

Risk Management Policy

Department	Credit & Market Risk Management
Approved by	Board of Directors
Approved Date	21 st January 2022
Last Review Date	14 th November 2024

1. Introduction

The broad objective of the policy is:

- To ensure objectivity and employ uniform measures in risk management to ensure safety and to maintain a consistent and proactive approach for managing risks across different client categories.

2. Exposure

- The exposure can be in the Cash and Derivatives segment (which also includes Commodity & Currency segment). In the cash segment, exposure can be on purchase as well sell side. On sell side, share delivery obligation to the exchange can be considered as an exposure until actual delivery happens.
- The exposure can also be to the extent of the derivatives exposure and/ or of securities that are considered for margin purposes.
- In the best interest of the clients, Kotak Securities may disallow or cap exposures in certain stocks and/or derivatives contracts time and again.
- Credit Committee approves exposures to clients beyond a stipulated exposure and / or specific exposure to a particular security. The Credit Committee comprises the MD, COO, and Risk Head.

3. Stock Categorization

- Approved securities are bucketed into various categories based on profitability, market capitalization, promoter holding & pledge, PE ratio, daily volumes, exchange margins, risk perception etc. Haircuts are applied to various buckets basis categorization done. The Risk Head periodically reviews the categorization, haircuts, etc. Further details about applicable haircuts and maximum allowed exposure at Scrip level are available at the below URL

<https://www.kotaksecurities.com/securities-accepted-as-collateral/stocks.html>

4. Multiples

- For Cash and derivatives, the exposure is provided based on the margins as specified by regulators from time to time. In addition, Kotak Securities may levy additional margin.
- Multiples can be defined as the quantum of exposure as defined by the exchange or Kotak Securities that can be made available for a client in the Cash Segment based on margin provided. The multiples can vary depending on the category of Securities/Clients/Products.

5. Margins

- For availing/maintaining exposure, client needs to have sufficient margins at all point in times. Margins can be in the form of funds or approved securities or any other form

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of margin as acceptable by Kotak Securities after applying appropriate haircuts. Kotak Securities reserves the right to change the approved securities list/quantum of haircut to be applied at its sole discretion. Clients need to maintain appropriate margins accordingly.

- To provide collateral in the form of securities as margin, clients are required to pledge securities in favor of Kotak Securities Limited. Kotak Securities Limited may re-pledge the same to the Clearing Corporation.
- **Span Margin** – To Compute applicable SPAN margin, exchange SPAN Margin files are uploaded on daily basis in our systems with date Validation/necessary checks and balances based on creation date of SPAN files

6. Maintenance of margins:

- Clients must verify and understand their exposure/debit outstanding at all times and shall maintain sufficient margin in their accounts. While a prior intimation (on best effort basis), with regards to margin short-fall shall be provided to the clients, Kotak Securities also reserves its right to liquidate the open positions/collaterals to top up margins in extreme cases like insufficient margin balance, increased margin requirements/change in haircuts for specific securities/clearing the outstanding dues due to volatility or sudden change in market prices with immediate effect without providing prior notice.
- Client shall be required to maintain sufficient balance in the trading account to take delivery of the shares, failing which Kotak Securities Limited may square-off positions.
- Intraday square-off timings for any product(s) opted for may be changed without prior notice based on the discretion of our risk management department. Kotak Securities Limited will auto-square off all intraday positions in case the client doesn't square-off during the stipulated time. In such a scenario, the client shall not have any right or say to decide on the timing of closure of the open positions that needs to be closed and/or liquidation of shares and securities held in collateral/margin. Consequently, Kotak Securities Limited shall not be responsible for any trade related loss or damages arising out of such square-offs. All such square-off transactions shall have implied consent and authorization of the client in favor of Kotak Securities Limited.
- Exposure / limits shall be based on the margin provided by the client depending upon the segment / product in which client wants to trade. However, exposure / limits are dynamic in nature, subject to market conditions and at sole discretion of Kotak Securities Limited.
- Derivatives trading involves daily settlement of all positions including realized/unrealized loss on open positions and premium on options and any margins as required by the Exchanges and/or by Kotak Securities Limited.

In case of futures segment, all open positions are marked-to-market based on the closing level of the index/derivative contract. If the contract has moved against the client, then the client will be required to deposit the amount of loss (notional) resulting from such movement. Such amount will have to be paid within a stipulated time frame so as to ensure appropriate margins are maintained at all points in time.

In case of in-the-money long stock options (including potential in-the-money options), sufficient delivery margin needs to be maintained as regulated by exchange, failing which Kotak Securities reserves its right to liquidate the open position/collaterals to top up margins.

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- Positions that do not have sufficient funds/margins can be liquidated any time at the sole discretion of Kotak Securities Limited. While Kotak Securities Limited shall endeavor to provide a prior notice to clients before liquidating their securities, Kotak Securities also reserves the right to liquidate securities without any prior intimation in certain extreme scenarios like during times of extreme volatility, if the loss could be more than the funds/margins available in the client's account before the position is squared-off.

All resulting charges or debts that might occur from such square-offs will have to be borne by the client. Fines levied by the exchange for short margin or any other reason will be payable by the client.

