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# Risk Management Policy

## Version 4.1

| Author | Risk Management Team |
|---|---|
| Approver | Spark Risk Management Committee |
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| Reference | PWMBP-009-COMP-OPS |
| CFO Sign-Off | Vaishnavi E |
| Sponsor Group Sign-Off | Suresh Babu & Kapil Ramamurthy |
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| Business Sign-Off | Venkatesh PM |

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## Introduction

Investment in the Securities Market is susceptible to Risks which cannot be predicted. SEBI has prescribed a Rights and Obligations disclosure document which indicates the various types of risks a customer is likely to face while investing in the securities market. It is important to understand that while this risk policy is not an insurance against any losses; these are measures and precautions that Spark PWM Private Limited ("SPARK PWM") is adopting to contain risks to the minimum. The Policy is subject to change in risk perceptions and SEBI/Exchange regulations from time to time and at the discretion of the management of Spark Group.

## Spark Risk Management Committee (SRMC)

1. Business Head – SPARK PWM (HoE)

2. Managing Director – SPARK PWM (MD)

3. Deputy Managing Director – SPARK PWM (DMD)

4. Risk Team - SPARK PWM

5. Head of Operations –Shared Services

6. Head of Finance –Shared Services

7. Sponsorship Group consisting of promoter group and / or a representative (SG)

## Purpose

1. To decide on the list of securities to be accepted as collateral / marginable security, subject to acceptability in the exchange.

2. To decide on the changes in the haircut mechanism for valuation of the above-mentioned securities.

3. To decide on temporary changes to risk norms that need to be implemented in special situations.

4. Risk management MIS and changes in the same from time to time.

5. Broader upgrades to the applicable risk policy, taking into consideration accumulated experience of operating Broking business and / or any changes in the business ecosystem or Spark Group.

## Periodicity & Manner of meeting

1. Mandatory Meetings – Once, every month, initiated by the Risk Team.

2. Special Meetings – To be convened by the Risk Team in case of special situations, basis the judgment of any of the Committee member(s), to decide on urgent changes proposed to be adopted based on changed risk assessment / perception.

3. Quorum for the purpose of the meeting shall be:

    a. Head – Finance -SCA

    b. Risk Team

c. Two out of the three business representatives:

    i. Business Head – SPARK PWM (HoE)

    ii. Managing Director – SPARK PWM (MD)

    iii. Deputy Managing Director – SPARK PWM (DMD)

d. One person from SG

## Dissemination of Decisions Taken

1. HoE to communicate it to all sales and dealing team members of SPARK PWM.

2. Head – Operations and Risk Team to implement the same in the systems and send out a confirmation mail for the same.

3. Risk management MIS to be sent out reflecting the changes, if the MIS is prepared.

## Definitions and Glossary

| S. No. | Term | Notation | Definition |
|---|---|---|---|
| 1 | Base Deposit | BD | This is the sum of:<br><br>1. Clear Cash Balance with SPARK PWM (C),<br><br>2. Cheques, pending-realisation ONLY (BC). This is available only for clients trading only through Offline mode.<br><br>3. 80% credit for sale of stock where the stock which is sold by client is either in DP Account held with Spark Group or, has been delivered to SPARK PWM pool account (SP) where SPARK PWM will earmark the shares in client's Demat account through Block Mechanism.<br>4. Stock Collateral (Margin Pledge Stock) value after the haircut as decided under this policy and subject to applicable SEBI guidelines from time to time (CH).<br><br>**BD = C + BC + SP + CH + SC** |
| 2 | Call Option | - | A derivative contract wherein the purchaser buys the right to BUY an underlying security or index at a later date at an agreed upon price. In SPARK PWM's context, Options Contracts will be allowed on stocks and indices. |
| 3 | Cash Delivery Margin | CDM | Margins applicable to a client towards unsettled Cash Delivery positions. |

