MONARCH
NETWORTH CAPITAL

Risk Management Policy & Procedures

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

Functionality

Investment in securities is susceptible to market risks which cannot be predicted. The Account Opening Document contains an explanation of different types of risks our Customers are likely to face in the market. While the risk of loss is inherent in the market, we as an stock broker seek to minimize the risk of loss through a dynamic risk management policy which is an essential feature of our operations. It is important for any stake holder to be aware of our Risk Management Policy and how the Policy would operate to regulate transactions. It is also important that the Risk Management Policy is not an insurance against losses; these are measures and precautions that are adopted to contain risks to the minimum. The Policy is subject to change according to our risk perceptions of the market and SEBI/Exchange regulations for the time being in force.

Functions:

- To check capital adequacy for exposure and requirements of the client
- To Monitor of Clients Order, Patterns of Trade, Order rejections, Exposures
- To Monitor MTM profit/loss incurred out of trades.
- Benchmark Margin v/s Exposure of client
- Decision taking with regard to squaring off positions on account of MTM Loss or Margin shortfalls

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 Monarch 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.

Normal activation 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 Setting Policy

Limit will be given only on available upfront margins in the form of funds and collateral available in client account. 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.

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 before executing the trade)
2. Limit calculation will be as follows,
    - Collateral Haircut will be as per Monarch 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. 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
6. The contracts will be blocked for fresh trade 1 day prior to the start of the tender period
7. In MCX futures, for the Intraday product only 2 contracts are allowed for trading, i.e. current month and near month
8. All contracts are allowed to be carried forward (positional) subject to volume and price difference (spread))
9. Commodity Option Contracts will not be available For Trading in Intraday products
10. Physical Delivery of Commodities is not allowed

Limit Calculation

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

1. Margin Deposit = Ledger balance + approved Pledged stocks with haircut
2. Haircut: As per Monarch Policy

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.
				Stocks in ASM GSM 100 %margin*
Cash Intraday Multiplier on VAR + ELM margin	Cash Intraday Multiplier on VAR + ELM margin	Cash Intraday Multiplier on VAR + ELM margin	Cash Intraday Multiplier on VAR + ELM margin	1x

Illustration of deposit calculation:

- Approved Pledged Stock Gross Value = 100000, value after haircut= 75000
- Ledger= 65000 (All segments consolidated)
- Deposit=75000+65000 = 140000,

Setting up Terminal/ Branch Level limits on CTCL Base.

Trading Terminals are allotted to Members by exchanges. These terminals enable members to place, modify and execute orders on behalf of clients. We ensure monitoring mechanism for client's debits / obligations and appropriate collection procedures.

The following limits shall be defined for each terminal:

- Quantity Limit for each order
- Value Limit for each order
- User value limit for each user ID
- User quantity limit for each user ID Branch value limit for each Branch ID
- Spread Order Quantity and Value Limit (Derivatives & Currency Derivatives segment)

Checks in place

- Limits shall be monitored on daily basis, taking following criteria's: Turnover, Exposure, past trends, Location, Deposit/Collateral.
- Trading in illiquid scrip shall not be permitted

Single Order client Limit

- The maximum single order in the cash market would be restricted to certain value which will tend to change as per RMS policy
- The maximum single order in the Futures/option market would be restricted to certain value which will tend to change as per RMS policy
- The maximum single order in the Currency market would be restricted to to certain value which will tend to change as per RMS policy

Illustration: Segregation and Monitoring

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 4:01 pm for all the Segments.

AMO orders stop at 8.55 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 en abled for all the clients for the order periodicity (INTRADAY) and the same will be squared off 3.20 pm as pe r the time defined and mentioned.

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 3:15 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 **GSM, Penny stocks restrictions:**

Stock under GSM above 2 stage as well as un-solicited SMS scrips are blocked for trading. A list of such scrips is regularly published on the NSE and BSE websites –

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

Surveillance policy

We will abide by relevant circulars and guidelines issued by exchanges and as per our continuous surveillance policy mentioned as below

1. SEBI master circular SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17,2025
2. NSE circular NSE/SURV/67801 on consolidated circular of Surveillance Measures and Monitoring of Trading Activities dated April 30,2025
3. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/85 dated June 01, 2023
4. SEBI Circular: CIR/MRD/DP/ 02 /2012 dated January 20, 2012
5. All the NSE & BSE circulars on Surveillance Measures and Monitoring of Trading Activities

