuse Margin in any of the following form:

- Cash Collateral
- Non-Cash Collateral

Cash Collateral

Cash collateral forms a part of ledger. Cash margin can be infused in trading code by transferring funds through:

1. RTGS / NEFT / IMPS transfers
2. Using Payment Gateway
3. Cheque

Margin shall be provided only against clear funds and no margin shall be provided against UNCLEAR Cheques.

Physical Cash shall not be accepted and Third Party Cheques shall not be considered for Margin

Client's available funds shall be updated as Cash Margin on BOD which can be utilized for creating positions under various products offered by WFSL.

Online Fund Transfer using Payment Gateway shall have immediate addition to Available margin.

Non-Cash Collateral

Equity Shares:

Equity Shares Pledged in favor of WFSL are accepted as margin. The shares are valued as per latest available closing price or last trading price (LTP) available during market hours. The collateral benefit against such shares shall be considered post applying appropriate hair-cut as defined by Risk team. (No Collateral benefit shall be given against Shares available in Clients Dmate Account but are not pledged in favor of WFSL). A separate Scrip hair-cut policy shall be followed for the same. The scrip level hair-cut shall be reviewed on Weekly basis or on happening of specific event in the scrip.

If the scrip has not traded on a particular day, the valuation of such scrips shall be considered as ZERO and client shall not be able to avail any collateral benefit.

In the event of scrip moving from Eligible to Non-Eligible category, the collateral benefit shall be withdrawn with immediate effect. Client will have to replenish the margin on immediate basis to avoid any liquidation of stock / position due to shortfall.

In order to avoid scrip concentration, client level scrip limit and scrip level limits shall be made applicable.

WFSL may change its collateral valuation norms, depending upon but not limited to the following factors:

- Market Volatility
- Shifting of scrips by exchange between categories (e.g. scrip shifting into T2T or Z group)
- Mergers and Acquisition activity / Corporate Actions like Bonus, Split etc.
- Exchange Restriction on specific scrip
- Delisting of scrip

Exchange Traded Bonds and NCD's:

Bonds which are actively traded on exchanges, i.e. NSE and BSE, can be considered as collateral on an exception basis post evaluating various parameters like coupon, maturity, rating, liquidity etc.

Only NSE listed bonds shall be considered for Derivative margin shortfall reporting. However, in case the bond is not traded on a particular day, no collateral benefit shall be considered against these bonds.

Mutual Fund Units (MFs):

MFs held in dematerialized form and are pledged in favor of WFSL are accepted as margin. Hair-cut on such MFs are considered as per internal hair-cut policy keeping post considering parameters such as AUM's, nature of scheme, fund house etc. Following hair-cut shall be applied on MF schemes placed as collateral:

Categories of Mutual Funds	Hair-cut %
Equity Mutual Fund Schemes	20%
Debt Mutual Fund Schemes	10%
Liquid Mutual Fund Schemes	10%

The hair-cut list shall be generally reviewed on monthly basis or on as and when required.

Utilisation of Cash and Non-Cash Collaterals:

Funds in the form Cash collateral which forms part of clients' ledger can be utilized for the purpose of trading / buying of shares or creating derivatives position on exchange platforms.

Non-Cash collaterals, pledged in favor of WFSL, post applying appropriate hair-cut can also be utilized for the purpose of trading / buying of shares or creating derivatives position on exchange platforms. Non-cash collaterals of client shall be held in WFSL CUSPA account and shall be unpledged in clients demat account post clearing debit arising in ledger. Post unpledging of shares in demat account, client needs to pledge the shares in favor of WFSL to avail the collateral margin benefit.

WFSL Products Offering

WFSL is committed to providing best trading experience to the clients. Hence product offering plays most important role.

WFSL shall be offering following Products under different segments:

Products	BSE Equity	NSE Equity	NSE FO	NSE CD	MCX
MARGIN	Y	Y	N	N	N
DELIVERY	Y	Y	N	N	N
INTRADAY	N	N	Y	Y	Y
CARRYFORWARD	N	N	Y	Y	Y

Products are further classified as Cash Segment Products and Derivative Products.