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| S. No. | Term | Notation | Definition |
|--------|------|----------|------------|
| 4 | Cheques, pending-realisation | BC | Cheques, pending-realisation as in distinct from Cheques-in-hand, pending-realisation, issued by a client and in favour of SPARK PWM. |
| 5 | Cheques-in-hand, pending-realisation | CH | Cheques-in-hand, pending-realisation, issued by a client and in favour of SPARK PWM. These are eligible to be counted as margin for purposes of exchange reporting but not eligible to be counted towards Base Deposit (BD). |
| 6 | Clear Cash Balance | C | Clear Cash balance that a client has deposited with SPARK PWM. |
| 7 | Credit for Stock-in-Pool | SP | Credit provided to a client for sale of a security where security has already been delivered to SPARK PWM pool account. |
| 8 | Derivatives Carry Forward Margin | DCFM | Margins applicable to a client towards unsettled derivatives Carry Forward Open Interest. |
| 9 | Expanded Deposit | ED | This is the actual value of the Base Deposit of a client placed with SPARK PWM (BD). This is multiplied by Margin Multiplier (MM). $$ED = BD \times MM$$ |
| 10 | Expiry Date | E | Expiry date of a derivatives contract. |
| 11 | Futures Contracts | - | A derivatives contract where parties on either side of the trade agree to buy or sell a stock or index at a predetermined price at a specified time in the future. In SPARK PWM's context, Options Contracts will be allowed on stocks and indices. |
| 12 | Initial Value | IV | For any outstanding derivative contract position or unsettled trade in a security. |
| 13 | Intraday Deposit | ID | This is the actual value of the Base Deposit of a client placed with SPARK PWM (BD). This is multiplied by Margin Multiplier (MM), reduced by MTML, CDM and DCFM. $$ID = (BD \times MM) - (MTML + CDM + DCFM)$$ |
| 14 | Lot / Lot Size | - | Number of units of a stock or an index that constitute one derivative contract on the said stock / index. |

| S. No. | Term | Notation | Definition |
|---|---|---|---|
| 15 | Margin Factor | MF | This is the percentage of utilization or consumption of Base Deposit (BD) of a client with SPARK PWM, towards the client's cash delivery trades, open interest in derivative carry-forward positions and all outstanding intraday positions. |
| 16 | Margin Multiplier | MM | This is a number between 1 and 5 and is the factor that is used to amplify Base Deposit of a client with SPARK PWM to arrive at Extended Deposit and Intraday Deposit. By default, this is set at 1. |
| 17 | Mark-To-Market | MTM | An outstanding derivative contract position's or an unsettled security trade's value adjusted on a real-time basis to reflect its market price. |
| 18 | Mark-To-Market Loss | MTML | A Mark-To-Market Loss occurs when: <br><br> a. In the case of Long / Buy positions, MTM value of the position is lower than the initial value (IV) of the position and is the difference between the initial value of the position and the MTM Value. MTML = IV – MTM. <br><br> b. In the case of Short / Sale positions, MTM value of the position is higher than the initial value (IV) of the position and is the difference between the MTM value of the position and the initial Value of the position. MTML = MTM – IV. |
| 19 | Open Interest | OI | The number of contracts outstanding in derivatives segment at any time. |
| 20 | Option Premium/ Premium | - | This is the consideration that an options contract buyer pays to the options contract seller. |
| 21 | Options Contracts | - | A derivative contract wherein the purchaser buys the right to BUY or SELL an underlying security or index at a later date at an agreed upon price. In SPARK PWM's context, Options Contracts will be allowed on stocks and indices. |
| 22 | Put Option | - | A derivative contract wherein the purchaser buys the right to SELL an underlying security or index at a later date at an agreed upon price. In SPARK PWM's context, Options Contracts will be allowed on stocks and indices. |

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| S. No. | Term | Notation | Definition |
|--------|------|----------|------------|
| 23 | Settlement Date | S | Any Day of settlement as defined by the exchanges:<br>▪ Typically, for all cash segment securities, S = T + 1.<br>▪ Typically, for all derivatives contracts except Long Options, the first settlement day is T when open interest is created, and the last settlement day is one day after E (E + 1) or day T of Square-off, whichever is earlier.<br>▪ Typically, for all derivatives contracts involving Long Options, settlement day is T + 1 and thereafter, if the investor exercises the Option then on the day after E (E+1). |
| 24 | Spark Group | - | Consisting of Spark Capital Advisors (I) (P) Ltd and Spark PWM Private Ltd. |
| 25 | Stock Collateral Value | CLH | Value of security(ies) provided as collateral. This is based on current market price, reduced by the haircut as decided under this policy and subject to SEBI regulations from time to time. |
| 26 | Trade Date | T | Day of trade in a cash segment security or a derivatives contract. |
| 27 | Trading Hours | - | Currently, trading hours are between 9:00 AM and 4:00 PM on any day when the exchanges are open to trade. |

## Collaterals

SPARK PWM will accept the following collaterals only from the respective clients:

1. Cash from a Client's pre-registered Bank account.

2. Mutual Fund units in Demat Form, as approved by the Exchange. This shall be reviewed at monthly meetings of SRMC.

3. Equity stocks in Demat Form approved by the Exchange and further curated by SRMC. Such reviews are to be done at every meeting of SRMC.

