Risk Management Policy – Equity / Exchange Business

For Retail Clients

Related regulations	Risk management policy designed to outline boundary of Risk Taking on the client's position
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Owner/Contact	Compliance
Approver	TFM Board of Directors

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Introduction/Objective

The objective of this document is to articulate clearly the market risks that TFM is exposed to as a stock broker, and the mitigations proposed to be put in place. This policy will be reviewed from time to time depending on the requirement of the business and market conditions. This document articulates risks based on the market conditions currently prevailing. Changed circumstances or additional knowledge could necessitate enhancing this document from time to time to cater for additional risks or directions from regulators / exchanges. Besides, it must be emphasized that this document is an enabling policy document, intended to articulate the boundaries of risk-taking.

All constituents are reminded that if risks are higher for a specific transaction, even if the transaction is within the boundaries articulated in this document, more stringent criteria may be followed to restrict trades & transactions due to risk associated with the same / require more rigorous verification. The Policy document is subject to change according to our risk perceptions of the market and SEBI/Exchange regulations in force from time to time, changes to this document are to be included as an addendum to this policy document.

1. Scope of Offerings

Torus Financial Markets Private Limited will be offering transactions for the registered clients in the following Exchanges & segments. In phase 1 TFM will launch services by offering Equity Market Segments of BSE & NSE:

BSE – Cash Segment
NSE – Cash Segment
NSE - Futures & Options Segment
BSE - Futures & Options Segment

A) CASH SEGMENT

- ***Delivery (Cash N' Carry)***
  This is the simplest form of equity trading product available. Delivery trade using this product provides no leverage. Once bought shares will be delivered to clients' demat account and if sold shares will get debited from clients' demat account. Clients should have 100% cash deposits available with TFM or should be able to transfer (using payment gateway facility or such similar mode of funds transfer that is made available) such amount before he executes a Buy trade. Client will be allowed to sell only such quantity of shares those are available in Company's (Under settlement/CUSA) on his/her behalf or those which are available in his/her own depository participant (DP) account maintained with TFM and for which client has executed transaction with confirmation via Electronic Delivery instruction (E-DIS) or Power of Attorney registered with TFM. Normal settlement of funds & securities takes place after 1 trading/working day from trade day. We will convert the market order into the limit order with 3% +/- to the LTP. **TFM may keep an additional buffer upto 3% for all purchase orders placed with price validity "Market".**

Intra-day

The client is allowed to take intraday positions only based on the margin available (funds and securities with haircut) with TFM in-line with policy requirement on the condition that the position will be compulsorily squared-off on the same day. Clients will be allowed to initiate positions in Intraday products only in selective scrips allowed by TFM.TFM reserves the right to change/modify such list from time to time without giving any prior notice or any reason thereof (This would depend on the market conditions).
The amendment to the list to be done at the EOD only so as to avoid complications. However, in case of extreme circumstances such as high market volatility TFM may revise the list during the day. In such cases Clients with open positions would be permitted to square off their open positions or convert them to cash and carry or margin products but new positions in the scrips removed from the list will not be permitted. Square off Times will be within 30 mins of the market closure time.

During the day, the client can convert his intraday positions into cash and carry or margin products provided he has/ brings in adequate margin applicable for such products. The client positions will be automatically squared-off as per practice from time to time before closure of the market, if the same are open and not converted into cash and carry or margin positions.

- ***BNPL (*****Buy Now Pay Later)**

  The client is allowed to take position on pledge collaterals in Capital as well as FO segment. Client need not have any cash and they can use their collaterals up to 100% of the margin requirement and can carry position in Capital as well as FO segment by paying nominal rate of interest. In this product client is allowed to carry the position till T+5 trading days beyond that client has to arrange the margin or else his position gets square of by TFM. Advance notification will be given of Liquidation in BNPL.

  E.g. If you buy Infosys shares worth Rs.1, 00,000/-, you are required to pay 25% i.e.Rs.25000/- and balance Rs.75000/- will be funded by TFM on behalf of you at the time of pay-in. This 25% can also be in the form of stocks collateral. * % of the Margin may vary from time to time.
  Note: - Margin requirement for the stocks will be different and it will be updated on the system by TFM from time to time.
  We will prefer exchange approved stock for the pledge and exposure in BNPL product .TFM can make Changes like addition or deletion of stocks and margin percentage any time wherever it finds suitable according to company's policy.
  For reference can visit exchange website: https://www.nseindia.com/all-reports-APPSEC_COLLVAL_16102024.csv

  Interest will be charged on the total debit amount in your trading account. In case if you have sufficient credit under normal segment to cover margin trading debit, no interest will be charged to you. Currently we are charging 0.03% per day up to 50% of margin utilized in Capital Market segment for intraday trading & 0.04% for the carryforward position.For carry forward position in the derivative segment the rate of interest will be 0.04% per day to the extent of cash requirement which is 50% of total margin.

Features & Conditions

1. Positions created under Intraday Product would be subject to either client themselves exit/squaring off or MTM Loss reaches 50% of Total Deposit (Ledger + Holding after Haircut) i.e. (this would be executed without intimation to the client), Risk Square off or Timer Based Square off
2. Client cannot Carry Forward any positions in Intraday Product unless converted to other products such as Delivery/CNC
3. All pending orders / unexecuted / partially executed orders will be cancelled once square-off triggers
4. No fresh orders will be accepted in Intraday once Timer based square off triggers as per the practice prior to market closing
5. All positions under Intraday Product will be subject to 50% MTM Loss i.e. positions will be liquidated if loss reaches a predetermined level of client margin loss. The OPEN positions (i.e. the carry forward overnight positions) and the intraday leverage position (across segments) will also be squared-off at 50% MTM loss
6. If MTM loss breaches 50%, positions will be liquidated at Market rate on best effort basis and clients will be liable for any such losses resulted due to such orders.

Product Specification

Sr.No	Particulars	Intraday
1	Suitable for	Day Traders
2	Maximum exposure allowed	Varies from Scrip to Scrip (2x to 5x)
3	Scrips allowed	Should be from Group I & other critera
4	Futures allowed	Yes
5	Options allowed	Yes
6	Position conversion	Possible conversions from Intraday to Delivery
7	Auto square-off time	Between 3:00 PM to Closure of Market or 50% of MTM (loss) trigger whichever is earlier

* Subject to Change as per Addition/deletion of scrips as per Risk Parameters as approved by Risk committee.