Cash Segment Products

- MARGIN (Intra-day Square off Product)
- DELIVERY (Delivery Product against Collateral)

MARGIN (Intra-day Square off Product)

- Its leveraged Product offering intra-day trading facility
- Client needs to give % of buy value instead of 100%
- List of scrips available for buying under this product along with % of hair-cut is defined basis internal risk policy and parameters
- Both buy and sell orders are allowed, however, T/TS/BE and other trade for trade groups shall be blocked
- Orders are allowed against available Cash and Collateral value (After hair-cut)
- Scrip basket containing list of scrips along with appropriate hair-cut shall be assigned to this product
- Orders are validated against scrip limit and are liable to get rejected in case of breach in limit in spite of having sufficient available margin
- Conversion of open position to DELIVERY product and vice versa shall be allowed post validating the margin sufficiency
- New listing scrips are not allowed under this product
- All the pending orders shall be cancelled at 3:15 pm and open position remaining shall be squared off by risk team
- In case of breach in threshold loss, the open position shall be squared off

DELIVERY Product

- Leveraged Product offering facility to buy scrips giving % of buy value instead of 100%
- List of scrips available for buying under this product along with % of hair-cut is defined basis internal risk policy and parameters
- Scrip basket containing list of scrips along with appropriate Utilisation % shall be assigned to this product
- Only Buy orders are allowed
- Buy orders are allowed against available Cash and Collateral value (After hair-cut)
- In order to avoid risk of Auction, sell orders are not allowed to be placed through this product. Scrips bought today are allowed to be sold basis available of sufficient margin to avoid any penalty.
- Orders are validated against scrip limit and are liable to get rejected in case of breach in limit in spite of having sufficient available margin
- T/TS/BE and other Trade for Trade group scrips are allowed for buy orders only without square off option
- Conversion of open position to Margin Product shall be allowed post validating the margin sufficiency
- 100% margin shall be charged for new listing scrip on listing day

Derivative Segment Products

- INTRADAY Product
- CARRYFORWARD Product

INTRADAY Product

- Default product for taking intra-day position in Derivatives segments of FO / Currency / MCX.
- All scrips available in with current month expiry shall be available and positions can be created basis Available Cash + Collateral (Post Hair-cut)
- All orders are validated against Available Margin calculated on real time basis and SPAN + Exposure + Others Margins as applicable shall be charged for the same
- MTM losses whether realized or unrealized shall be deducted from available margins while assigning limits. No credit for realized profits or unrealized profits, shall not be considered.
- Buy Options orders are allowed validating cash + collateral as margin. Margin shall be charged equivalent to premium payable. Option Buy orders are allowed against sell of carry forward options in that segment only. No Option buy orders are allowed against Option sell in other segments.
- Facility to convert open position in INTRADAY product to CARRYFORWARD product and vice versa is available post validating margin sufficiency
- Open position in INTRADAY product attracts both Time based as well as Margin based liquidation
- All the pending orders shall be cancelled at 3:15 pm and open position remaining shall be squared off by risk team
- Risk of positions remaining open due to system failure, loss of connectivity etc persists
- Also, at the breach of threshold loss, all open positions in INTRADAY and CARRYFORWARD Product shall be squared off

CARRYFORWARD Product

- Default product for taking Carry Over position in Derivative segments of FO / Currency / MCX
- All scrips available in F&O shall be available and positions can be created basis Available Cash + Collateral (Post Hair-cut)
- All orders are validated against Available Margin calculated on real time basis and SPAN + Exposure + Other applicable margin shall be charged for the same
- MTM losses whether realized or unrealized shall be deducted from available margins while assigning limits. No credit for realized profits or unrealized profits, shall not be considered.
- Buy Options orders are allowed validating cash + collateral as margin. Margin shall be charged equivalent to premium payable. Option Buy orders are allowed against sell of carry forward options in that segment only. No Option buy orders are allowed against Option sell in other segments.
- Long dated Options (LDO) or Options where difference between strike price and underlying is > 20% are blocked on trading terminals. It shall be allowed post approval only after validating margin sufficiency.
- Facility to convert open position in CARRYFORWARD product to INTRADAY product and vice versa is available post validating margin sufficiency.
- Also, at the breach of threshold loss, all open positions in INTRADAY and CARRYFORWARD Product shall be squared off
- Following contracts shall be available in F&O segments. All other contracts shall be blocked :