4. Fixed Deposits and Bank Guarantees will not be acceptable due to the time required to liquidate such instruments. However, with the approval of the MD and the SG these could be taken as collateral.

All collaterals from a client will be accepted only if the same are:

1. Deposited to the relevant bank accounts of SPARK PWM from the client's own bank account(s).

2. Margin pledged with SPARK PWM from the client's own DP account(s) held either with SPARK PWM Group or with other DP service providers.

No third-party bank or DP account involvement is to be allowed.

## Haircut Applicable on Stock Collateral

Exchanges provide a monthly file consisting of the list of approved stocks (hereafter called Exchange approved Stocks) and a daily file on the haircuts applied for such stocks.

- This is the haircut the exchange applies on the collateral provided by the broker to the exchange.

- The haircuts by the exchange are based on Value at Risk (VaR) and a multiplier on VaR, based on the risk profile of the stock.

- This is bare minimum haircut that the exchange expects. The collateral value will be calculated previous day closing  based on value of underlying stock price and the applicable haircut as per the exchange.

SPARK PWM can charge a higher haircut based on the risk management policy adopted by SPARK PWM and informed to clients. **The policy needs to be uniform across all clients** and **needs to be applied consistently** for a **minimum** period of **1 year**.

For example, RELIANCE's VaR is 15.47% (May 15, 2020). The exchange haircut is equivalent to VaR @ 15.47%. So, if a client gives 10,000 shares of RELIANCE, assuming a CMP of ₹1460, the net collateral value for the client shall be computed as follows:

| Particulars | UOM | SCM |
|---|---|---|
| No of Shares Provided for Collateral | Nos. | 10,000 |
| Price Per Share | ₹ | 1,460 |
| Value of Stock | ₹ | 1,46,00,000 |
| Haircut as per Exchange | % | 15.47 |
| **Exchange value of Collateral** | ₹ | **1,23,41,380** |

| Exchange Approved collaterals (In Demat Form only) | Haircuts Applicable |
|---|---|
| Equity Shares | Exchange haircuts (Provided Daily) |
| Open ended Mutual Funds | VaR + Exit Load (Provided Daily) |
| Open ended Liquid Mutual Funds | 10% of the Net Asset Value |
| Government Securities | 10% as prescribed by Exchange |
| Corporate Bonds | 15% as prescribed by Exchange |

## Incremental haircut on equity shares or any other securities, if any, can be decided upon in SRMC meetings.

All Withdrawals to the client will be permitted only if the same are consistent with the below:

- No third-party bank or DP account involvement is to be allowed for both Deposit and withdrawals.

- Spark PWM does not allow to transfer credit funds from one client to another (Not even for Immediate relatives), payout is subject to availability of clear and settled funds and at least 50% of Margin requirement on existing Derivative position being met with cash or Cash Equivalent form. Payout will be

credited to respective accounts as per the bank details pre-registered with Spark PWM by client during the time of account opening, however client bank account modification is allowed by following appropriate guidelines and process.

- Stock release from Spark DP to Clients' DP other / outside DP to be permitted only if there is Clear Ledger available with client with no outstanding position in the derivative segment.

## Segments and Sub-Segments

We cover the following segments and sub-segments:

| Segment | Sub-Segment | Definition |
|---|---|---|
| Cash | Delivery | Buying and Selling securities to take or give delivery of the same. |
| Cash | Intraday | Buying and Selling securities with an intention to square-off such positions during the same trading day. |
| Derivatives | Delivery | Buying and Selling of derivative contracts with an intention to carrying forward open interest, overnight or squaring-off such carried forward open interest. |
| Derivatives | Intraday | Buying and Selling of derivative contracts with an intention to square-off such open interest during the same trading day. |
| Mutual Funds | Delivery | At present we do not have a mechanism to place BSE MF order through BSE's automated platform. Our dealers are placing these orders manually post confirming with the client on their available balance. We are working towards automation of these trades and should be able to bridge this gap soon. |

## SPARK PWM Charges

SPARK PWM charges will include:

- Brokerage
- Goods & Services Tax (GST) on Brokerage
- Securities Transaction Tax (STT)
- Stamp Duty
- Transaction Charges
- SEBI Turnover Charges
- Clearing Charges, if any
- Regulatory Penalties
- Late Payment Charges, if applicable

## Margins for Cash Segment – Delivery Only

For all trades in the Cash segment, margins are payable by all clients, except custody settled clients, **on an up-front basis**.

