Sharekhan limited & Its Subsidiaries including Espresso Financial Services Private Limited

Client RMS Policy

May 2026

Version Control

Document Version	Description of Changes	Date	Prepared / Changed by
1.0	First Version	June 2022	Risk Department
1.1	Second Version	Feb 2025	Risk Department
1.3	Third Version	May 2026	Risk Department

Introduction:

Investment in securities is susceptible to market risks which cannot be predicted. While the risk of loss is inherent in the market, it is important to note that the client risk management policy does not have 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 Sharekhan limited & its subsidiaries inclduing Espresso Financial Services Private Limited (herein after referred to Sharekhan /Sharekhan Limited) risk perceptions of the market and SEBI /Exchange regulations for the time being in force.

Sharekhan limited Risk reserves rights to give exceptions/deviations to this policy at their discretion.

Scope:

This policy is applicable to Broking Business of Sharekhan limited & its subsidiaries inclduing E spresso Financial Services Private Limited (herein after referred to Sharekhan /Sharekhan Limite d).

Scrip Categorization:

Scrips margins are primarily based on factors like:

- Exchange VAR margin
- Exchange Volume
- Exchange Group

However other factors like trading numbers and volumes, market capitalization, profits, track records, shareholding patterns, dividends etc. may also be considered for determining scrip margins.

Based on above parameters scrips are categorized as below.

Category	**Margin Range**
Low Risk	≤ 25%
Medium Risk	> 25% and ≤ 50%
High Risk	> 50% and < 100%
Cash & Carry	= 100%

*The margins specified above may be revised from time to time at the discretion of Sharekhan Limited Risk.

Dealing in Illiquid/Restricted Scrips:

In order to exercise additional due diligence while trading in these securities on behalf of their clients:

- Sharekhan Limited reserves the right to refuse execution of any transaction requests of the client on such restricted securities or to reduce the open market interests of the client in such securities/ contracts. Sharekhan Limited also reserves the right not to allow any trades or transactions in respect of certain securities or segments or orders/requests which may be below/above certain value/quantity as may be decided by Sharekhan Limited Risk Team from time to time.
- Circular or Insider trading is strictly prohibited. Action shall be initiated against any trade resulting in price rigging.
- Sharekhan Limited shall not be responsible for non-execution/delay in execution of orders in restricted scrips and contracts and consequential opportunity loss or financial loss to the customer. Sharekhan Limited shall have the discretion to place such restrictions, notwithstanding the fact that customers have adequate credit balance or margin available in his account and/or the customer had previously purchased or sold such securities / contracts through Sharekhan Limited itself. Sharekhan Limited shall have the right to revise the list of such securities / contracts on a periodic basis.

Limits & Exposure:

Assigning Trading Limits:

- Margin/Deposit based limits are assigned to the customers for trading purpose.
- Trading Limits are set at 1x of Margin received from the client.
- Margins are blocked at scrip level on the position taken by the clients as below:
- Cash segment – As per scrip category.
- Derivative segment – Initial (SPAN) + Gross Margin (as per exchanges) or any additional margin
- Deposit is calculated at customer level after netting off ledger balance in all Segments and Collaterals pledge with Sharekhan Limited (after hair cut).
- Additional Limits may be assigned on case-to-case basis post evaluation of the client profile which shall be solely at the discretion of Sharekhan Limited Risk.

The limit for trading on pledge securities will be given to client on best effort basis only post confirmation of creation of pledge in favor of Sharekhan Limited.

Sharekhan Limited will not be responsible for any delay or non-receipt of link / OTP from depositors for creation of pledge or non-confirmation of pledge request by the client or due to technical or any other issue at depository as well as at Sharekhan Limited end.

Exposure:

Clients can take exposure based on Scrip margins.

Cash exposure: Clients can get exposure by paying upfront margin in form of cash or collateral as below: -

Scrip Category Type	Margin % Range	Exposure (Times)
Low Risk	20% – 25%	5× to 4×
Medium Risk	30% – 50%	3.33× to 2×
High Risk	55% – 80%	1.81× to 1.25×
Cash & Carry	100%	1×

Derivative Exposure: Client can take exposure in derivative segment by paying upfront margin. Margin required shall be as per exchange requirement i.e span margin plus Gross Margin or any other additional margin

Margins: Margins are collected upfront from the client before the actual trade.

Type of Margins:

- Cash Component
- Non-Cash Component

Cash Component:

- Ledger Credit
- Liquid Funds/SGB's
- ETF's forming part of cash-component as per exchange.
- Mutual Funds forming part of cash component as per exchange.

Non-Cash Component:

- Approved listed securities (after Haircut) in pledge form Approved Mutual Funds (after Haircut).
- Bonds/NCD's/Debentures
- Or any other securities accepted by the Stock Exchanges from time to time.