2. Risks Outlined

a) Cash Segment

i. Buy order: In case of buy orders, if positions are initiated based on intraday margin requirement which cannot be squared off due to liquidity issue or scrip being hit circuit breaker there is a risk that the obligation may not be honored in full on the settlement date. Further, there is Risk of decline in stock price (during this period) exposing TFM to the Risk on client position.

ii. Sell order: For placing a sell order, the holding is required to be in the depository or under settlement and hence, delivery of the scrips to the exchange may be met on the due date. Short selling shall not be permitted in Margin Carry Forward Product. The risk is limited to short delivery in the coming settlement.

Risks as per the Products allowed

i. CNC (Delivery) – No Risk as the client pays 100% obligation amount (In Cash) upfront before executing the order. A small/partial risk may exist in case of Market orders in non-liquid scrips where the market price at which the order is executed exceeds the amount paid by the client. We are covering this risk by having upto 3% buffer in case of market order we will be placing the order as a limit order on the exchanges.

ii. Margin carry over – Risk of price movement as well as liquidity risk as the client can carry over the positions beyond T+1 day with predefined/stipulated margin and the client may not settle the obligation.

iii. Intraday- Risk of price movement higher than margin charged by us while initiating the order as well as liquidity risk on Intraday basis

Risk mitigation measures

Risk	Risk Description	Mitigation
Higher Volatility (Scrip)	Volatility in price > Margin blocked/charged	1. Sufficient margin from the clients based on Exchange issued VaR and other criteria
Lower Liquidity/ Wider Spread (Scrip)	Timely Square off of Intraday Position could not be done due to lower liquidity or wider BId/Ask spread	1. Stress testing & QA load testing

System / Technological Risk	Delay in order execution / confirmation due to high volume or network congestion/Failure	
Concentration Risk	Trading volumes concentrated to few scrips / industry segment	1. Client Wise Position Cap 2. Scrip Wise Position Cap
Order Punching error	Order is Placed in Wrong Client/Wrong Quantity or Wrong Price by Call & Trade Dealer	1. Order cap both in Qty and value 2. Broker Indemnity Insurance 3. Approved Scripting for Dealer while order placement 4. Immediate communication of order execution to Client to identify error promptly
Risk of News / Rumours / Announcement	Sudden movement/volatility in price/volume due to some Rumours/News/Announcement in Scrip/ Industry or Broad Based	1. Lowering the Multipliers on Announcement to take care of margining for Fresh Orders 2. Lowering the MTM Trigger % to have more buffer on positions for broad based sell off in market

3. Addressing of Risks & Mitigating Control

a) Order Level Restrictions- Single order quantity and value Caps

To avoid erroneous trading, lower of the below will be the single order level maximum cap applicable for any order

- Per order Quantity: 50,000
- Per order Value: 50 lacs

Client wishes to buy / sell in higher quantities or values can slice the order in multiple in such a way that above maximum limit criteria is not breached

b) Dealer Level controls

TFM provides a fully electronic platform to the clients. All orders are electronically placed through the App. However in case the online platform/app is not available TFM may decide to permit clients to call and trade.

- All dealer-based trades to be on a centralized trading platform on recorded lines.

- Communication to be sent to the customer through approved means by EOD.
- Email to be sent to clients registered email id by EOD
- Consolidated Contract note will be sent to the customer (for each transaction)
- All single order quantity & value restriction as mentioned above will also be applicable to all the dealers as well

Scrip Selection and Categorization

c) Scrip selection for Intraday

Scrip selection constitutes part of the assessment of Collateral. If the client defaults on taking delivery, the recourse available to TFM is to sell the script to make good the amount payable to the exchange. Accordingly, scrip selection and imputing margins for each category of scrip is a critical aspect of the business.

Scrips must satisfy **all** the following conditions in order to be considered eligible for Collateral and to be allowed for margin carry over / intraday product.

- Must be from Group I Securities as defined by SEBI,
- Scrips will be shortlisted where Market Cap > 500 Crore
- Must not be part of NSE Trade to Trade, T or Z category, as the same are considered to be illiquid
- Must be listed / permitted to trade in both the Exchanges viz BSE & NSE (Exception : BSE & CDSL which are not listed on BSE)
- Must satisfy the following liquidity criteria:
  - average daily traded value over the last 6 months not less than INR 2 Crore
  - Circuit filters >= 10% (Scrips with circuit filter <10%, not allowed)
  - F&O listed scrips does not have any circuit filter hence allowed
  - Impact cost of less than 0.75%
  - Delivery Volume should be greater than 50 Lacs for average of last 6 months for multiplier greater than >= 5

Group	Trading Frequency (over the previous six months)	Impact Cost (over the previous six months)
Liquid Securities (Group I)	At least 80% of the days	<= 1%
Less Liquid Securities (Group II)	At least 80% of the days	> 1%
Illiquid Securities (Group III)	Less than 80% of the days	N/A

Notes: A. For securities that have been listed for less than six months, the trading frequency and the impact cost shall be computed using the entire trading history of the scrip defined by the ops committee. A sample of how the same will be defined is given be
low:

e) **Scrips Shortlisting & Categorization for Intraday**

Multiplier	**4.5 x**	**4 x**	**3 x**	**2 x**
Market Cap(Crs)	>5000	>2500	>1250	>500
Impact Cost %	<= 0.15	<= 0.25	<= 0.30	<= 0.50
VaR %	<= 15	<= 20	<=30	<=40
Circuit Band %	>=10	>=10	>=10	>=10
Avg Turnover (Crs)	>15	>5	>3	>2
Scrip count (Indicative)	**92**	**166**	**654**	**176**

VAR	VaR Margin is intended to cover the largest % loss may be faced by an investor on a single day with a 99% confidence level
Impact cost	Impact cost represents the price movement on executing a transaction in a given stock, for a specific predefined order size, at any given point
Circuit Band %	Daily price bands as applicable on securities beyond which a scrip cannot increase or decrease on a given day
Market Cap(In cr)	Value of a company traded on the stock market, calculated by multiplying the total number of shares by present share price.
Avg Turnover (Cr)	Average daily turnover of last 60 days in NSE
MWPL	20% of Free Float (Non Promoter) Holding

d) Dealing in Restricted Category Scrips as defined by TFM:-

In order to exercise additional due diligence while accepting orders on behalf of their clients:

- TFM shall from time to time classify and publish on its website/App a list of securities which are restricted based on internal criteria. This list of scrips will be available to TFM clients for Delivery Basis only with below mentioned restrictions applicable.
- TFM reserves the right to refuse execution of any transaction requests of the client on such restricted securities or to reduce the open market interests of the client in such securities/ contracts.
- TFM also reserves the right not to allow any trades or transactions in respect of certain securities or segments or orders/requests which may be below/above certain value/quantity as may be decided by TFM from time to time.