SPARK PWM is currently a self-clearing member (SCM). SPARK PWM will charge Cash Delivery Margins (CDM) to the extent of the exchange margins plus 10%, subject to any changes in the basis for this or a flat rate of 20%, whichever is higher (as explained hereunder).

When SPARK PWM avails of professional clearing services (PCM), SPARK PWM will charge Cash Delivery Margins (CDM) to the extent of 1.2x of exchange margins or a flat rate of 20%, whichever is higher (as explained hereunder).

This additional margin (in the case where SPARK PWM is SCM) has been arrived as below:

- % of free Margin to be maintained to not trigger the Risk Reduction Mode "**RRM Margin**" which as per exchange currently is 10%. This will not be a concern when operating under a PCM but will need to be provided for when SPARK PWM is a SCM, plus.

- Additional Margin for managing volatility in margin values if margins are in form of collateral and not cash. This is a lower risk when operating under a PCM.

In addition, for managing volatility, we could charge an additional margin at the discretion of the management, across all clients.

## Purpose of Amplification over Exchange Margins

- To avoid blocking overnight capital in the cash segment for delivery trades. As under the RRM Margin the exchanges do not allow the broker to take a fresh position if the margin utilized hits 90% for the broker (this essentially means that the broker must maintain 10% capital for every overnight trade).

- To protect SPARK PWM from settlement risk if the client has not provided us with security or cash for the settlement of the trade.

- The amplification will be restricted to a total margin applicability of 100% except if explicitly required as part of exchange rules to charge more margin.

## Example of Calculation of CDM

For a Purchase of 10,000 Shares of Reliance Industries Ltd.

| Particulars | UOM | SCM |
|---|---|---|
| No of Shares Purchased | No | 10,000 |
| Price Per Share | Rs. | 1,460 |
| Value of Stock Purchased | Rs. | 1,46,00,000 |
| **As per Exchange** | | |
| VaR | % | 15.47 |
| ELM | % | 5.27 |
| Adhoc Margin | % | 1.37 |

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| Particulars | UOM | SCM |
|---|---|---|
| **Total Margin as per Exchange** | % | 22.11 |
| **Exchange margin Charged (A)** | Rs. | 32,28,060 |
| **Additional Margin Charged By SPARK PWM** | | |
| Based on RRM Margin | % | 10.00 |
| Adhoc Additional Margin | % | 10.00 |
| Adhoc 20%. Margin on Exchange Margin | % | 0.00 |
| **Total Additional Margin Charged (B)** | Rs./% | 29,20,000 |
| **Flat 20% Margin Applicable (C)** | Rs. | 29,20,000 |
| **Spark Value of Margin Charged (A+B) or (C), whichever is higher** | Rs. | 61,48,060 |

Application of Varying Levels of Amplification of Margins based on Client Bucketing

SPARK PWM intends to apply varying levels of amplification on margins for different client based on client bucketing. The Bucketing envisaged is as follows:

| Client Bucket | Cash Segment Delivery Trade Margin Calculation - Without PCM |
|---|---|
| Regular Tier – This will be the default option for all clients at point of on-boarding | RRM Margin – 10%, PLUS<br>Adhoc Special Margin – if any |
| Special Tier | RRM Margin – 5%, PLUS<br>Adhoc Special Margin – if any |
| Premium Tier | Adhoc Special Margin – if any |

Clients will be upgraded to Special Tier or Premium Tier only on basis of approval from the MD.

At the discretion of the MD / HoE, specific clients could be subjected to higher amplification of margins.

HoE to review on a quarterly basis all upgraded clients to test for persistency of basis for retaining a client within a specific tier.

Margin Rules for Newly Listed, T2T ASM/GSM & Other Illiquid / Restricted Securities

- VaR+ ELM+ Adhoc Margin+ RRM Margin on new listed scrips will be 100%.

- All stocks in the Trade-for-Trade segment and illiquid stocks (as designated by exchanges) would be charged 100% margins or any higher margins the exchanges subject brokers to.