The above mentioned circulars are enforcing us as a stock broker to form a surveillance policy and follow and monitor the trading activities of certain clients in certain stocks

1. Brokers are required to put in place robust RMS and Surveillance policies
2. Above mentioned circulars allows Brokers to "restrict or disallow" trades that pose risk to the broker or to market integrity
3. Brokers can also restrict trading based on "concentration risk, illiquidity, or abnormal price movement."
4. Brokers should deals with illiquid stocks traded on stock exchanges and exchange-level action.
5. Brokers should follow and abide by exchange classified illiquid list of stocks published by exchanges and advises surveillance measures.
6. Brokers should take an reference that illiquid stocks are risky and may be misused for price manipulation
7. Above mentioned circulars empower brokers to monitor and restrict stocks where Client forms a large part of total traded volume
8. Above mentioned circulars empower brokers to monitor and restrict stocks , if there is a risk of price manipulation or settlement issues
9. As per the Surveillance Policy of the stock brokers, they are mandated to execute Pre-trade controls like blocking of scrips based on surveillance assessment/illiquid contracts, additional margins in volatile scrips/contracts, trade execution range, etc. either at client level or at the scrip level
10. As per the Surveillance Policy of the stock brokers, they are mandated for monitoring for disproportionate trading activity vis-à-vis reported income/net worth, sudden surge in Dormant account / client trading activity / activity in SMS stocks / Client concentration in particular scrip etc. As a preventive measure

No fresh positions (Overnight or Intraday) will be allowed in banned securities.

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 physical delivery this will be permitted only if sufficient margin is available. The margin percentage is explained in the table below. These margins are only applicable for "In the money "(ITM) contracts.

Fresh position on the current month will not be allowed in delivery product on expiry day

Day (BOD-Beginning of the day)	**Margins applicable**
E-4 Day (Friday)	10% of Var + ELM +Adhoc margins
E-3 Day (Monday)	25% of Var + ELM +Adhoc margins

E-2 Day (Tuesday)	45% of Var + ELM +Adhoc margins
E-1 Day (Wednesday)	75% of Var + ELM +Adhoc margins
Expiry Day (Thursday)	100% of Var + ELM +Adhoc margins

Liquidation Policy

This policy will be applicable if the client fails to pay any margin / Settlement Obligation and or other liabilities (including DP Charges/ LPC or any other charges) / default as per regulatory provisions

RMS can Square-off the position in case of :-

- Script highly volatile
- Margin /MTM Shortfall
- Cheque bounce/reversal
- Scrip is banned / not allowed for trading / withdrawal from F&O segment / MWPL as per exchange announcement.
- Suspicious trade or transaction under PMLA Act
- Synchronized trading
- Regulatory body Prohibits

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+4 & T+5 days
- Clients are supposed to transfer funds or reduce their positions before T+4
- In case a client fails to clear the debit, RMS will sell the stock to clear the ageing debit on T+5

1. The selling of scrip will be done on FIFO basis i.e., scrip bought on T Day will be sold first by RMS to clear the debit and MNCL unapproved/approved higher value. The following order will be followed for stock selection during the liquidation process. MNCL retains the discretion to adjust the order of stock liquidation based on real-time market analysis, liquidity, and overall financial strategy. CUSPA Unapproved Stock (FIFO Method - High Value), CUSPA Approved Stock (FIFO Method - High Value), Margin Pledge Stock (Highest Value), Out Short Unapproved (Highest Value), Out Short Approved (Highest Value), DP (POA) Unapproved (Highest Value),DP (POA) Approved (Highest Value). **Approval Status** The distinction between approved and unapproved stocks will be determined at MNCL's discretion, which may change as necessary.

MTM Loss monitoring during trading hours

1. During the day, if the client's loss exceeds 80% of the total available margin, Client, Branch / APS' 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 by RMS Team at market price. All open positions of the clients excluding the CNC buy position and option buy position would be squared-off by RMS Team.

2. 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 Auto square off.

1. The Clients are required to square off their (Intraday) positions up to3:15 pm (the system will be in square-off mode from 3:15pm). Client will not be allowed any fresh positions in Intraday after 3.15 pm. All intraday positions will be squared off at 3.20 pm. The above is applicable for Cash and FNO Segments
2. 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

3. In MCX, Agri commodities Market close at 5.00 PM. The international reference able 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 reference able 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

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
Financial Risk	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 unclear cheque is not allowed
Liquidity Risk:	Risk arising from the difficulty in Squaring off of Intraday Position and selling the	Scrips are allowed for trading with leverage based on value, volume, VAR %, market cap, etc.

	securities to clear the Debit	Haircuts on collaterals: Based on the risk perception of security and based on its historic data, appropriate haircuts are imposed
Operational Risk	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
System Risk	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.