The following criteria have been decided based on the Investment Limit at a client level in allowing trading in restricted scrip:

e) Monitoring of market conditions (Extreme Volatility Conditions)

Conditions refers to conditions specific to the scrips as well as macro specific conditions. This requires ongoing market monitoring to ensure that the market is not getting overbought. Accordingly, Windows on Risk must be produced on a daily basis with the following aspects addressed and take diligent call on reducing broad based multiplier or scrip specific multiplier based on the assessment of Risk Management Team. Below are the indicative scenarios

- Daily price change of 5% at an index level or 10% at a specific scrip level
- Rolling 5 day price change of 10% at an index level or a specific scrip level
- Rolling 30 day price rise of 25% at an index level or a specific scrip level
- Increase in daily turnover of a specific scrip by more than 50% over the 3 month average turnover.
- Events like Union Budget, Election Results Centre/Important States, Prime/Finance Minister Commentaries on economy
- US$ INR Exchange rate band (<50, 50-55, 56-59, 60-65, 65-70 and 70+) – the higher the exchange rate, the higher the risk; for example > 50, 50-60 would be in the green zone, 60-70 would be in the amber zone and > 73 would be in the red zone.
- Interest rates : RBI Repo rates (<5%, 5-6%, 6-7%, 7-8% and > 8%) – the lower the interest rate, the lower the risk; for example, > 8% would be in Red zone, 5-7% in amber and < 5% in green zone)
- External macro events – e.g. Greece, Italy downgrade, War like situations, Terrorist Attacks, Volatility in Crude Prices
- GDP/IIP Nos, Reserve Bank Policy Decisions, Inflation Nos etc will impact the broader market conditions

If there is any breach, it must be escalated to the Risk Committee for appropriate decision. Decisions could include requirement of higher margins for any specific scrips or across the board.

f) MIS and exception reports

The following MIS / Exception reports must be generated on a daily basis and circulated to the CEO/ Whole time director and CFO, Head Business, Products, Compliance Operations & Risk:

- Client Level Exposure Report- Showing top clients by Exposure.
- Scrip level Exposure Report- Showing Scrips/Indices based on Exposure.
- Ageing of Positions
- Market movements as per previous Section on market conditions

h) CFS benefit for delivery stock sold

When a client sells a stock from demat holdings, the client will get only 100% of the total stock value in their funds balance on the same day. The selling T1 holdings (the stock bought recently and have not yet completed their T+1 settlement cycle) will get only 60% of the total stock value in client funds on the same day..

This will change the amount of funds clients receive on delivery sell transactions in the equity segment. Let's say, a client buys shares worth Rs 10,000 on Monday and sells them Tuesday. Benefit in client fund balance for the client to use will be 6000 (60%). The credit (Rs 10,000) will be available on Wednesday if the client sold it on Tuesday (subject to pay in of shares).
If a client sells those shares on Wednesday or later, the client will get Rs 10,000 (100% of 10,000) in funds balance.

To summarize,

Trading Scenarios	**% Funds available on selling day**	**Holdings Type**
Bought on Monday, Sold on Tuesday	**60**	**T1**
Bought on Monday, Sold on Wednesday	**100**	**Demat**
Bought on Monday, Sold on Thursday or later	100	Demat

Derivatives / Futures & Options Segment

1. Margin Collection in Derivatives Segment

Initial / Upfront Margin is collected upfront from all clients in leveraged segments. Daily Mark to Market losses shall have to be paid latest by T+1 morning and any shortages in respect of Initial Margin shall be payable forthwith. TFM may charge a margin rate higher than the exchange stipulated margin rates based on our risk policy from time to time. In case of default to provide Mark to Market losses or Margins, Peak Margins, Upfront Margin, Additional Margin, Delivery margin accordingly, TFM shall be entitled to square off the open market positions without further reference or notice to the Clients. In case of extreme market volatility, margins may be demanded on intra-day basis and Clients should be able to replenish margins on immediate basis to avoid square off. Where market conditions warrant, TFM may demand payment by electronic transfer. Shortage in Initial/Upfront/Peak/Delivery/Additional Margin shall attract penalty as may be levied by the Exchange. All losses from daily settlements and losses from square off which are not paid shall be recovered by selling available collateral shares of the Client and Client shall be liable to pay the remaining balance forthwith.

2. Collateral Acceptance

   Only approved scrips as per TFM criteria will be accepted as collateral in leverage segments. Collateral provided as margins should not be exceeding the concentration values mentioned below as per their categories.
   Restrictions on acceptance of single scrip concentration as per category are given below:
   Fund Payout requested by Clients shall be paid in the ratio of 50:50 i.e., cash 50% and collateral 50%, to the extent possible.

3. Collateral Scrip Concentration
   Clients will be allowed to provide scrips towards collateral as per scrip concentration criteria. If it crosses the concentration criteria then client needs to update the funds or transfer other approved securities or reduce the concentrated scrip to the extent of breach value.

Restrictions on acceptance of <u>single scrip</u> concentration as per category are given below:

- Acceptance of single "A" category scrip should not be more than 3 crores.
- Acceptance of single "B" category scrips should not be more than 50 lacs and,
- Acceptance of single "C" category scrips should not be more than 20 lacs.

Over and above the category cap, we will not allow our clients to go beyond 0.5% of the market cap of the company in a single scrip.

4. Intimation to clients

   Client can view details of his/her ledger, holdings, margin shortfall etc via secured login on TFM website and App. Regular intimations regarding debit, information about margin shortage (real time margin shortage), communication regarding liquidation is sent through approved means of communication.
   .

5. Risk Management – Guidelines for Square off

   To enhance Customer knowledge and safeguard investor interests, we have devised a comprehensive Risk Management – Square off policy. This policy covers the criteria based on which we monitor risk and the actions initiated thereafter. Few fundamental terminologies and examples are cited below for your reference.

<u>Liquidation in Derivative Segment</u>

In event of Loss / Margin increase, position to be squared off as per the following logic:

1. Client with Security Collateral and MTM Loss- Liquidation of the Collateral stocks in the Cash segment done for recovering the MTM debit in account.
2. Client with Cash Collateral and MTM Loss/ Margin Increase – Liquidation/ Square off of open F&O position as soon as the Margin available with the client reaches 50% of exchange defined minimum margin.
3. Continuous monitoring is done by the Risk Management team for the stocks with High Volatility (particularly for stocks allowed by TFM) as a part of Surveillance and online monitoring. Any adverse movements in the prices of those stocks may also result in liquidation independent of the Margin erosion criteria.