- For ASM and GSM category stocks as also securities in current watch list of exchanges as updated from time to time, margins applicable as per the exchange would be applicable.

- In case the client has a clear cash collateral (clear credit balance in the client ledger) which suffices the margin requirement to trade in ASM / GSM category of stock, then Risk will permit trading without any further approval.

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## Stage Wise Surveillance actions are listed below for ASM/GSM

| Stage | Surveillance Actions | Allowed/Disallowed |
|-------|---------------------|--------------------|
| I | Applicable margin rate shall be 100% and price band of 5% or lower as applicable | Risk will allow to trade if the client covers with 100% cash balance. |
| II | Trade for trade with price band of 50% or lower as applicable and additional surveillance deposit (ASD) 50% to be deposited by the buyers. | Risk will permit trading if the client collateral covers 100% cash balance subject to the volume of the scrip. |
| III & IV | Trade for Trade with price band of 5% or lower as applicable and trading permitted once a week (Every Monday / 1st trading day of the week) and ASD (100% of trade value) to be deposited by buyer. | Risk will not permit a buy in such a security cause the margin requirement is 200% , no liquidity in the scrip since trading is permitted only once a week. |

## Risk will allow to buy all ASM category stock (long term and Short term) if the client covers with 100% cash balance subject to volume in the scrip.

Margin for Sale of Stock Bought and Pending Settlement (BTST)

The client can sell the Net Buy Quantity (delivery) before the Exchange settlement date. The system shall allow for this Net Buy Quantity from next day onwards (Subject to no Settlement holiday in between) with applicable margins as per this Risk Policy.

**Caveat on VaR**

The VaR is updated by exchange(s) multiple times during the day. Currently, we manually update the software multiple times during market hours on every trading day,. Having said that, during high activity periods, sometimes, there could be a delay in updating the VaR data from the exchange(s). So, there could be a possibility that we might remain exposed to changes in Exchange margin requirements on an intraday basis.

However, we are cushioned by the additional margins, over exchange requirements, as we anyways collect a minimum of 20% margin and wherever applicable, additional margins to ensure that we do not default on the exchange margin obligations. However, this could lead us to blocking some of our capital on such days when the exchanges change margin requirements aggressively.

**Release of CDM**

- On Settlement by exchange if all obligations are fulfilled by a client.

- Early pay-in of security(ies) for sale transaction(s) prior to settlement due date.

## Margins for Derivatives Segment – Carry-Forward Only

SPARK PWM is availing of professional clearing services (PCM) for the derivatives segment.

Availability of Margins & Calculation of Margins

- For all carry-forward positions in the Futures segment and selling of Options, Derivatives Carry Forward Margins (DCFM) are payable by all clients, except custodian settled clients, **on an up-front basis.**

- SPARK PWM is required to report to the exchanges any shortfall in margin collected from it's clients by the End of Trading Day. Shortfalls can occur due to the following reasons:
  - Change in value of collateral lodged towards Base Deposit.
  - Change in margin applicable on open interest.
  - Cheque deposited by Client bounced.

- Therefore, SPARK PWM will also need to collect the daily shortfall in margin for this purpose, latest by end of each such trading day.

- For all carry-forward positions in the Futures segment and selling of Options, margins applicable shall be equivalent to Exchange applicable margins, consisting of.
  - SPAN (Adjusted by exchange for Premium, if any) + Exposure Margins + Intra-Day Crystallized Mark to Market margins (ICMTM) + Delivery margins (when applicable on expiry).
    - The above margins are applicable only at the point of creation of an open interest. NO margin is applicable at the point of squaring-off of any open interest.
    - For Options buying, at point of creation of open interest, the client has an obligation to pay ONLY the premium quoted in the market.
    - For Options buying, at point of creation of open interest, a client will be allowed to use 100% of Base Deposit, less utilized margin value available towards premia payable for such positions

**Example of Calculation of Margin – Futures - Creating Open Interest.**

- For a Purchase or Sale of One Lot of NIFTY, at point of creating OPEN Interest

| Particulars | UOM | PCM |
|---|---|---|
| No. of Units / Shares Per Lot | Nos. | 75 |
| No. of Lots Traded in | Nos. | 1 |
| Price Per Unit / Share | Rs. | 9750 |
| Value of Lot | Rs. | 7,31,250 |
| **As per Exchange** | | |
| SPAN | % | 16.50 |
| Exposure Margins | % | 2.00 |
| Premium, if Any | Rs. | 0.00 |
| Intra-Day Crystallized MTM (ICMTM) | Rs. | 0.00 |