The securities will be subjected to haircut as per internal risk management policy of Sharekhan Limited and shall not be below minimum regulatory requirements at scrip level as published by the exchange from time to time.

Margins are blocked in each segment as tabulated below:

Segment	Margin %	Remarks
NSE/BSE Equity	Scrip-wise fixed margin	As per scrip category
NSE/BSE Derivatives	SPAN + Gross + Additional (if any)	As per Exchange / Sharekhan Limited
Currency Derivatives	SPAN + Gross + Additional (if any)	As per Exchange / Sharekhan Limited
Commodity Derivatives	SPAN + Gross + Additional (if any)	As per Exchange / Sharekhan Limited

Term	Definition
Margin Required	Margin on clients open positions
Margin Available	Margin received from the client in the form of cash and non-cash components.
Margin Shortfall	Margin Required – Margin Available. (*Shortfall arises when Margin Required > Margin Available*).

*Margin calls shall be intimated to the client in case of any margin shortfall.

Derivative Margin Collection:

Clearing corporation (CC) mandates the collection of margins in form of cash and non-cash collateral as listed above.

CC mandates to collect minimum 50% of total margin requirement under cash component.

In case of failure by the clients to maintain 50% level the CC would block funds of the member against the client margin requirements.

Sharekhan Limited mandates all the customers maintain at least 50% cash component of the total margin requirements.

Any failure to maintain 50% would attract delay payment charges on the shortfall amount.

Derivatives Margin Reporting:

Derivative Margin reporting is a report whereby Sharekhan Limited updates clients margin lying with Sharekhan Limited against margin required on his derivative open positions to respective exchanges.

The reporting is done on daily basis to the exchange.

Currently reporting is mandatory for Cash segment, Equity Derivative, Currency Derivative segment and Commodities Derivative.

Margin is also collected from clients based on peak margin requirement for shortfall if any, as applicable from December 01, 2020 or thereafter from time to time as prescribed by the Regulator.

Intraday Products:

Segment	Type	Product	Leverage*
Equities	Cash	Big Trade & Big Trade Plus	Up to 5×
Equities	Equity Derivatives	Big Trade & Big Trade Plus	1×
Commodities	Commodity Derivatives	Big Trade	1×

*Leverage shall be provided as per market conditions and at the discretion of Sharekhan Limited RISK from time to time or as prescribed by the regulator from time to time.

Intraday Trading Products & Features:

- Big Trade
- Big Trade Plus (BTP)

Feature of Big Trade:

Big trade is a trade wherein trading is allowed only in equity segment of NSE & BSE. Positions created through this product are compulsorily settled on intraday only.

No option is available to carry forward the positions taken through the product, provided you apply from MTI facility (i.e convert into normal trade).

Features of Big Trade Plus (Cover order):

Big Trade Plus (BTP) Order is a order placement facility offered by Sharekhan Limited wherein any limit or market order can be placed along with a Stop Loss Order.

BTP order allows the client to take leverage as per his / her risk appetite along with the benefit to limit the downside. One can take an intra-day position with such orders which blocks less margin.

- Scrip eligibility for these products will be determined solely at the discretion of the Sharekhan Limited Risk Team.
- Sharekhan Limited reserves the right to modify or discontinue this facility at any time, without prior notice to clients.

- For detailed terms and conditions of both products, clients may refer to the information available on our website: https://www.sharekhan.com/Upload/General/Bigtradeplus_TnC.html

Liquidation Process for Intraday products:

1. Cash & Equity Derivatives Positions created under the Big Trade Plus facility shall be compulsorily liquidated upon either of the following events, whichever occurs earlier:

Mark-to-Market (MTM) losses exceed 70% of the applicable margin, or Any time after 3:11 PM and before market close.

2. Commodity Derivatives Positions created under the Big Trade Plus facility shall be compulsorily liquidated upon either of the following events, whichever occurs earlier:

Mark-to-Market (MTM) losses exceed 70% of the applicable margin, or Any time after 11:15 PM and before market close.

3. Carry-Forward & Margin Responsibilities
If positions under this facility are not squared off before market close, they will be carried forward to the next trading day. In such cases:

- The client is responsible for ensuring adequate margins are maintained in their account with Sharekhan Limited.
- In the event of a margin shortfall, Sharekhan Limited may square off positions at its discretion, in accordance with its Risk Management Policy.
- Margins may be provided in the form of funds and/or securities, which will be subject to applicable haircuts as per Sharekhan Limited's Risk Management Policy.
- Clients shall be liable for any penalties related to margin shortfalls, as prescribed under applicable regulations

Liquidation Process for other products

Types of liquidation

- Liquidation due to Margin shortfall
- Liquidation due to Regulatory requirement

Based on the risk, every client account shall be evaluated to ensure that sufficient margin is always available as per the Margins defined as per Sharekhan Limited internal policy.