Risk Management system is capable of providing Real-time alerts /triggers for margin shortfall/ liquidation in case of Intraday and F&O positions.

I. Intraday Product Policy: -

- Positions created under Intraday Product would be subject to either client himself squaring off Or MTM Loss @ 50% of Total Deposit (Ledger + Holding after Haircut) - Risk Square off Or Time Based Square off.
- Client cannot Carry Forward any positions in Intraday Product unless converted to carry forward
- All pending orders / unexecuted / partial orders will be cancelled as per intraday product features.
- No fresh orders will be accepted in Intraday after Time based square off.
- Square off Times will be within 30 mins of the market closure time.
- All positions under Intraday Product will be subject to 50% MTM Loss i.e. positions will be liquidated if loss reaches to a pre decided level of client margin loss. The OPEN positions (i.e. the carry forward overnight positions) and the intraday leverage position (across segments) will also be squared off at 50% MTM
- At MTM loss the position will be reduced on a best effort basis and customers will be liable for such losses
- Client confirms that he is aware of the Intraday Product and its features and have clearly understood the risks associated with Intraday Trading.
- Client understands that he/she is allowed a higher leverage in the Intraday Trading Facility as compared to trades in the regular market positions and, therefore, while the opportunity for making profits on the investment is magnified, the risk of loss would also be enlarged correspondingly.
- Client understands that Intraday Trading would be allowed only if the margin required under the Facility is already available in his account with TFM.
- Client also understands and agree that the option to convert Intraday trade positions to carry forward positions is subject to full margin being made available upfront unless such margin is already lying to the credit of the account with TFM
- Clients are aware that under the Facility, unless the positions are carried forward as stated above, all open positions shall be squared off by Risk Management Team at the prescribed cut-off time on the same day of their acquisition unless the positions are sooner squared off upon the positions incurring a loss to the extent of the prescribed maximum limit or more as may be determined from time to time.
- Client agrees and accepts that if for any reason beyond our control, like force majeure causes, disruptions in the communication network, system failure, slow or delayed response from system, trading halts, or the Exchange applying circuit filters because of which the open Intraday positions could not be squared off and are carried forward, client is expected only to Square them off on a best effort basis, as soon as may be, and any and all losses arising from such events will be to my/our account.
- Client agree and accept that he/she will not hold TFM Ltd , their directors, officers or employees liable for any loss that may sustain as a consequence of availing of this facility. All terms and conditions of the agreement that are executed shall remain effective and in force in all respect until terminated in terms thereof. Client are expected to refer FAQ about Intraday Product sent to them for detail understanding of the features and risk of Intraday Product

Physical Compulsory Delivery Process & its Margining

Current margin framework of F&O segment shall continue to be applicable till expiry of derivative contracts.

In addition to margins applicable for F&O segment, delivery margins shall be levied on potential in-the-money long option positions four (4) trading days prior to expiry of derivative contract which has to be settled through delivery. Example - If expiry of derivative contract is on Thursday, the delivery margins on potential in-the-money long option position shall be applicable from previous Friday BOD

From Expiry - 4 day BOD client level potential in-the-money long option positions shall be computed on a daily basis. In-the-Money options shall be identified based on the closing price of the security in the underlying Capital Market segment on the respective day.

In-the-money long option positions shall be valued at strike price.

Delivery margins at the client level shall be computed as per the margin rate applicable in Capital Market segment (i.e VAR, Extreme Loss Margins) of the respective security.

Delivery margins on potential in-the-money long option positions shall be levied at client level and collected in a staggered manner as under:

10% of Delivery margins computed on Expiry - 4 BOD
25% of Delivery margins computed on Expiry - 3 BOD
45% of Delivery margins computed on Expiry - 2 BOD
70% of Delivery margins computed on Expiry - 1 BOD

The delivery margins on potential in-the-money long option positions shall be recomputed only at EOD basis considering the revised position, underlying prices and margin rates

Members shall be required to collect the delivery margins on potential in-the-money long option positions and shall be included in the client margin reporting for clearing and trading members.

Post expiry, positions which are converted to delivery settlement, margins as applicable in Capital Market segment (i.e VAR, Extreme Loss Margins, Mark to Market margins) shall be applicable and levied as delivery margins.Any shortfall in margin maintenance will attract margin shortfall penalty from the exchange.

Please note that the following trading restrictions will be applicable on stock derivative current month expiry contracts, starting from Expiry-1 day till Expiry.

Expiry	DAY (Example)	Stock Future Contracts	Option Stock Contracts
E-1	Wednesday	No restrictions on trading in Futures.	All fresh positions are restricted. Only Square Off is allowed.
E	Thursday	All fresh positions are restricted. Only Square Off is allowed.	All fresh positions are restricted. Only Square Off is allowed.

Notes:
(1) TFM shall not be liable for any losses arising out of such auto square-off / failure to square-off of open positions. Brokerage Charges for Physical Settlement will be 0.5% of the contract value.
(2) TFM might attempt to buy stocks during the post-market session to partially or fully net off the physical delivery obligation if the client's account doesn't have enough funds or securities, subject to market liquidity.
(3) TFM precautionary measures are taken to square off out-of-the-money (OTM) strikes closer to the Last Traded Price (LTP) to prevent them from turning into in-the-money (ITM) and leading to physical delivery. TFM may square-off up to three OTM strikes within proximity to the LTP & subject to square off.
(4) This policy may be changed at the discretion of the TFM RMS team.

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
- 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. This can be as much as 20% or more. Read more on the consequences of short delivery here.
- Margin penalties will be charged as prescribed by the exchange for all F&O positions (including long options contracts).
- Since there is a substantial increase in effort and risk to settle these F&O positions resulting in physical delivery, a brokerage of 0.25% of the physically settled value will be charged. For all netted-off positions(spread contracts, iron condor, etc), the brokerage will be charged at 0.25% of the physically settled value.
- 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%(applicable for equity delivery trades) of the contract value for both the buyer and the seller of the contract.
- Interest will be charged at 0.05% per day if your account results in a debit balance when the additional margins are applicable(two days before the expiry day)
- You are required to bring in funds if your account results in a debit balance after physical delivery failing which the delivered shares will be liquidated to make good the debit balance. Interest will be charged at 0.05% per day on the debit balance in the account.

Treatment for Securities in Ban Period

Exchanges set MWPL(Market-wide positions limits 20% of Free Float) for all stocks traded in the Equity Derivatives segment, this is the maximum number of contracts that can be open at any time(Open Interest), If the open interest of any stock crosses 95% of the MWPL(All futures and options contracts of that stock), all F&O contracts of that stock enter a ban period.