Sr No	Instrument	Expiry	Symbol
1	FUTSTK	2 MONTHS (Current / Near Month)	All
2	FUTIDX	3 MONTHS (Current / Near / Far Month)	NIFTY / BANK NIFTY / FINNIFTY
3	FUTCUR	2 MONTHS (Current / Near Month)	All
4	OPTSTK	2 MONTHS (Current / Near Month)	ALL
5	OPTIDX	3 MONTHS (Current / Near / Far Month)	NIFTY / BANKNIFTY / FINNIFTY
6	OPTCUR	1Month (Current Month)	ALL
7	FUTCOM	2 MONTHS (Current / Near Month)	ALL

IPO application in Bonds / OFS / Mutual Funds
- Applications are allowed basis minimum of clear cash margin and available free margin, calculated on real time basis
- No application shall be allowed to be made basis cheque under clearing or receipt of third party cheques
- No application shall be allowed to be made basis Unsettled credit balance

Liquidation Policy

Liquidation Policy can be broadly divided into following parts:

1. T+5 Aging Liquidation Policy
2. Risk Liquidation Policy
   a. Capital Market Liquidation Policy
   b. Derivatives Market Liquidation Policy

T+5 Aging Liquidation Policy

As clients are allowed to purchase delivery of shares using NRML product type, utilizing only certain % of collateral as margin, Liquidation under this policy is required to clear the debit arising in ledger. Liquidation to clear the debit arising as per T balances shall happen on T+5 day morning. T day shall be considered as Settlement Day.

Also, MTM loss arising in futures segment or debit arising through trading in options and not settled by the client on due date basis shall also be considered for liquidation under T+5 Aging liquidation.

On the day of liquidation, client shall be blocked from taking fresh positions in All segments. No fresh positions shall be allowed to be created in any segment. However, Clients will be able to sell the stock or reduce the existing positions in derivatives segments.

The detailed T+5 liquidation policy should be referred for complete functionality.

Risk Liquidation Policy

It is important to understand the common risk terminology which shall be put in use on daily basis

Gross Margin: Ledger (Including cheque under clearing) + Stock (Pre hair-cut value) + FD / BG – Short sell*130%

Gross Margin %: (Gross Margin / (Stock (Pre hair-cut value) + Fo Exposure))*100

Net Margin: Ledger (Including cheque under clearing) + Collateral Value (post hair-cut) + FD/BG – Short Sell@130%

Net Margin %: (Net Margin / (Stock (Post hair-cut value) + Fo Exposure))*100

Shortfall Value: Ledger (Including cheque under clearing) + Collateral Value (post hair-cut) + FD/BG – Short Sell@130% – SPAN Margin – Exposure Margin

Risk Liquidation can be broadly categorized into two categories:
   a) Liquidation due to EOD shortfall
   b) Intra-day liquidation due to erosion in margin

Both the above categories can further be divided into two categories:
   1) Liquidation with only Equity position
   2) Liquidation with FO position

Liquidation due to EOD shortfall with only Equity Position

Liquidation under this category is eminent when **Net Margin %** <= 10%.

The liquidation shall be done to such an extent to bring back client to no shortfall position.

The shortfall arising at EOD will have to be regularized immediately post market opening else WFSL Risk team shall be constrained to regularize the same.

Liquidation due to EOD shortfall with FO Position

The entire shortfall arising at EOD, will have to be regularized on T+1 basis, however, Liquidation under this category is eminent when:

All Clients	Available Net Margin <= 50% of Applicable SPAN + Exposure + Other Margin

The liquidation shall be done to such an extent to bring back client to no shortfall position.

When Shortfall % threshold is breached, shortfall arising at EOD will have to be regularized immediately post market opening else WFSL Risk team shall be constrained to regularize the same.

Intra-day liquidation due to erosion in margin

All carry over positions shall be liquidated when below parameters are breached during the day.
Positions taken during Intra-day using MARGIN / INTRADAY products, shall be liquidated at breaching following threshold parameters:

Equity Positions: Net Margin % <=10%
Equity + Derivatives Positions / Only Derivatives Positions: 80% erosion in Net Margin