



RMS Policy and Procedure		
Definededge Securities Broking Private Limited		Document Number : DSBPL/RMS/1
Segment	Owner	Effective Date : 24.06.2022
CASH, FNO, CURRENCY & MCX	Name : - Sanjay Nayak	Review Date : 15.12.2025
	Date : 20-06-2022	

## Contents

### Introduction

The primary purpose of this policy is to address credit risk; however, during the process of credit risk monitoring and surveillance, we also come across and mitigate reputational, liquidity and other operational risks. These are typical to the broking industry and are being managed by Risk department across the industry.

### Purpose & Scope

These Risk Policies embody the core principles for identifying, measuring, approving, and managing credit risk in the organization.

These policies are established by the Risk Department and are designed to meet the organizational requirements as they exist today to provide flexibility for the future. They represent the minimum standards in the organization and are not a substitute for experience and good judgment.

### Interpretation

These policies must be implemented conservatively, in accordance with their purpose and spirit. In the event a clarification or interpretation is required, consultation must first be sought from Risk department. Such consultations are an important source of feedback on issues and aspects of these policies that may need adjustment to meet the needs of a changing business environment while maintaining a balance between risk-taking and flexibility

### Limitations of the document

The document is intended to be used only as an aid and is made after considering the current activities of the Definededge Risk Management Department.

### Modification of the document

Any deviation or modification to this document will require the same to be duly checked and authorized by the Board. The absence of a policy statement does not, by itself, imply that an action is either permitted or forbidden nor is a policy established by precedence.

### Policy and Process

#### Normalactivation process of client code

1. On allotment of client code and after approval from the exchanges, the UCC which is generated will get mapped in our Trading terminal
2. Limits and values are cross checked on a general basis for trading by RMS.

#### Limit to Clients

1. Limit will be given only on available upfront margins in the form of funds and collateral. Any funds transferred through the trading portal will be updated in real time. Funds transfer through NEFT and RTGS during the day will be credited after funds are received in our bank account.

#### Limit Calculation

For Pledge, only Definededge approved stocks are to be considered with different haircuts based on stock category policy.

1. Margin Deposit = Ledger balance + approved Pledged stocks with haircut -130% of short sell value if any
2. Shortsell value = shares that were sold and not lying with us on T Day valued at LCP
3. We wish to inform you that SEBI vide its circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/1 dated 05.01.2024 issued fresh framework for Short / Naked selling of Equity Stock in Indian Securities markets. "Short selling" shall be defined as selling a stock which the seller does not own at the time of trade. Naked short selling shall not be permitted in the Indian securities market. Accordingly, all investors would be required to mandatorily honour their obligation of delivering the securities at the time of settlement. To adhere the circular, we need your support and hence we request you to please inform us your short selling, if any, by 4.30 pm on the same trading day at our email id: compliance@definededge.com
4. Haircut: As per Definededge Policy (Higher VAR of NSE/BSE or Exchange Haircut for Approved stocks whichever is higher) Definededge has the option to put additional haircut for such approved stocks wherever it is deemed necessary



# Definedge Securities Broking Private Limited

DETAILS	GROUP A	GROUP B	GROUP C	NEW D GROUP
Market Cap	Above 10000 Cr.	Above 5000 Cr.	501 to 4999 Cr.	Less than 500 Cr.
MonthlyAvg. volume value	MonthlyAvg. volume value >5 Cr.	MonthlyAvg. volume value >2.5 Cr.	MonthlyAvg. volume value >1 Cr.	Scripts in ASMGSM 100 %margin*
Cash Intraday multiplier	4x	3x	2x	1x

Illustration of deposit calculation:

- Definedge approved Pledged Stock Gross Value = 100000, value after haircut= 75000
- Ledger= 65000 (All segments consolidated)
- Short sell value= 10000 130% of short sell = 13000
- Deposit=75000+65000-13000 = 127000,
- Total available limit will be as per 50:50 cash to collateral ratio (Ledger 65000+Collateral 65000) =130000
- Collateral margin will not be considered for equity delivery positions and option buy