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| Particulars | UOM | PCM |
|---|---|---|
| Delivery Margin | % | 0.00 |
| Total as per Exchange | % | 18.50 |
| Exchange margin Charged – SPARK PWM to charge the same amount | Rs. | 1,35,281.25 |

## Example of Calculation of Margin – Futures - Squaring-Off Open Interest

- For a Purchase or Sale of One Lot of NIFTY, at point of Squaring-off OPEN Interest

| Particulars | UOM | PCM |
|---|---|---|
| No. of Units / Shares Per Lot | Nos. | 75 |
| No. of Lots Traded in | Nos. | 1 |
| Price Per Unit / Share | Rs. | 9750 |
| Value of Lot | Rs. | 7,31,250 |
| **As per Exchange** | | |
| SPAN | % | 0.00 |
| Exposure Margins | % | 0.00 |
| Premium, if Any | Rs. | 0.00 |
| Intra-Day Crystallized MTM (ICMTM) | Rs. | 0.00 |
| Delivery Margin | % | 0.00 |
| Exchange margin Charged – SPARK PWM to charge the same amount | Rs. | 0.00 |

## Example of Calculation of Margin - Sale of Options – Creating an Open Interest

- Assuming for a sale of one lot of Call option in NIFTY for near month, with a strike price that is at the money, at point of creating OPEN Interest.

| Particulars | UOM | PCM |
|---|---|---|
| No. of Units / Shares Per Lot | Nos. | 75 |
| No. of Lots Sold | Nos. | 1 |
| Price Per Unit / Share | Rs. | 9750 |
| Value of Lot | Rs. | 7,31,250 |
| As per Exchange | | |
| SPAN | % | 14.35 |

| Particulars | UOM | PCM |
|---|---|---|
| Exposure Margins | % | 2.00 |
| Premium, if Any (per unit) | Rs. | 245.00 |
| Intra-Day Crystallized MTM (ICMTM) | Rs. | 0.00 |
| Delivery Margin | % | 0.00 |
| **Exchange Margin Charged –** <br> **SPARK PWM to charge the same amount –** <br> **This is the Gross Receivable towards Margin** | **Rs.** | **1,19,559.38** |
| **On T+1, Client will receive as Ledger Credit** | **Rs.** | **18,375.00** |

**Example of Calculation of Margin – Purchase of Options – Squaring-Off of an Open Interest.**

- For a Square-off of a SHORT position in One Lot of NIFTY. We assume a near month Call Option, At the market.

| Particulars | UOM | PCM |
|---|---|---|
| No. of Units / Shares Per Lot | Nos. | 75 |
| No. of Lots Short & Square-Off | Nos. | 1 |
| Price Per Unit / Share | Rs. | 9750 |
| Value of Lot | Rs. | 7,31,250 |
| <u>**As per Exchange**</u> | | |
| SPAN | % | 0.00 |
| Exposure Margins | % | 0.00 |
| Premium, if Any | Rs. | 245.00 |
| Intra-Day Crystallized MTM (ICMTM) | Rs. | 0.00 |
| Delivery Margin | % | 0.00 |
| **Exchange Margin Charged –** <br> **SPARK PWM to charge the same amount** | **Rs.** | **0.00** |

**Example of Calculation of Margin – Purchase of Options – Creating an Open Interest.**

For a Purchase of One Lot of NIFTY, at point of creating OPEN Interest. We assume a near month Call Option, At the market.

| Particulars | UOM | PCM |
|---|---|---|
| No. of Units / Shares Per Lot | Nos. | 75 |
| No. of Lots Purchased | Nos. | 1 |
| Price Per Unit / Share | Rs. | 9750 |
| Value of Lot | Rs. | 7,31,250 |
| **As per Exchange** | | |
| SPAN | % | 0.00 |
| Exposure Margins | % | 0.00 |
| Premium, if Any | Rs. | 245.00 |
| Intra-Day Crystallized MTM (ICMTM) | Rs. | 0.00 |
| Delivery Margin | % | 0.00 |
| **Exchange Margin Charged – SPARK PWM to charge the same amount** | **Rs.** | **18,375.00** |

**Example of Calculation of Margin – