

## Risk Management Policy

The following document describes the risk management policy, applicable to all the segments of Upstox Securities Pvt. Ltd. & RKSV Commodities India Pvt. Ltd. (hereinafter jointly referred to as Upstox). This policy helps Upstox to manage the risk of the client and the company from the volatility of the market. Please read it carefully as it pertains to your trading activity and RMS actions.

Trading exposure shall be granted to clients based on the overall deposit so available with Upstox in the form of **Cash** and **Collaterals** (post **Haircut**). Upstox shall have the sole authority to decide on the Trading exposures to be granted to the clients based on underlying market conditions or any other factor.

**Cash** - This is the clear balance available in the client's ledger account in our books or any other form as may be permitted by the extent rules and regulation of the SEBI / Exchange / CC.

**Collateral** – This is the stock (which shall include Equity, MF, ETF, T-bills, etc) that has been pledged by the client in favour of Upstox.

**Haircut** - Haircut rate shall be as decided by Upstox from time to time, which shall not be less than the exchange prescribed rate.

Upstox shall continually monitor the margin applicable towards the trading exposure of the client and total available deposit of the client.

Clients can place various types of orders like CNC / MIS / MTF / GTT / BO, etc through the trading platforms.

**Below are the various types of risk and surveillance measure that shall be in place:**

- 1. Trading Exposure:** Trading exposure shall be allowed to the clients based on the permissible rules and regulations of the exchanges. Upstox may by itself regulate the trading exposure to be permitted to the clients which shall in no case be higher than the permissible limit of the exchanges.
- 2. Credit towards Early Pay-in of Security sold (CFS):** Upstox shall carry out early pay-in of shares sold from the holdings. Upon successful early pay-in, up to 80% of sell value shall be available to the client on the T-day itself for further exposure. Such additional exposure shall not be allowed if the shares are marked as T1 in the holdings. Upstox may by itself decide not to allow CFS to any or all clients.
- 3. MTF:** The trading limits, margin requirements, charges, etc shall all be governed by the T&C (as may be modified from time to time) accepted by the client.

**4. Penny Stock:** Penny stock shall have the same meaning as defined by the exchanges. Penny stocks are highly speculative and high-risk counter because of their lack of liquidity, large bid-ask spreads, small capitalization and limited following and disclosure, Upstox reserves the right to disallow trading exposure or EPI benefits on penny stocks.

**5. ASM / GSM:** Exchanges have their mechanism of grading stock under the categories like ASM, GSM, ESM, etc. Trading on such graded scrips is disallowed on Upstox, however depending on the market conditions and other factors, Upstox may at its own discretion allow trades in certain scripts falling in these categories.

**6. Illiquid Scrip / Contracts:** Illiquid securities and Trade-to-Trade securities which have high VaR margin are subject to high market risks and rate fluctuations. Illiquid securities and Trade-to-Trade securities will have a daily price range (DPR) whereby the chances that these shares can reach the upper DPR or Lower DPR during a trading day are higher than other securities. In case of Derivative contracts which are Illiquid, dealing would be restricted.

Upstox may at its own discretion may permit trades in such illiquid Securities / Contract and T2T Scrips.

**7. Physical Delivery: Stock** Derivatives contracts are subject to settlement on expiry through physical delivery only. Before expiry an option is granted to the clients to opt in for physical delivery. Clients opting in need to maintain sufficient fund / securities to take or give delivery of shares. Clients need to pay applicable delivery margins to avoid RMS actions. No trades are allowed in the expiring contract from T-1 day of expiry.

**8. Credit disallowed for Trading:** No exposure shall be granted to the clients for the following credits arising during the day:

- a. Intraday Profits.
- b. MTM arising from B/F / C/F positions.
- c. Net Option premium sold (Except to buy new options position within the segment)

**Below are the actions which shall be taken by Upstox RMS team based on the client's position / Margin availability and Market movement:**

Maintaining appropriate margins for all the open positions is the sole responsibility of the client. Margin shortages are appropriately displayed to the clients on the trading app at all times during the existence of the position. Insufficient margins will result in shortage penalty and RMS actions.



1. **MTM Breach:** Where the clients MTM loss breaches 70%\* of the available deposit, all the positions shall be squared off by the RMS team. (\* is an indicative for beginning of action, it does not imply square off actions exactly at 70%)
2. **Margin Breach:** Margin shortage post creating a position shall be responsible for square off by the RMS team.
3. **Circuit:** Clients having intraday position in any scrip / contract which breaches the circuit limit and is non-tradeable, shall be required to fund the position with relevant margin shortage. In case of non-fulfilment of margin such position shall be liable for internal close out or auction. To recover the shortage in the ledger, RMS team shall square off the shares received in delivery as per the relevant provision of "Client Unpaid Share" regulation.
4. **Notional Debit:** During the existence of intraday open positions on the T Day, if such open positions could not be squared off, in such cases a notional debit at the rate of 150% calculated on the closing rate of intraday position would be debited in the client ledger. Once the auction / close out process is completed the actual bill would be reflected in the client ledger and the notional debit entry would be reversed.
5. **General Square off rules:** As a part of routine square off, all intraday positions (MIS) shall be squared off by RMS within the last 30 mins of the market hours. Square off of all the positions expiring in the Equity & Currency derivative market shall be squared off any time after 12:00 p.m. and in case of commodity market any time after 10:00 p.m.

All the timings mentioned above are indicative, Upstox reserves the right to square off client position anytime if deemed necessary based on the position held, market condition, fund position and loss arising to the client. Clients may or may not be sent advance intimation for square off.

The square off actions taken by the Upstox RMS team is for the good of the client. Our endeavour would always be to safeguard the capital of the client, however Upstox shall not be responsible for any loss arising to the client due to square off or inability to square off, Client shall have no claim against Upstox.