As mentioned below

SEGMENT	PRODUCT	LIMITS AVAILABLE
CASH	POSITIONAL	CASH
OPTIONS BUY	OVERNIGHT	CASH
OPTIONS BUY	INTRADAY	CASH
CASH	INTRADAY	CASH+COLLATERAL
FUTURE	OVERNIGHT	CASH+COLLATERAL
FUTURE	INTRADAY	CASH+COLLATERAL

## Holding Considered for Limits:

PARTICULARS	LIMITS	SELL ALLOWED	MTM BENEFIT
DP	NO	YES	NO
BTST (T1 Holding)	NO	YES	YES
Pledged	YES	YES	YES
CUSA	NO	YES	YES
T2 Holding	NO	YES	YES

**Note:- Fresh buying against selling is not allowed currently unless other sufficient margin is available.**

1. Limits will be given to the clients based on the upfront margins only (Upfront Margin: Minimum margin an investor is required to pay to Definedge before executing the trade)
2. Limit calculation will be as follows,
  - Collateral Haircut will be as per Definedge Policy
  - Pledged stocks are considered for margins
  - In Options, carry forward options Credit for Sale (CFS) is available only for carry-forward option Long position, the benefit of Options CFS is not allowed in any other product or segment
  - Option buying is allowed only on a clear cash balance
  - Proceeds from the booked profits for the day will not be allowed for taking fresh positions
3. BTST is allowed only for clients who have sufficient margins to sell
4. Client can sell stock delivery for the existing POA, DP free holding/pledged stocks without upfront margin
5. Pledged shares in a commodity collateral account cannot be sold directly. To sell these shares, the client must first initiate an unpledge request. Once the shares are unpledged, they will be available for sale on the next trading day.
6. All the deliverable contracts of MCX enter "Tender Period positions" as mentioned by exchange from time to time. Positions of the client will therefore be squared off one day prior to the start of the "Tender Period" of the contract. No positions will be allowed to carry over in Tender Periods
7. The contracts will be blocked for fresh trade 1 day prior to the start of the tender period
8. In MCX futures, for the Intraday product only 3 contracts are allowed for trading.
9. All contracts are allowed to be carried forward (positional) subject to volume and price difference (spread))
10. Commodity Option Contracts will not be available For Trading in Intraday products
11. All open options contracts will be devolved into futures on the expiry date of the options contract.
 

**The exchange blocks margins for ITM options before expiry:**

A: 2 days before expiry: 25% of the futures margin  
 B: 1 day before expiry: 50% of the futures margin  
 C: Expiry day: 100% of the futures margin
12. Physical Delivery of Commodities is not allowed
13. As per exchange guidelines, every broker has to set a daily turnover limit for every client. As per our RMS policy, we have set a limit of Rs. 200 cr for new clients, and Rs. 10000 cr for old clients. In the event of orders getting rejected, please contact our Support team to increase this limit.



## Segregation and Monitoring of Collateral at Client Level

It is mandatory for all clients to maintain a minimum of 50% of the total available margin in the form of cash/cash equivalents.

Client will get limits on stocks only up to the extent of credit in ledger.

Liquid funds are considered as cash equivalents by the exchange, so the above 50% rule will not be applicable. The Margin received from pledging liquid funds will be as good as having cash in your trading account.

### Illustration:

Assumption: Let us assume that the client has Rs 100 cash & cash equivalent available in the account and Rs 200 worth of approved noncash securities then the limit given will be 200.

A ratio of 50:50 needs to be maintained at all times. In case of funds pay out, this ratio will be considered and only on the availability of sufficient balance, funds pay-out will be generated.

This is illustrated with the below example-

Client has:

Margin obligatory in FO segment of Rs. 5 lacs

Approved pledge stock worth Rs. 10 lacs,

Cash available Rs. 2.50 Lacs

In such case (Cash and Pledge stock) 50: 50 ratio margin is applied and no pay-out will be issued to the client.

### AMO (After Market Order) timing:

AMO orders are accepted at 5:01 pm for all the Segments.

AMO orders stop at 8.59 am for all segments: All eligible pre-open orders are sent to the exchange at 9.00 am and the remaining pre-open orders will be sent at 9.15 am when the exchange opens

Intraday Time-based Auto square-off:

Timer Based auto square off will be enabled for all the clients for the order periodicity (INTRADAY) and the same will be squared off as per the time defined and mentioned further in this report.

### GTT (Good Till Triggered) Orders

GTT orders are available across all trading segments, allowing you to set buy or sell triggers that remain active until fulfilled or cancelled. To ensure successful execution of a GTT order upon triggering, you must maintain adequate funds in your ledger and sufficient holdings of the relevant scrip in your account. If there are insufficient funds or holdings at the time of trigger, the GTT order may be cancelled.

Here are some key details to keep in mind:

- **Cash Segment:** GTT orders in the cash segment automatically expire if untriggered after 365 days from the placement date.
- **Derivatives Segment:** GTT orders in derivatives expire on the contract's expiry date if untriggered.

Additionally, certain corporate actions or changes—like splits, large dividends (exceeding 2% of the market price), mergers, delisting, or rights issues—that significantly affect the stock price may result in GTT cancellation.

Notifications about such cancellations are sent one day in advance.

### Conversion of Positions (Positional/Overnight)

- Client can convert positions from Intraday Product to Positional/Overnight from their trading application itself
- Conversions of positions in Equity and FNO are allowed only till 3:12 pm
- Client should have sufficient margins to convert position from Intraday to positional/overnight

**NOTE :** If client wants to take delivery in cash segment, then order should be placed in positional product

## Restrictions in trading in certain category of stocks

**Our risk policy determines certain categories of stocks are restricted for trading in the interests of market and investor safety. Such restrictions can be detailed below –**

**ASM GSM, Penny stocks restrictions:**



<b>NSE GSM</b>	<a href="https://www.nseindia.com/regulations/graded-surveillance-measure">https://www.nseindia.com/regulations/graded-surveillance-measure</a>
<b>BSE GSM</b>	<a href="https://www.bseindia.com/markets/equity/EQReports/graded_surveil_measure.aspx">https://www.bseindia.com/markets/equity/EQReports/graded_surveil_measure.aspx</a>
<b>NSE SCRIPS (UNSOLICITED MESSAGES)</b>	<a href="https://www.nseindia.com/regulations/unsolicited-messages-report">https://www.nseindia.com/regulations/unsolicited-messages-report</a>
<b>NSE SCRIPS (UNSOLICITED MESSAGES)</b>	<a href="https://www.bseindia.com/downloads1/List_of_scrips.xlsx">https://www.bseindia.com/downloads1/List_of_scrips.xlsx</a>

We would advise customers not to trade in scrips with illiquid and low volumes. Lot of times, the prices of such scrips get manipulated and could cause losses to customers. Hence, we do not encourage participation in such stocks for customers. From our surveillance point, we strictly monitor transactions in such low volumes and illiquid scrips. If clients are found trading regularly in such scrips and seen contributing significant volumes to overall volumes at exchange, then customers are intimated from desisting on the same.

In case, customers continue with such transacting, our risk policy empowers the risk team to block trading in scrips falling in such categories for all such customers to ensure safeguarding the interests of the company and ensure the guidelines and policies framed by the regulators are complied with and to practice safe trading and sound investing in markets.

We have restricted trading on certain stocks based on various factors.

GSM	Not allowed Stage 2 and above
Unsolicited_SMS	Not allowed
Insolvency_Resolution_Process(IRP)	Not allowed
Social Media Platforms	Not allowed
ICA	Not allowed
ASM ICA	Not allowed
ASM GSM IBC	Not allowed s

## **IN ANY SUCH SCENARIO, THE DECISION OF THE RISK TEAM IS FINAL AND BINDING.**

### **Trading in illiquid Futures and Options Contracts**

- Stock Futures & Options trading will not be allowed in (Intraday) for far-month contracts (excluding Nifty and Bank Nifty)
  - No fresh positions (Overnight or Intraday) will be allowed in banned securities.
  - As per regulations, you cannot increase your delta based exposure during F&O Ban. You can exit positions or take new positions that reduce or offset your delta exposure. Exchange Circular Ref. No: 119/2025 dt Sept 08, 2025.
  - The following options contracts will be available for trading
    - ❖ Current Month Index Options:
      - 30% ITM (In the Money) Both CE and PE
      - 30% OTM (Out of Money) Both CE and PE
    - ❖ Next Month Index Options:
      - 30% ITM both CE and PE
      - 30% OTM both CE and PE
    - ❖ Stock Options:
      - Only current & next month CE and PE
    - ❖ Far Month Stock Futures & Options will be opened one week before Expiry of the current month (First Trading Day of Expiry Week)
    - ❖ Leap Options contracts are allowed, subject to a range of 30% on both sides from the current level of the index
1. The risk of an option buyer defaulting goes up significantly and hence exchanges start asking for physical delivery margins from 4 days before the expiry which keeps increasing as the contract gets closer to expiry. Clients will have to square off the existing positions if they do not intend to take physical delivery of the stock. RMS will square off all physical delivery positions on expiry day. If the client intends to take physical delivery of the stock, the client needs to send mail to [physicaldelivery@definedge.com](mailto:physicaldelivery@definedge.com). This will be permitted only if sufficient margin is available, and mails need to be sent before 11.30 am on expiry day. The margin percentage is explained in the table below. These margins are only applicable for "In the money" (ITM) contracts. The delivery margin is also applied if an "Out of the money" (OTM) position becomes ITM
  2. In case the client has not provided Power Of Attorney (POA), then Sell position in Physical delivery segment will not be permitted as it might lead to auction/short sale



Day (BOD-Beginning of the day)	Margins applicable
E-4 Day	10% of Var + ELM +Adhoc margins
E-3 Day	25% of Var + ELM +Adhoc margins
E-2 Day	45% of Var + ELM +Adhoc margins
E-1 Day	70% of Var + ELM +Adhoc margins
Expiry Day	100% of Var + ELM +Adhoc margins

3. On expiry day, current month open Stock futures and In-the-money option positions will be squared off by RMS any time after 12.00 noon.

### Margin Call cash

- In the cash segment a client needs to keep collateral/ margin above 130% of all debits at all times, if the collateral margin falls below 130% client holding will be liquidated to recover the debit
- Total debit balance of the client will be cleared by RMS where the comfort margin is below 130%

### Margin Call FNO and Currency

- Clients who are in margin shortfall will not be given any fresh limit. Any shortfall should be made good by T+1 day by squaring off the position or by providing additional funds before 9.30 am
- Clients who are in margin shortfall on T-day and are coming in MTM square off, positions of such clients will be squared off and no upcoming fund will be considered
- The margin in the front end will be enhanced in real-time based on clearance of the receipt of the fund

### Margin Collection & Reporting

A peak margin shortfall may arise if, during a snapshot, a client's hedge position changes, or one leg of a hedge expires, while other legs remain open. This can lead to a temporary shortfall if the margin requirements are not fully met.

In the case of a margin shortfall, an upfront penalty will be applied as follows:

Shortfall Amount per Client	Penalty Rate
Less than ₹1 lakh and less than 10% of the required margin	0.5%
₹1 lakh or more, or 10% or more of the required margin	1.0%

If a margin shortfall occurs on more than three occasions in a month, the penalty may increase to as much as 5%.

This penalty will be applicable to clients starting November 1, 2024.