In case of Margin shortfall, following actions are initiated by RISK Team:

- Making margin calls and requiring clients to provide additional margins.
- Liquidating client's position or collaterals to the extent of shortfall obligations.

Types of Risk square off:

1.Liquidation due to Margin Shortfall

Client Positions shall be liquidated by Sharekhan Limited RMS under the following conditions whichever is earlier:

- In case total margin shortfall exceeds 50% of the total margin required as per Sharekhan Limited internal policy, OR
- In case clients have derivative positions, if there is margin shortfall i.e. margin required on position as per exchange exceeds margin available for the client

MTF (Margin Trading Facility) Positions

MTF positions shall be subject to compulsory square-off under the following conditions, whichever is earlier:

- Margin shortfall exceeds 50% of the total margin required as per Sharekhan Limited Scrip Margin, OR
- Continuous margin shortfall for 5 trading days calculated as per exchange requirements.

2.Liquidation due to Regulatory requirement: -

Ageing Square-Off:

- As per SEBI guidelines, clients account cannot be funded by broker.
- Only grace period of 5 working days from settlement day is given to the client to clear the dues. It is client's obligation to clear his/her outstanding dues by T+1 (T indicates Trading Day). The client shall ensure that sufficient funds / securities are kept with Sharekhan Limited to meet exchange obligations.
- Sharekhan Limited reserves the right to close / liquidate the open positions / sell securities to the extent of ledger debit and /or to the extent of margin obligations.
- Selling will be done in clients account on T+1+4 (selling on 6th day) days for the ledger debit which is more than T+5 days on ageing basis. No further exposure is given to the clients having debits beyond 5 days.

- Further, as per SEBI circular on handling of clients' securities, in case of Debit balance (at consolidated level) in client ledger account, Sharekhan Limited reserves rights to transfer securities to Client unpaid Securities Pledgee Account (CUSPA) from pool account. In case of non-payment, Sharekhan Limited reserves the right to sell securities from CUSPA. Further, Sharekhan Limited also reserves the right to transfer unpaid Securities to client account directly from the pool / CUSPA account. In case the client is providing collateral in the form of approved securities as margin, a margin pledge shall be initiated by the client in favour of Sharekhan Limited through physical or electronic instruction mechanism provided by the Depositories.
- In case of non-payment of purchased securities or towards margin obligation of client, where the client has given Power of Attorney in favour of Sharekhan Limited, the margin pledge shall be initiated by Sharekhan Limited on behalf of the client. The margin pledge will be initiated as per the process defined by the Depositories SEBI / Exchanges.
- The client will receive a link on registered Email id / Mobile number mapped with depository (NDSL / CDSL) for confirmation of pledge in favour of Sharekhan Limited. Client will have to enter an OTP received on Email id and /or Mobile number within the prescribed timeline to confirm pledge in favour of Sharekhan Limited.
- Sharekhan Limited reserves the right to re-pledge the securities to the Clearing Corporations. In case the client defaults Sharekhan Limited and/or the Clearing Corporations shall be entitled to invoke securities pledged by the client.
- Sharekhan Limited reserves right to sell the collaterals pledge by the client towards margins and/or paid securities purchased by the client in earlier settlements where the sale proceeds of unpaid securities are inadequate to cover the pay- in obligations and/where the unpaid securities appear to be comparatively illiquid and cannot be sold at reasonable rates to the extent required.

Additional rules for Liquidation

Sharekhan Limited reserves the right to close/liquidate open positions or sell any security held by the client to recover ledger debit and/or margin shortfall.

The value of securities liquidated may exceed the debit or shortfall amount due to scrip price, lot size, market liquidity, volatility, or operational constraints.

Selection of positions or securities to be liquidated will be on the basis of the best possible combination to cover the risk exposure at the earliest.

Square-off will be carried out on a best-effort basis, subject to market conditions and operational constraints, without any obligation to liquidate securities equal to or proportional to the debit amount.

It may not be operationally feasible to liquidate securities matching the exact debit value due to lot size restrictions, price volatility, or low-value securities. Hence, RMS may square off any security that ensures immediate risk mitigation.

Liquidation Sequence – RMS

Order	Segment / Category	Details
1	Derivative Segment	All derivative positions to be liquidated first.
2	Cash Segment	
2(a)	Cash – CUSPA Holdings	First priority within cash segment.
2(b)	Cash – Pledged Securities with Sharekhan Limited	Second priority within cash segment.