7. Security Order Qty & Value limits Single Order and Overall

- In accordance to the regulatory guidelines and / or Kotak Securities may place checks at single order quantity level, order value level and overall security quantity / value level, individually or combination thereof as may be applicable.

8. Securities in Ban Period in F&O segment

- In compliance of rules laid down by Exchange for Securities in Ban Period in F&O segment, if a client creates position in securities which are in ban period, penalty will be levied for the same.

The list of securities in ban period is updated on NSE website on daily basis. The link is _____ as _____ below:
https://www.nseindia.com/products/content/derivatives/equities/sec_ban.htm

9. Increase in Margins due to changes in Derivative Positions

Any changes in derivative positions which result in increase of margin requirements, on account of hedge break/ loss of cross margin benefits like square off by the clients / expiry of some leg(s) of the hedge positions of the clients, leading to higher margin obligations on the open positions, Client needs to ensure that sufficient margins are available. Penalty levied by the CC will be debited to the client for any shortfall in the margins under the above scenarios.

10. Clearing of Outstanding Ledger Balances:

- Clients are expected to pay any debit balance excluding MTF debit, outstanding in their ledger promptly. In case of non-payment, Kotak Securities may not grant them further exposure and also may liquidate the securities available to recover such dues.
- Client's securities received as pay-out will be pledged under CUSPA (Clients Unpaid Securities Pledgee Account) in case of non-payment to Kotak Securities Limited in full, Kotak Securities reserves the right to liquidate securities based on various parameters including but not limited to liquidity, volatility or any single stock or set of stocks that has value close to the amount outstanding. For this purpose, Value being held under CUSPA would be 125% of amount due to Kotak Securities

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11. Limits allowed under various segments:

Below are the maximum allowed limits in the normal course of business, which is further subject to income / net worth declaration, submitted to KSL.

Segment / Product	Sub Limit	Limit
MTF –Limit		7.50
Combined Derivatives Margin Utilization allowed*		6.00
Equity Futures and Options	(6.00)	
Currency Derivatives (CDS)	(1.50)	
Commodity Derivatives:		
Bullion & Energy	(1.40)	
International Liquid Metals	(1.00)	
Other Base Metals	(0.40)	
Agri Commodity	(0.40)	

**Combined Derivatives Limit will be 6 Crs across all segments (EQ, CDS & Commodity) with individual sub limits as mentioned above*

As per Risk process of KSL, any client who intends to utilize limits over & above the mentioned limits must submit relevant income /Networth documents to KSL and accordingly KSL would approve the limits and communicate the revised limits. Please get in touch with your RM for more details about the approval process.

Important to note that while system may allow you higher limits for seamless trading experience after applying haircuts, but margin monitoring and followups will continue to be as per the mentioned limits

Clients to make note of above limits and to ensure utilization is within specified limits. KSL reserves the right to liquidate the open positions, which are in excess of above-mentioned limits unless special limits have been specifically approved and communicated.

12. Large Debits with Single Scrip Concentration

- For any client, if the outstanding debit exceeds a certain amount and concentration is in a particular security on account of buying done / collateral provided, Kotak Securities Ltd may restrict the client from further buying or trading in that security. The client will be allowed to place only sell orders to reduce the debit.
- Kotak Securities Ltd will take discretionary decision to allow the client to trade if he brings in fresh funds to clear the Debit or brings in different security as collaterals other than security which forms the significant concentration. The client's position may be squared off if necessary to reduce the debit.

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13. Margin Trading Facility

- Clients availing Margin Trading Facility, should maintain margins as per Kotak Securities Valuation or as per exchange's margin trading circular (MTF circular) whichever is higher and other terms agreed upon for availing such facility.
- Margin call/liquidation under margin trading facility may be initiated in case margins are not maintained as per Kotak Securities Policy or as per exchange Margin Trading Circular, whichever is higher.
- Exposure towards stocks purchased under Margin Trading Facility and collateral kept in the forms of stocks shall be well diversified on account of script wise exposure and maximum client wise limit as set by Kotak Securities from time to time.
- Kotak Securities at its sole discretion reserves the right to withdraw the facility and ask for payments from the client or ask for higher margins depending on the extreme situations.
- Kotak Securities Limited may conduct Credit Appraisal for clients availing Margin Trading Facility beyond a certain exposure. The Credit Appraisal is conducted to gauge the credibility of the client, his sources of income, age, experience, repayment capacity, nature of employment and other assets are taken into account.

14. Suspension or closure of client account

- On the request of the Client in writing, the client account can be suspended temporarily and/ or closed. In the event if the account is temporarily suspended, the same can be activated on the written request of the client only, Kotak Securities Ltd may do so subject to Client accepting /adhering to conditions imposed by Kotak Securities Ltd including but not limited to settlement of account / release of holds and / or other obligation.
- Kotak Securities Ltd can withhold the payouts of Client and suspend his trading account due to his surveillance action or judicial or / and regulatory order/action requiring Client suspension.

15. Pay in of funds:

- Clients can transfer funds into the Trading Account only from such bank accounts, which are registered with Kotak Securities Limited. Any transfer from a non-registered bank account shall not be considered and the client shall not get credit for such transfers.
- Kotak Securities shall endeavor to account for all payments made by the client before liquidating clients' open positions/collaterals. However, it may be possible that due to volatility or sudden change in market prices, Kotak Securities may not be able to account for all such payments made by the client on a real time basis.

16. Pay in of Shares:

- Clients need to settle their pay-in obligation only through their registered Demat account with Kotak Securities. However, if a client settles his pay-in obligation through a non-registered Demat account then pay-out of funds for such shares may be kept on hold until client provides relevant documents for such unregistered accounts.

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17. Exchange Trade Alerts

- For each of the transactional alerts received from the Exchanges, appropriate analysis, monitoring and reporting is done as the process and guidelines defined by the Exchange.

18. Reporting to the Exchange(s)

- In case the client is found indulging in suspicious activities, Kotak Securities Ltd shall have the complete right to report such transactions to the Exchange(s). Kotak Securities Ltd is not responsible for any loss incurred by the client if he/she is found guilty of unethical practices. Kotak Securities Ltd will share all the required information to the regulator, exchange, or any other recognized regulatory body when a Client specific details is asked for. Kotak Securities Ltd reserves the right to inform the Client based on the directions received by the fore mentioned regulatory body.

19. Facility of Voluntary freezing / Blocking of Trading Accounts:-

- As per the SEBI circular SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024 on "Ease of Doing Investments by Investors - Facility of voluntary freezing/blocking of Trading Accounts by Clients", the clients are required to be provided with a facility to voluntary freeze/ block the online access of their trading account on account of suspicious activities. The subsequent Exchanges circulars detailed the operational modalities and also informed the Brokers to prepare a Policy which shall be the part of the Risk Management Policy. In accordance with the same, KSL has prepared a policy on "Facility of voluntary freezing / blocking of Trading Accounts" and the said Policy is displayed on the website under the section "Important Policies".

20. Escalation matrix:

- **Level 1:** For Trading related queries contact our customer service at service.securities@kotak.com and for Demat Account related queries contact us at ks.demat@kotak.com or calls us on below numbers: You can [Live Chat with us here](#) or Whatsapp Chat with us on 77389 88888 (Monday to Friday from 8am to 8pm) Call and Trade Team - 080 4725 3255 (Monday to Friday 8:30 am to 5:30 pm) NRI Clients- 022-66896000
- **Level 2:** If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at ks.escalation@kotak.com or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at ks.servicehead@kotak.com or call us on 022-42858208
- **Level 3:** If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Name: Hiren Thakkar) at ks.compliance@kotak.com or call on 91- (022) 4285 8484.
- **Level 4:** If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach our CEO (Mr.Shripal Shah) at ceo.ks@kotak.com or call on 022 - 4285 8301

21. Kotak Securities Limited is the Clearing Member (CM) for Custodian Participants (CP) who are Non Resident Indian (NRI) clients trading in derivatives segment. However, Kotak Securities Limited is not a Clearing Member for any other Trading Member (TM). Being a Clearing Member for Custodian Participants (CP), NSE Circular (Circular Ref

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No.: 24/2021 dated 13th August 2021) is applicable only for these clients and all policy & procedures mentioned in the Risk Management Policy is applicable to these clients as well.

Addendum to Credit Policy & Risk Management Policy for Custodian Participant (CP) clients clearing trade through Kotak Securities Limited (KSL)

Objective of Policy:

To define risk management process for Custodian Participant (CP) clients clearing trades through Kotak Securities Ltd (KSL)

1. Performance evaluation process of CPs registered with the CMs
Review of Performance of CPs to be done on quarterly basis to cover margin maintenance & penalties if any on account of Shortfall & to be placed before Risk Head and would be signed off accordingly
2. Seeking data information from CPs in the event of repeated cases of shortfall in margins / margins on Consolidated Crystallized Obligation or governance issues.
Quarterly review of CPs to cover all performance issues and in addition, information to be sought from CPs for instances of repeated shortfalls in margins on regular basis
3. Upper Cap for acceptance of securities from a member and / or across all members in absolute terms and / or on an overall basis to avoid concentration risk

Risk Management Policy is applicable to all the clients of KSL including Custodian Clients. Maximum client wise limits in a scrip is as under

Sr. No.	Category	Maximum limit (<i>Lower of</i>)
a.	Category 'A'	Rs.75 Crores or 25% of ADV
b.	Category 'B'	Rs.50 Crores or 50% of ADV
c.	Category 'B1'	Rs 25 Crores or 75% of ADV
d.	Category 'C'	Rs.10 or 100% of ADV
e.	Category 'D'	Rs.2.50 Crores or 200% of ADV
f.	Category 'D1'	Rs.1 crore or 300% of ADV
h.	Category 'E1'	Nil
i.	Category 'E2'	Nil

Further, client specific approval matrix as detailed in risk management policy is applicable to all KSL clients including Custodian Clients.

Disclaimer: Kotak Securities Limited reserves right to edit, alter and or remove any information in whole or in part of the above policy. Clients are requested to refer any changes done in the policy from time to time.