### Cash Ageing Debits –Settlement / T+5 Day

On T+5-day overdue of the client, the account will be in square-off mode for the day. However, as per new regulations, no further limits can be assigned in case of overdue above T+5 on any exchange. In a scenario where it is overdue on any exchanges then the client status remains in square-off mode on all the exchanges

- SMS intimation will be sent to client w.r.t debit T+5 days
- Clients are supposed to transfer funds or reduce their positions on T+5
- In case a client fails to clear the debit, RMS will sell the stock to clear the ageing debit on T+6
- The selling of scrips will be done on FIFO basis i.e., scrips bought on T Day will be sold first by RMS to clear the debit

### MTM Loss monitoring during trading hours

- During the day, if the client's loss exceeds 50% of the total available margin, warning alerts will be sent to the client at 60%, 70% as a margin call to top up with additional margin. If the client fails to bring in adequate margin, all open positions would be squared off at 80% by RMS Team at market price. If MTM loss breaches 80%, positions will be liquidated at the market rate on a best effort basis and clients will be liable for any such losses resulting due to such orders. All open positions of the clients excluding the CNC buy position and option buy position would be squared-off by RMS Team once MTM is triggered.
- The MTM square-off would also consider brokerage and other taxes and charges which are levied. These charges would not be exact but be levied on an ad-hoc basis so as to cover a part of the actual amounts. Actual brokerage will be charged as per agreed brokerage after billing process.

### Timer based Autosquare off.

- The Clients are required to square off their (Intraday) positions up to 3:12 pm (the system will be in square-off mode from 3:12pm to 3:15pm). Client will not be allowed any fresh positions in Intraday after 3.15 pm. All intraday positions



# Definedge Securities Broking Private Limited

will be squared off at 3.15 pm. The above is applicable for Cash and FNO Segments

- In Currency, clients are required to square off their (intraday) positions before 4:42 pm (the system will be in squared-off mode from 4:42 pm to 4:45 pm). The Client will not be allowed any fresh position in Intraday after 4:45 pm. All intraday positions will be squared-off at 4.45 pm. The above is applicable for the Currency Segment
- In MCX, Agri commodities Market closes at 5.00 PM. The international referenceable commodities market closed at 9.00 PM. Bullion, Base Metal and Energy commodities market closes at 11.30 PM Hence, client needs to square off their Intraday positions before 4.42 pm for Agri commodities, before 8.42 pm for International referenceable commodities, and before 11.12 pm for Bullions Metal and Energy. After that the system will square off all intraday positions of clients at 4.45 pm, 8.45 pm and 11.15 pm respectively. During daylight saving days MCX Market time is extended till 11.55 pm for Bullion, Base Metal and Energy commodities and during that period clients need to square off their position before 11.32PM and the System will square off those positions at 11.35 pm

## Password reset request

- For password reset, the client needs to visit the Definedge website to access the Login Tab and then click on the "forgot password" button to create a new password.

## Action during connectivity failure

- We will have Direct TWSs (Trade Workstation) at RMS in Mumbai and we shall ensure that the TWS is switched on every day.

Type of Risk	Risk Description	Risk Mitigation Measure
Market Risk	Risk arising due to high volatility in the market and the value of scrips. These risks arise due to adverse market rate movements	Upfront margins are collected from the clients before allowing an order to go through. Upfront margins are in the form of cash and/or approved securities with haircut and/or in any other form.
		Mark to Market square-off: For clients having a debit balance, constant portfolio valuation based on LTP will be done and MTM square-off initiated at prescribed cut-off limits

<b>Financial Risk</b>	Risk arises when the client doesn't meet the financial obligation	The position will be squared off to maintain the margin after intimation to the client on the best effort basis. Limit against uncleared cheque / NEFT is not allowed
<b>Liquidity Risk:</b>	Risk arising from the difficulty in Squaring off of Intraday Position and selling the securities to clear the debit	<p>Scrips are allowed for trading with leverage based on value, volume, VAR %, market cap, etc.</p> <p>Haircuts oncollaterals: Based on the riskperception ofsecurityand based on its historic data, appropriate haircuts are imposed</p>
<b>Operational Risk</b>	Risk of loss arising due to procedural errors, mission, or failure of internal control system.	System-based file preparation
	Operational risks that as may be associated by generating or uploading wrong files with risk management.	Changes in the client risk profile is done by Admin.
	Generating wrong files	Limit, position, margin and stock will be checked after uploading BOD files before market opens
<b>System Risk</b>	Risk of loss arising due to failure of systems or due to wrong punching of orders	Back-up lines in case of failure
		Single order value and quantity limits have been placed so that large quantities or prices that are away from the market are not placed erroneously.

## Dos and Don'ts

1. Place orders within DPR (Daily Price Range) only, else those orders will be frozen by the Exchange System; such orders will block the Margin i.e., if the free ledger balance is 1,00,000 and the margin applicable in such order is Rs. 5,000, the free margin will be reduced by 5,000
2. If there are hedged positions in the Derivative segment, the client should always square off positions that need higher margins to avoid peak margin shortfall
3. In case of any connection being lost, or rates not being updated please contact the Customer care department



- In case of any problem in the client positions displayed, please contact the Customer care department
- If there is any delay in funds update or any difference in the ledger value, preferably the client can seek clarification from the Customer care department

## Policy Framework for Voluntary Freezing/Blocking of Online Trading Account Access for Clients

### Annexure to Risk Management Policy

#### Introduction

In an effort to enhance the ease of business operations and investment activities for investors, and to safeguard investors from suspicious activities, SEBI, through its circular ref. No. **SEBI/HO/MIRSD/POD-1/P/CIR/2024/4** dated January 12, 2024, has mandated a framework for stock exchanges. This framework requires Trading Members to provide clients with the facility to voluntarily freeze/block online access to their trading accounts. Consequently, stock exchanges have issued circulars detailing this framework. In line with these directives, the following policy has been formulated for the voluntary freezing/blocking of trading accounts.

#### 1. Mode of Request for Freezing/Blocking the Trading Account

Clients can choose from the following options to freeze/block their trading account:

**Option A:** Clients can send an email to stoptrade@definededge.com from their registered email ID. Upon receipt of the email, the Definededge team will call the client to confirm the request. The client must accept the call and complete the necessary confirmation steps.

**Option B:** Clients can log in to our mobile app and click on My Profile to freeze/block their account.

**Note:** Any of the above options can be used to freeze/block the trading account. Once the account is frozen/blocked, all online access will be unavailable.

#### 2. Procedure to Unfreeze/Unblock the Account

Clients wishing to unfreeze/unblock their account must send an email to stoptrade@definededge.com from their registered email ID. Upon receipt of the email, the Definededge team will contact the client to confirm the request. The account will be unfrozen only after the client confirms the request over the call.

#### Timelines for Freezing / Blocking the Online Access:

Scenario	Timelines for Issuing Acknowledgement and Freezing / Blocking
Request received during trading hours and within 15 minutes before the start of trading	Within 15 minutes
Request received after trading hours and 15 minutes before the start of the next trading session	Before the start of the next trading session

Note: By opting to block/freeze the account, you are only blocking online access to your trading account. There will be no restrictions on the risk management activities of Definededge.

#### Clarifications

- Freezing/blocking only restricts online access to the client's trading account. There will be no restrictions on the risk management activities of Definededge.
- The request for freezing/blocking does not equate to marking the client's Unique Client Code (UCC) as inactive in the Exchange records.

**“PLEASE NOTE THAT RISK TEAM HAS THE OPTION OF CHARGING ADDITIONAL MARGINS OVER AND ABOVE EXCHANGE PRESCRIBED MARGINS TO MITIGATE RISK CONTINGENCIES AND THE DECISION OF RISK TEAM IS FINAL AND BINDING.”**