When the stock F&O contracts are in the ban period, no fresh positions are allowed for any of the futures and options contracts in that stock. Customers will only be allowed to exit the existing positions during this period. The scrip exits the Ban period only if the open interest falls below 80%.

Penalty on account of failure to maintain adequate stipulated margins

As per SEBI regulations, Customers at all the times should maintain adequate stipulated Margin with TFM. Adequate margin must be supplied by Customers in advance of order placement. Customers are also advised to make good the MTM (Loss) Margins immediately and not later than Market opening on Next Trading day. Below is the details of different margin customers has to maintain with TFM

- Initial Margins (Span, VaR & Extreme Loss Margin)
- Additional Margins
- Net Buy Premium for Options
- MTM Loss Margin
- Physical Delivery Margin (Starts Expiry-5 Days)
- Peak Margins for Intraday square off Trades
- Other Margins if any prescribed by Exchanges/TFM from time to time

Penalty is leviable as per below mentioned table on each trading day of Margin Shortfall Amt

Short collection for client each day	**Penalty %**
(< Rs 1 lakh) And (< 10% of applicable margin)	0.50%
(= Rs 1 lakh) Or (= 10% of applicable margin)	1.00%
Beyond 3 days of continuous Short Margin	5%
Beyond 5 Instance of Margin Shortfall in a Month	5%

Customers should note here, Penalty is levied by regulators to regularise and create discipline in maintaining adequate margin by the Customers with the brokers. It should not be construed as liberty to carry forward a position in Margin Shortfall.

Delayed payment charges:

TFM will post the daily obligations to the client's ledger on the trading day itself. The clients are required to clear the debits as per the ledger on or before settlement day. Clients not clearing the debits on or before settlement day, TFM will debit the client's ledger by the Delayed Payment Charges.

Delayed payment charges will be computed on the effective debit balance of the client at the end of the day on a daily basis. Delayed Payment Charges will be computed daily and will be posted monthly in the client’s ledger. The rate of interest for the Delayed Payment Charges will be applicable as decided by management from time to time with applicable GST amount if any.

Effective debit balance will be computed based on the client’s available debit ledger balance netted across all the Exchange segments at end of the day post removing all the unsettled credit/debit bills and unclear fund receipts. This also will be inclusive of accumulated Depository transaction charges plus applicable GST amount after they are posted in the client's account.

Internal Shortage of Securities:

In case any client of TFM defaults in fulfilling securities pay in obligation against sell transaction in a particular settlement where any other TFM client is having a buy position then TFM will consider those short shares as Internal shortage shares.

TFM will settle all the internal shortage of shares internally only. This will be cash settled with the **Internal Auction Price** discovered as per below calculations, which will be higher of,

(A) Auction price if available in auction session of the Exchange
(B) Closing price on T+1 day + 5% on Closing price
Or
(C) High price from T day to T+1 day (if High prices is > Closing price on T+1 day + 5%)

Based on the above price discovery, Seller clients will be debited with the valuation (Internal Shortage Quantity X Internal Auction Price) and Buyer will be credited with the same value. Clients will be communicated with the Internal Auction bills accordingly.

All the internal shortage shares will be allocated/marked in descending order of quantity to the clients having obligation for that particular settlement and shortage allocation will have preference as per below hierarchy:

1. Excess payin received
2. BTST client
3. NBFC client (Margin funding/PMS etc.)
4. Rest of the client

Internal Shortages after Direct Payout Mechanism go live:

With introduction of Direct Payout mechanism (i.e. Pay-out of securities directly to client demat account) exchanges has made it mandatory for members to apply for self-auction for internal shortage. We will start reporting internal auction from the date of direct pay-out becomes live. Till such time existing process of Internal auction will be followed.

As per the exchange circular we will be reporting internal shortages to the exchange on Auction Day. In the evening of Auction Day we will receive Obligation file from the exchange, On the basis of this file we will debit defaulter client (Seller client) as per the rates mentioned in the file. On auction settlement day, exchange will give us pay-out of the shares which we will transfer to buyer client's demat account. In case, where close-out is received from the exchange on auction settlement day, it will be passed on to buyer client as per exchange file.

Other Inherent Risks

1. **Short Delivery Risk:-**

   In the Equity Cash Segment whenever a share is bought or sold, and not squared off on the same day (i.e. non-intraday trades), such transactions result in delivery transactions. This means that if the shares are bought, the client needs to pay the full amount and take the delivery of shares in his demat account. Similarly, if the shares are sold for delivery, the client has to give the shares to the exchanges to be transferred to the corresponding buyer. If the seller fails to deliver the shares (whether partially or fully), it is known as “Short Delivery of Shares”.

   So, if a client of TFM purchases any stock on delivery basis on any given day then it will settle on t+1 day where there is possibility for below mentioned two scenarios:

a) It is internal trade i.e. buyer and seller are from the TFM itself. Then no obligation from the Exchange to deliver the shares to TFM.
   i) TFM seller client will deliver the shares to TFM pool demat account and then it will be transferred to TFM buyer as per the TFM RMS policy.
   ii) If a TFM seller client fails to deliver the shares then it will lead to Internal Auction and cash settled as defined in the internal Shortage process in this policy .
b) It is not internal trade i.e. TFM has an obligation to/from the Exchange.
   i) If there is net buy quantity (total buy qty > total sell qty, then the difference qty) then Exchange has the obligation to deliver the shares to TFM on t+1 day.
   ii) If on t+1 day, Exchange fails to deliver the shares then it will lead to the Exchange level auction process and on t+2 day either Exchange will deliver the shares or it will be closed out from the Exchange i.e. cash settled.
   iii) If there is net sell quantity (total sell qty > total buy qty, then the difference qty) then TFM has the obligation to deliver shares to Exchange on or before t+1 day 10.30 am.
   iv) If TFM client fails to deliver the shares then on t+1 day Exchange will levy provisional auction charges and will share the files accordingly. And on t+2 day, Exchange will share the Final auction charges along with respective files.

Auction Market

It is a special market where only members of the exchange can participate as fresh sellers and sell shares which are short delivered. In the auction session, people who already have shares in the demat account can offer their shares. The Auction market is conducted every day between 2.00 p.m. to 2.45 p.m. Clients of the broker where the default has happened cannot participate for the auction in the same script. The auction price is taken at the lowest price offered in the auction. The highest price would be not more than 20% and not less than 20% of the closing price of the T+1 day i.e. the previous day prior to settlement day. If the shares are offered, the shares are given to the buyer of the shares on T+2 day. The seller has to pay the price for the shares offered in the auction, which is generally higher than the market price prevailing on the day.

