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### **Risk Management Policy (RMS Policy)**

The purpose of this Policy is to ensure awareness of the company's standards for risk-taking while conducting business and to provide an easy-to-access guide. The Risk Management policy will try to cover Market Risk, Credit Risk, Process Risk and other risks.

We would like to clarify here, that implementation of this policy will only facilitate better management of risk not its elimination. The primary objective of Market Risk Management is to control market risk incurred by MLB with a view to preventing unacceptable losses. The primary objective is to provide an effective means of identifying, measuring and monitoring credit exposures incurred by MLB, and to keep such risk at or below predetermined levels. The focus is to monitor, analyze and manage risk levels stemming from inadequate controls and or business disruptions.

The Risk assessment and granting limits and taking other suitable measures are highly qualitative decisions. These decisions are subject to discretion of MLB and can be changed/alter in a particular case/scenario and on the basis of risk assessment of the concerned client and prevailing market conditions.

The reviewed RMS policy has been presented before the Board of Directors in their meeting held on 18 September'2019. The Board has approved the policy which is designed to effectively manage RISK arising out of different scenarios as mentioned that affect the day to day operations and to mitigate the risk at various levels. It has also be understood that the Review of Policy is required on a regular basis once in a year at least, or earlier whenever there is a need of it due to change in the regulations and/or very high volatility conditions.

However, a brief overview of the said policy is as under:

1. Definitions: In this Policy, unless the context requires otherwise,
  - 1.1 RMS: RMS means Risk Management system. Risk management is to manage risk of company and clients from volatility of capital market/Currency/Commodity Market.

- 1.2 Adjusted Ledger Balance: Adjusted Ledger balance means clear balance in client's ledger account in company's books. For example, proceeds of shares sold but not delivered will be reversed if credited in the ledger and debited Var Margin will be ignored.
- 1.3 Securities in On-Behalf: Securities in on-behalf means the securities of the client lying in the Company's pool account. Securities given by the client in margin and securities held by the Company till full payment is received are kept in On-behalf.
- 1.4 Securities in Margin: Securities in margin means those securities which are approved for this purpose by the Exchange given by the Client to the Company to meet his margin obligations in F&O segment. These are transferred by clients to the Company and may further be pledged by the Company to the Exchange towards the Company's margin obligations for the client.
- 1.5 Exposure of client: Exposure of Client means a client's obligation arising out of (i) Buy and Sale entered into on behalf of the client in cash segment which are yet to be settled and (ii) open position in F O segment.
- 1.6 Total Deposit: Total Deposit means aggregate of ledger balance, value of securities after hair cut in on behalf, value of Securities after hair cut in margin, value of Securities after hair cut lying in client beneficiary account where POA issued in favour of MLB for the settlement and margin obligation and related balances or margin, if any, received from the client.
- 1.7 MLB Var: MLB Var means the percentage of hair cut/margin fixed by MLB from time to time for different securities. It is fixed on various considerations like average volume traded, Volatility, Exchange Var, Impact cost etc. of a particular scrip.
- 1.8 Concentration: Concentration means the number of each scrip arrived at application of the percentage fixed by the Company from time to time on the basis of average daily volume of trade on the exchange in that scrip during the last 30 Days.

## **2. Transaction offered to clients:**

- 2.1 Intraday trades: Intraday transactions are, sale – Purchase in any scrip which are reversed by contra transaction of Purchase- Sale in the same scrip and in the same quantity, so that net quantity carried is NIL on a particular trading day.
- 2.2 Delivery Trades: This is net Purchase or Sale of a particular scrip in client's account which is settled by Delivery on T+2 Days. In case of sale transactions client has to give securities to company in demat form before pay- in, else he will bear auction debit.

2.3 Sell Against unsettled Buying: This is sale against unsettled buying in particular scrip. Under this kind of transaction a client can buy particular scrip in particular quantity on day one and can sell the same scrip in same quantity on the immediately next trading day.

Note ; In this case MLB will not be responsible for any short pay out of security received from Exchange resulting in short delivery in client's account.

### **3. Risk Management:**

3.1 We are having margin based Risk management system, In which total deposit of client is uploaded in system. Now client can take exposure in any scrip(s) and his deposit will be utilized (based on MLB Var margin) on the particular scrip(s).

In this margin based risk management system, client has to make payment before the time fixed by the Exchange for Pay-In. Otherwise he will be liable for consequences of square off.

Example: A client with following position intends to trade

Particulars	Amount Rs.
Ledger balance Credit	50000
Margin Shares before hair cut	100000
Margin Shares after hair cut (MLB Var Margin20%)	80000
Total deposit (50000+80000)	130000

Suppose the client wants to buy XYZ Ltd. on which MLB Var margin is 20%, then he can take position of upto Rs. 650000 as Margin on this position is Rs. 130000 (650000\*20%). However, he has to make payment of the remaining amount i.e. Rs.650000-50000 =600000 before T+2 Days.

Suppose the client decides to buy ABC Ltd. on which MLB Var margin is 25%, he can buy upto Rs. 5,20,000.

In case a Client wants to sell any securities already lying with us in On-Behalf or Margin, he can do so without paying any margin thereon. This can be done by selecting "Delivery" option in order entry window on the trading platform.

3.2 Recovery of Debit / Squaring off the position

In case of client's failure to deposit additional margin or repay the outstanding debit or fulfill any obligation or liability within stipulated time period, RMS team may exercise its discretion to clear the debit by squaring off the position of the client or liquidate collaterals lying with the company after informing through SMS/email/Telephone or any mode of communication as it deems fit. Further, we reserve the right, where client has issued POA in favour of MLB for the settlement and margin obligation, to transfer the securities to client collateral account and/or liquidate the same in case of any margin requirement / settle dues arising from time to time.

### 3.3 Recovery of Old Debts

- Clients Introduced by Authorised Persons : Debit balances of clients (without collateral) introduced by Authorised Persons are adjusted against their respective Sub-brokerage ledger on periodic basis, shortage if any is adjusted against their deposit account.
- Clients who do not clear Debit balances (without any collateral) for more than a month even with repetitive notice's, suitable legal action shall be taken to recover the outstanding amount.

## **4. Handling of the Client securities – RMS Policy on Client unpaid Securities Account (CUSA)**

Further in addition to above as per SEBI circular no. CIR/HO/MRDSD/DOP/CIR/P/2019/75 dated June 20, 2019 and FAQ issued by the Exchanges related to Handling of Clients' Securities by Trading Members/ Clearing Members, following important changes are included w.e.f October 01, 2019:

- 4.1 Securities purchased by client shall be transferred to client's demat account within one working day of the pay-out subject to clear credit balance in clients' trading account (Capital Segment).
- 4.2 With regard to securities that have not been paid for in full by client (unpaid securities), full/partial securities shall be transferred to a separate client account titled as "Client Unpaid Securities Account".
- 4.3 The securities kept in the "Client Unpaid Securities Account" shall be transferred to client's demat account upon fulfilment of funds obligation within five trading days from the pay-out date otherwise the same will be disposed off in the market by MLB. However, MLB may at its sole discretion and risk assessment, transfer all or part of the securities from Pool/Client Unpaid Securities Account to client's demat account even there is a debit balance in client account.
- 4.4 If unpaid securities of the client are disposed-off by MLB as per SEBI circular, then the client is not allowed to purchase the same securities on the same day unless the debit balance is cleared by the client.