Policy for Bidding in Tender offers-

We would like to provide you with important information regarding the application process for the buyback and other Tender offer requests with MNCL and the cut-off time for submitting your requests.

To ensure a seamless and efficient buyback process, please note the following details:

Application Submission: You can submit your buyback requests directly to your branch for processing.

Cut-Off Time: To ensure timely processing of your buyback requests, please submit them 1 day before the offer end-date. Our branch offices will accept and capture these requests until 12 pm on the offer end-date. This allows us time to initiate necessary internal procedures for bidding in the stock exchange.

Successful Delivery of Shares: It is important to note that the processing of buyback requests is subject to successful delivery of shares from your client account. Please ensure that the shares you wish to sell through the buyback are available.

MNCL follows specific internal procedures to process buyback requests, including verification and validation of the application details. After the cut-off time, we may be unable to consider requests due to various steps involved in the processing. We request your understanding and cooperation in adhering to the submission deadlines for a smooth and efficient process.

Policy for CUSPA (CUSA Pledge) for debtor clients-

In order to further streamline the process of handling client securities and prevent misuse, SEBI has mandated brokers to open a Client Unpaid Securities Pledgee Account (CUSPA). The framework will come into effect from 1st April 2023.

- Equity trades are settled on T+1, where T refers to the trade day.
- Brokers are required to credit securities to the buyer's account within 1 working day of the settlement day. MNCL generally completes this on the settlement day itself.
- If the buyer fails to meet his fund obligation by the settlement day, the securities will be transferred to the buyer's demat account along with the creation of an auto-pledge in favour of MNCL's Client Unpaid Securities Pledgee Account (CUSPA).
- Shares worth after hair cut value of stock equivalent to the 100% of net debit will be held as pledged in MNCL's CUSPA and the remaining shares will be released to the buyer's demat account on T+1.
- Pledge charges are applicable and the defaulting buyer will be notified via email/SMS regarding their fund obligation.
- If the client fulfills the fund obligation within 4 trading days from the pay-out day (T+1+3), the CUSPA pledge will be released and the securities will be available as free balance in the client's demat account on next day i.e. T+1 day of fund receipt day due to bank reconciliation is to be done on T day will be completed by T+1 day.
- If the client fails to fulfill the fund obligation within 4 trading days from the pay-out day (T+1+3), the securities will be sold in the market on T+1+4 to recover debits or dues, including penalties, interest, DP charges, etc.
- In situations of payment or delivery failure by the pay-in day, losses and costs are borne by the defaulting party.
- Note that such unpaid securities will be considered to calculate the margin obligation of the defaulting party up to extent of debit only
- To avoid any kind of margin shortage, positions (including derivatives) may be square-off on any of these days. Therefore, it is advisable to ensure timely fulfillment of your fund obligations to avoid any unnecessary losses or risks.

For example, Mr Ajay purchased 100 shares of Axis Bank at Rs. 700 per share using margins, on Monday (T). He fails to meet a fund obligation of Rs. 70,000 on Tuesday (T+1). As a result, the purchased 100 shares are auto-pledged in favour of MNCL's CUSPA.

He will have time to bring in funds to cover his position till Friday (T+1+3). If he fails to do so, MNCL will sell these 100 shares on T+1+4 to recover the debit. Mr Ajay will be liable to pay any applicable charges.

Policy to provide the facility of voluntary freezing/ blocking online accessof trading account by clients

As per requirements of SEBI Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024 & NSE circular NSE/INSP/61529 dated 8th April 2024, please find below the policy for freezing/blocking of online access of trading account of client.

To mitigate the risk of suspicious activities in the client's account, the exchange has issued guidelines to define and establish a mechanism for voluntary blocking /freezing & unblocking /unfreezing the online access of the trading account.

We have implemented Exchange circular requirements, please find the process flow as below -

1) Circular Ref No. NSE/INSP/61529 dated 08 April 2024

2) Client code voluntary blocking/freezing the online access of trading accounts and all pending orders cancellation (If any) will take place within 15 minutes of requested time.

3) Client will get files of cancelled pending order(s) & open position(s), on the client registered email id within 1 hour of requested time. (If any)

4) GTT/GTC and equity/stock SIP orders will get cancelled after a voluntary blocking/freezing request from the client.