For example, above, in an auction of shares of Titan where the closing price was 1000, fresh sellers can offer to sell 1000 shares of Titan in the Auction market in the range of 800 to Rs.1200 (+/- 20% above 1000).

If for some reason the shares are not offered in the auction by any existing shareholder, then the settlement happens at a price known as the close out price or close out rate. The close out price is determined according to the categories of the script. A few different types of close out prices suggested by Exchange are as follows:https://www1.nseindia.com/products/content/equities/equities/exceptnl_situations.htm

Financial Implications of an Auction

In case of default of shares delivered by a seller, an auction as described would be conducted.

The series of events would be as under:

T Day – Sale of 1000 Shares Titan on Monday at Rs. 1000 and Ledger credited by Rs. 10,00,000

T+1 Day (Morning) – Non – Delivery of 1000 shares on Tuesday

T+2 Day (Auction Session) – Auction conducted for 1000 shares. The best price on offer in the Auction session was 1050.

T+2 Day (Post Auction) – Debit Auction Bill generated for 1000 shares at 1050 of Rs. 10,50,000/-. Net Ledger on account of the transactions would be Rs. 50,000/-. The 50,000/- is nothing but the difference price between auction settlement price and the original sale price.

Based on the above the clients who have gone short, we'll have to pay for the loss resulting from the Auction (Auction price + Auction charges + penalty) or close out. In some scripts this amount may be substantial (especially where there is large price movement). The chances of such risks arising is very remote since client will only be allowed to sell shares upto Holding & shares expected in the upcoming settlement

2. Capital Adequacy at Exchange: -

The amount to be deposited with an exchange/Clearing corporation) as collateral to cover the settlement risk of the C/C.

The capital deposited is of 2 types

- **Base minimum capital** - Capital to be deposited 30 trading permission is obtained
- **Additional Base capital** – that is capital deposited to meet additional margin requirements after the base min capital is exhausted.

The additional capital can be withdrawn at any time subject to it not being used for Margins. While the Base minimum capital permanently remains with the exchange till the member trades. It is permitted to be withdrawn any after 3 years from the date the trading rights are surrendered.

All collateral to meet Capital adequacy can be segregated into cash component and non-cash component.

Cash or cash equivalent (including client's funds) Component: -

- Cash
- Bank Guarantee from approved bank by the exchange
- FDR from approved bank by the exchange
- T-Bills issued by RBI & approved by exchange
- Government Securities issued by RBI & approved by exchange
- Sovereign Gold Bonds issued by RBI & approved by exchange
- Liquid Bees

Non-Cash Component (with applicable haircut):-

- Equity Collateral approved demat securities by the exchange (including clients securities)
- Open ended Mutual Funds approved by the exchange
- Corporate Bonds which are approved by Exchanges

  Benefits of Non-Cash Components will be available in 1:1 proportion to Cash Components. Thus, cash or cash equivalent components will have to be 50% of the collateral deposited.

  The trading limits(unsettled buy and sell transactions) are permitted only up to the limit of capital deposited with the exchange. The members shall be compulsorily placed in risk reduction mode (Only Square off) when 85% (or such other limit as notified by SEBI from time to time) of the members capital limit is utilized towards margins for trading & moved back to normal mode when utilization goes below 80%.

Impact of Risk Reduction Mode (RRM):

- All unexecuted orders (Pending) shall be cancelled
- Fresh orders placed by clients to reduce open positions shall be accepted.
- Fresh orders can be placed for immediate or cancel (IOC) only
- Members will be able to trade in normal mode as and when the utilization goes below 80% of capital limit
- Opportunity loss for TFM Clients, since clients won't be able to place fresh orders.
- Reputational loss as due to RRM, clients will face fresh trading halt.

We will ensure CAPAD as ~ 70% (15% lower than notified) of norm. In case of higher spike in trading volumes, we will ensure to deposit more collateral to avoid breach of such limits.

Delay in PG settlement: -

TFM clients transfer the funds through online payment gateway i.e. net banking/UPI against that Realtime limit has been given for exposure, to avoid MTM squared off, to convert position from Intraday to Delivery or to carry forward the position. According to an estimation approx. 75% no of the transfers will get credited to TFM bank account Realtime whereas rest 25% may take up to one working day to have the same credited in TFM bank accounts. In such scenario TFM has to arrange funds for one working day till the actual credit is received in the TFM bank account

Moreover, if there is any delay / latency is seen in updating limits through our PG channels to the Trading platform whereas client's funds are deducted from their respective bank accounts however there is delay in updating funds on the trading platform

Risk involved in PG delay: -

- Client position got squared off due to delay in updating fund on RMS Panel
- Opportunity loss for TFM Clients, since clients won't be able to place orders/trade

We will ensure that we will keep a close track of timely receipt of funds as agreed with the partners and mentioned above. In case of inordinate delays, we will switch the PG partners so that exposure on such delays can be minimized.

3. Technological Risks: -

TFM provides Trading on exchanges in Mobile/Web based platform, based on leased line/Internet based communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond the control of and may result in delay in processing or not processing buy or sell orders either in part or in full. TFM Although these problems may be temporary in nature, TFM clients having outstanding open positions or unexecuted orders, these represent a risk because of their obligations to settle all executed transactions.

Impact of the Technological/System failure: -

- ➢ Revenue loss - due technical issue the trading is on halt
- ➢ Opportunity loss for TFM Clients, since clients won't be able to place orders
- ➢ Reputational Risk
- ➢ Financial risk due to not squaring the open/risky position at the right time and price

To overcome/reduce such risk we have following controls in place:-

- Multiple lines 10 X 400 orders / sec with Back-up lines (different service provides) ito take care of exchange connectivity failures
- Fallback Lines and setup at Bangalore office to take care of any exigency

4. Easi/Easiest Access to Clients

Easi/Easiest are the facilities given by CDSL(Depository) to Beneficial owners to view their holding lying in the Demat Account. They also can transfer securities outside the demat account using this facility. Since customers can move securities out of their demat account, we have restricted this facility from the risk point of view. The same are detailed below

- When the customer sells the DP holding there is no hold/earmarking marking happening in his dp account. Customers can sell the same holding through TFM trading system and at the same time can initiate a share transfer instruction outside his demat account too.
- Any delay in the process may lead to non-processing off market\Market instructions given through easiest and may result in financial loss
- Clients can place instructions throughout CDSL anytime. this can be beyond the various process cut off timings decided by TFM and may lead to not executing customer instruction
- In case customer directly updates any details in CDSL through his easiest login, this will result in mismatches with TFM system data and other peripheral systems because we do not have the process to update our systems realtime based on CDSL's update file

Circuit limit based Square Off - For non FNO intraday scrips, the auto-square off threshold would be set based on the exchange defined Circuit Filter. This would be applicable for all the Intraday positions in the equity segment and will be auto squared off from RMS when the scrips reaches the following threshold.

Stocks with circuit band	**Threshold limit(80%)**	**Re-open for trading**
20 % price band	16%	12%
10 % price band	8%	6%
5 % price band	4%	3%
2 % price band	1.60%	1.20%

*Once threshold breached, No fresh long order will be allowed for that scrip in the current circuit threshold.& no fresh short sell position will be allowed for that scrip in the current circuit threshold.

*Scrip will be re-open for trading once traded 20% below the scrip threshold limit.

Market order with price protection.

The Bid-Ask spread in a lot of stocks is very high, due to which when customers place a market order the execution may happen far away from the last traded price.The biggest risk of market orders is the execution at the desired price is not guaranteed. Stock prices change every second. In a market order, one can get desired quantity but price can move and sometimes that's a disadvantage.

In order to protect customers from this disadvantage, We keep 3% market protection percentage for every market order .What this means is, if a customer places a market order, the order will be placed as a limit order with the trigger at LTP and the price at 3 % from the LTP. Customer order will get executed at the next best available bid/offer within 3 % of the LTP. The market price protection of 3 % is set by TFM. Required margin for market order will also be charged as per market protection set by TFM.

For example - You want to buy shares of SBIN,whose LTP is Rs 190. If you place a market order, a limit order with market protection of 3 % will be placed i.e your order will get executed at the next best offer within Rs 195.70..

Ageing Debit Square off (T+5)

Selling will be done in clients accounts on T+6 days for the ledger debit which is more than T+5 days on ageing basis. For e.g.: All trades executed on Monday will be squared off on next Tuesday (T+6) where T indicates Trading day. In other words, if funds are not received for scrips purchased or MTM debit on Monday by next Monday i.e. T+5, Paytm shall liquidate securities to the extent of ledger debit.

Sequence or Priority of selling
CUSA Holding
Collateral Pledged (Share Invoke format)
T1 (transit Stock) if both the above is not able to fulfil the debit requirements

Policy for process of liquating the client securities, in case of multiple securities in CUSPA
In case there are multiple securities in the "CUSPA", First in First Out (FIFO) logic will be followed. However, in case, the stock basis FIFO logic could not be sold due to less liquidity or due to security in lower circuit or any other reason, then TFM may sell any other security to clear the outstanding debits.

Categorization of the securities under Graded Surveillance Measure (GSM), Insolvency and Bankruptcy Code (IBC) and relevant surveillance actions

In addition to existing Surveillance action being imposed from time to time, it may be noted that securities under GSM shall be monitored for the price movement based on the below objective criteria and shall attract additional graded surveillance measures. Scrips which witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets, Net-worth, P/E multiple, etc. All of the scrips under GSM would be under **Restricted scrip Category where orders can only be placed through Central Dealing Desk**

Objective of Surveillance actions

- Alert and advice investors to be extra cautious while dealing in these securities
- Advice market participants to carry out necessary due diligence while dealing in these securities

Stage	Surveillance Actions	What this means for Clients
I	Transfer to trade for trade with a price band of 5 % or lower as applicable.	Scrips will be moved to Trade to trade category where no Intraday is possible. All trades have to be taken /given delivery
II	Trade for trade with price band of 5 % or lower as applicable and Additional Surveillance Deposit (ASD) of 100% of trade value to be collected from Buyer	For Poor and Restricted scrips 100% margin is taken upfront. When the scrip moves in this stage, over and above 100% margin, additional 100% ASD would be collected from the buyer which would be kept separately. The client will not get any additional exposure against this ASD
III	Trading permitted once a week trading and ASD 100% of trade value to be deposited by the buyers (Every Monday)	When the scrip moves in this stage, over and above 100% margin, additional 100% ASD would be collected from the buyer which would be kept separately. The client will not get any additional exposure against this ASD. The buying in these scrips would be restricted to once a week i.e. each Monday
IV	Trading permitted once a week trading with ASD 200% of trade value to be deposited by the buyers (Every Monday)	When the scrip moves in this stage, over and above 100% margin, additional 200% ASD would be collected from the buyer which would be kept separately. The client will not get any additional exposure against this ASD. The buying in these scrips would be restricted to once a week i.e. each Monday
V	Trading permitted once a month trading with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)	When the scrip moves in this stage, over and above 100% margin, additional 200% ASD would be collected from the buyer which would be kept separately. The client will not get any additional exposure against this ASD. The buying in these scrips would be restricted to once a month i.e. first Monday of each month

VI	Trading permitted once a month with no upward movement in price of the security with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)	When the scrips moves in this stage, over and above 100% margin, additional 200% ASD would be collected from the buyer which would be kept separately. The client will not get any additional exposure against this ASD. The buying in these scrips would be restricted to once a month i.e. first Monday of each month and there would not be any upward movement in Price

<u>Additional Notes:</u>

a. The list of securities moving from higher stage of Graded Surveillance Measures is informed time to time by the regulators
b. 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.
c. This ASD shall not be refunded or adjusted even if securities purchased are sold off at the later stage within a quarter and also shall not be considered for giving further exposure.
d. ASD shall be over and above existing margins or deposits levied by the Exchanges on transactions in such companies and shall be interest free.
e. In case the scheduled trading day is falling on a trading holiday, the trading shall be permitted on the next trading day.
f. Periodic review of securities under GSM framework, to assess relaxation of surveillance action, if any, shall be carried out on a quarterly basis. The review shall be done based on the objective criteria and only securities under Stage II onwards shall be eligible for the quarterly review. For example, a company in stage III of GSM can be moved back to stage II if qualified based on the said objective criteria.

<u>Categorization of the securities under S+ framework and relevant surveillance actions</u>

Upon identification and as per the applicable effective date, the securities falling under "S+ Framework" shall be placed in a separate group "SS"/ "ST".