Liquidation Conditions - Ageing Square-Off

Condition	Policy Provision
Ageing Square-Off Trigger	Stocks may be liquidated when the settlement debit remains uncleared beyond 5 working days from the due date (T+1).
Additional Liquidation Source (Client Demat with POA)	In ageing square-off scenarios, stocks lying in the client's demat account under POA/DDPI shall also be considered for liquidation if the debit exceeds the combined value of: • CUSPA holdings, and • Pledged securities with Sharekhan Limited.

Intimation of Margin shortall and Liquidation:

On best effort basis, clients will be notified of their trades/Risk-square off in case of margin shortfall through SMS & E-mail.

However, notification can be sent to the client at any time prior to square off as per Sharekhan Limited discretion.

Client Position Liquidation:

SHAREKHAN LIMITED may adopt the internal policy as a guiding framework for liquidating securities; however, Sharekhan Limited retains the discretion to determine an alternative method of liquidation when deemed appropriate.

CUSPA (Client unpaid Securities Pledgee Account):

The unpaid securities (i.e. the securities that have not been paid for in full by the clients), are to be transferred to respective client's demat account followed by creation of an auto-pledge (ie., without any specific instruction from the client) with the reason "unpaid", in Favor of a separate account opened by Sharekhan Limited with having the title as "Client Unpaid Securities Pledgee Account.

After the creation of pledge, a communication (email/SMS) is sent by Sharekhan Limited to the client, informing them about their fund's obligation and also about the right of Sharekhan Limited, to sell such securities in the event of failure by client to fulfil their obligation.

If the client fulfils its funds obligation within five trading days after the pay-out, Sharekhan Limited releases the pledge so that the securities are available to the client as free balance.

If the client fails to fulfil its funds obligation, Sharekhan Limited disposes off such unpaid securities in the market within five trading days after the pay-out, with an intimation (email / SMS) to the client, one trading day before such sale.

The unpaid securities are to be sold in the market with the UCC of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, are transferred to/adjusted from the respective clients' account.

Sharekhan Limited invokes CUSPA-pledged securities to meet the EDIS client's net-sell obligation. On invocation, the securities move from the client's demat to the CUSPA account, are instantly released and returned to the client's demat, and then blocked for early pay-in using a single 'invocation-cum-pay-in' hop-skip instruction, the same are verified by the depositories, against the client level obligation.

In case, such pledge is neither invoked nor released within five trading days after the pay-out, the pledge on securities are auto released and the securities are available to the client as free balance without encumbrance on 8th day (TMs/CMs shall not be able to execute Unilateral Closure instruction on 6th and 7th trading days after the pay-out of unpaid securities)

Quarterly Settlement & Daily Margin Statement

Quarterly Settlement

As per SEBI's circular, brokers must transfer funds from your trading account back to your bank account once a quarter. Transferring your unused funds back to your primary bank account is called the quarterly settlement of funds or the running account settlement.

At Sharekhan Limited, settlement happens on the first Friday of the quarter, i.e., the first Friday of January 2025, April 2025, July 2025 and so on. If the first Friday is a trading holiday, the settlement will happen on the previous trading day. However, if you are inactive for 30 calendar days, funds are transferred back to your primary bank account once a month.

Daily Margin Statement

A daily margin statement provides detailed information about your trading margins on days when you trade. This report shows your deposited margins (fund transfers and pledged collaterals) and blocked margins for your positions.

The daily margin statement helps you understand:

Margin requirements set by exchanges for your positions

Available free margins in your account for new positions as per the margin requirements by exchange, however please note actual positions will depend upon margin required as per Sharekhan Limited internal policy (for details please refer to Liquidation process for intraday products)

Any margin shortfall, so you can maintain adequate funds and avoid penalties

The daily margin statement is sent to the registered email address on the days when you have traded. Alternatively, it can also be downloaded by visiting www.sharekhan.com

For client quarterly settlement and DMS purpose, client collateral is valued after hair cut which shall be exchange VAR.

Voluntary freezing of Online access to client's trading account:

A client can voluntarily freeze online access to their trading account in line with SEBI Circular no. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024, by providing the request through verified/registered channels.

On receipt of request, all open unexecuted orders / pending orders would be cancelled by the RMS and the trading account access would be freezed such that the client would not be able to trade/access his trading and demat account through Digital means of Sharekhan Limited.

The freezing of online access will not impact open positions of the client, if any. Further, the client will not be able to execute new orders through network channels ie Branches and Authorized Persons / Business Partners. The clients in such will have to place orders only through centralized dealing desk post proper authentication as required under the internal policy and procedures of the company.

Re-activation of the online access will be done within 3 working days post receipt of request from the client and due diligence performed by the company.

Detailed policy and procedures for freezing and unfreezing is provided on www.sharekhan.com