5) After blocking /freezing online access of trading accounts, clients can trade offline through Call & Trade numbers.

6) Online trading will be unavailable until clients unblock/unfreeze their account.

7) Unblocking/Unfreezing requests will get processed on the same day and the online trading access will be available from the next working day.

8) All email communications for blocking/freezing and unblocking/unfreezing will be done through dedicated email ID i.e. stoptrade@mnclgroup.com & starttrade@mnclgroup.com respectively.

For clients, we have an online portal to place blocking/unblocking requests of trading account online access.

Portal URL - https://services.mnclgroup.com/IBT_Account_Access

This document outlines the process note for actions to be taken form client side.

❖ **To login Client Portal:-**

1) 1st validation for client URL – MNCL client code and Pan number combination.

2) 2nd validation for login – OTP (SMS & email) on registered contact details of client.

3) Portal will show real-time account IBT status through which the client needs to take appropriate action.

4) While placing a request, the client can check T&C along with RM and helpdesk contact details.

5) After T&C acceptance, the client can submit a request by accepting 2nd pop-up confirmation. (Blocking/Unblocking)

❖ **For voluntary blocking/freezing:-**

1) On landing page clients need to take action for voluntary blocking/freezing online access of trading accounts.

2) If a client decides to block the internet based trading (IBT) account then the client has to click on the IBT toggle button.

3) In order to **BLOCK** online access, simply slide the button (IBT Block/Unblock) to the **LEFT** until the color changes from **GREEN** to **RED**.

❖ **For voluntary unblocking/unfreezing:-**

1) If the client decides to unblock the internet based trading (IBT) account then the client has to click on the IBT toggle button.

2) In order to **UNBLOCK** online access, simply slide the button (IBT Block/Unblock) to the **RIGHT** until the color changes from **RED** to **GREEN**.

GTD (Good till Date) /GTC Order Policy

1. Eligibility and Order Type:

- **Cash Segment Only:** GTD orders are applicable exclusively in the cash segment.
- **Limit Orders Only:** Only limit orders can be placed as GTD orders.

2. Order Validity:

- **Maximum Validity:** GTD orders remain valid for a maximum of 365 calendar days from the date they are placed.
- **Order Submission:** GTD orders are sent to the exchange at 9:15 AM on the trading day.

3. Monitoring and Adjustments:

- **Responsibility:** Traders and investors must monitor their GTD orders.
- **Adjustments:** Orders should be adjusted based on significant market changes, corporate actions, or when approaching expiration.

4. Cancellation Conditions:

- **System Updates:** Orders may be cancelled due to system updates or maintenance.
- **Corporate Actions:** Clients are responsible for managing GTD orders in the event of corporate actions (e.g., cancellations, price resets).

  MNCL will inform regarding forthcoming corporate actions in GTC/GTD orders to the clients as soon as corporate actions are published on exchange websites and circulars which will be not later then 1 day prior to impending corporate action day or EX date or record date via flashes on terminals / SMS / Email or by any other verifiable means of communication

  MNCL will cancel the GTC/GTD orders before the record date or any other effective corporate action day after duly informing the client

- **Surveillance Rejection:** Orders will be removed from the system if they are subject to surveillance rejection.

Short Margin Penalty to be debited in client accounts: As per NSE circular NSE/INSP/64315 dated 1st October 2024 on the subject of "Guideline of Margin collection and reporting" , it has been clarified by NSE that starting from **1st November 2024** , brokers can debit clients account for short margin penalties if , "penalty levied by clearing corporations of short/non-collection of upfront margins may be passed on to client if short/non collection of upfront margin is on account of following reasons attributable to client":

1. Cheque issued by client to member is dishonored
2. Increase in margins on account of change in hedge position by client/ expiry of some leg(s) of the hedge positions of the clients

Disclaimer: This RMS policy and contents mentioned therein are strictly for internal purpose and control. Any client or sub broker or authorized person have no right to challenge any content of this policy and shall not claim for any loss or dispute raised by implementation of this policy. Further in case of any technical failure or system error, company fails to square off as per this policy than any loss arises out of the same will have to be incurred by client only and company is nowhere responsible for the same. The figures and contents mentioned in this RMS policy may change by the company from time to time as per the law time being in force and same will be communicated to concerned person. We have incorporated all the rules /regulations/circulars issued by regulators till 10th March 2026 in this policy"