In addition to existing Surveillance action being imposed from time to time, it may be noted that these securities shall be monitored for the price/volume movement and based on the predetermined objective criteria shall attract following additional surveillance actions –

Stage	Surveillance Action	Group
0	· Imposition of Weekly and Monthly price bands in addition to existing daily, Quarterly and Yearly price bands. · Imposition of very high transaction charges i.e. 1% of transaction value shall be applicable to both buyer and seller.	"SS" or "ST"
I	· All existing actions including imposed under Stage 0. · Shifting to Trade to trade settlement mode.	"ST"
II	· All existing actions including imposed under Stage I. · Additional Surveillance Deposit of 200 % of Buy value applicable on buyer. · ASD shall be released in the sixth month from the collection month i.e. minimum retention period of 5 month.	"ST"

Additional Notes: -

a. The list of securities moving to higher stage of "S+" framework as mentioned above shall be informed time to time by the regulators
b. At the time of identification of securities for "S+" framework, securities part of B/XC/XD group shall be transferred to "SS" group whereas securities part of "T" group and "XT" group shall move to "ST" group.
c. Additional Surveillance Deposit (ASD) shall be paid only in form of cash and to be retained for at least a period of 5 months
d. This ASD shall not be refunded or adjusted even if securities purchased are sold off at the later stage and also shall not be considered for giving further exposure.
e. All actions on securities placed under S+ Framework shall be over and above all prevailing surveillance action

<u>Annexure:</u>

Risk Committee

Responsibilities of the Risk committee

- Changes in any parameters in this document which needs to be implemented with immediate effect based on external and internal factors such as market volatility, scrip volatility, macroeconomic conditions etc.
- Changes in the reporting guidelines or approval mechanism as discussed in the document
- Identify business risk and ways to mitigate the same

Members of RMS Committee would

- MD and CEO / Whole time director.
- CFO
- Head Risk
- Head Products - Equities

The RMS Committee's decisions must be based on consensus and shall be documented by way of physical sign off / email communication.

The decision of the RMS committee, along with modifications suggested / reasons for rejection or deferment shall be appropriately recorded in such email communication, Further, Board will be notified for all decisions taken by the Risk Committee.

Any addition / deletion of members in the committee with the approval of MD/ CEO/ Whole time director.

Facility to voluntary freeze/ block online access of your Trading Account

Torus Financial Markets Private Limited has enabled the facility to voluntarily freeze/ block online access of Trading Account in case of any fraudulent or suspicious activity identified by you. This facility will allow you to protect your data and online trading ac from any frauds.

In case you observe any suspicious activity, you can request the voluntary freezing/blocking of online access to your trading account. This can be done conveniently by contacting our customer desk on **7558775587** or by sending an email from your registered email address to **stoptrade@torusdigital.com**

Upon receiving your request, we will promptly acknowledge it. Following the freezing/blocking of online access, you will receive confirmation on your registered mobile number and email ID. This communication will inform you that online access to your Trading account has been suspended, and any pending orders will be cancelled.

Following are the timelines within which the actions will be initiated:

Scenario	**Timelines for issuing acknowledgement as well as freezing / blocking of the online access of the trading account.**
Request received during the trading hours and within 15 minutes before the start of trading	Within 15 minutes
Request received after the trading hours and 15 minutes before the start of trading	Before the start of next trading session

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 next six months after the date of its applicability to enhance protection of investors from suspicious activities.

In case you wish to Call & Trade in offline mode, you may contact your RM or on -.**7558775587.**

To unfreeze/unblock the access to your online trading account, kindly follow any of the options mentioned below:

Email us at customercare@torusdigital.com or stoptrade@torusdigital.com from your registered email id

or

Call us at 7558775587.

Glossary

1. **Value at Risk (VaR)** :

is defined as a threshold value such that the probability that the mark-to-market loss on the portfolio over the given time horizon exceeds this value (assuming normal markets) is the given probability level. VAR is a distribution-free metric, which is not dependent on assumptions about the probability distribution of future gains and losses. The probability level is chosen deep enough in the left tail of the loss distribution to be relevant for risk decisions, but not so deep as to be difficult to estimate with accuracy. Distribution of various price scenarios and VAR percentage forms a bell curve which covers 99.96% of instances.

VAR margin is a set percentage of margin as provided by Exchanges on regular intervals (6 times in a day) during the trading hours by the way of a file which is uploaded in the Risk Management system (Omnesys) to compute the required Margin on the client position.

The higher the VAR, the more volatile is the scrip as it implies that higher the VAR, higher the margin value required to cover the MtoM losses of the script.

2. **Extreme loss margin** defined by Exchange is a certain fixed percentage to take care of the tail end of the bell curve, so as to cover close to 100% price variation and MTM thereof.

The Extreme Loss Margin (ELM) is a percentage levied on the trade value from the clients. Exchanges provide the security wise percentage on a regular basis. The ELM will be collected from the client on an upfront basis by adjusting against the Limits of the Clients at the time of trade.

The Extreme Loss Margin rate is charged on the net outstanding position (buy value-sell value) of the respective clients on the respective securities across all open settlements.

The higher the ELM, the more volatile is the scrip as it implies that higher the ELM, higher the probability of extreme losses in the scrip.

3. **Span Margin** is a set percentage of Margins as provided by Exchanges on regular intervals (6 times) during the trading hours by the way of a file which is uploaded in the Risk Management system to compute the required Margin on the client portfolio. The Margins are computed by logic of PC Span, a proprietary logic developed by Chicago Board of Mercantile. The Span margin at TFM will be collected from the client on an upfront basis by adjusting against the Limits of the Clients at the time of trade.

4. **Exposure Margin** is a set percentage of Margins as provided by Exchanges on a monthly basis by the way of a file which is uploaded in the Risk Management system to compute the required Margin on the client position. The Exposure margin at TFM will be collected from the client on an upfront basis by adjusting against the Limits of the Clients at the time of trade.

The higher the SPAN and Exposure margin, the more volatile is the scrip as it implies that higher the SPAN and Exposure, higher the margin value required to cover the MtoM losses of the position

5. **Impact Cost:** Impact cost represents the cost of executing a transaction in a given stock, for a specific predefined order size, at any given point of time. It is a practical and realistic measure of market liquidity, closer to the true cost of execution faced by a trader in comparison to the bid-ask spread. This is provided at scrip level by exchange on a daily basis. Lower the impact cost, higher the liquidity in the scrip over a given period of time.

6. **Haircut on Collateral:** Margins will be provided for trading after applicable Haircut on collaterals. A Haircut of 10% would mean that if you have given stock worth Rs 1 lac as collateral, 90000 (90% of 1 Lac) will be added to your trading limit.

7. TFM: TFM Pvt Ltd

8. NSE: National Stock Exchange of India Ltd

9. BSE: BSE Limited

10. RMS: Risk Management System

11. F&O: Futures & Options

12. CD: Currency Derivatives

13. SEBI: Security & Exchange Board of India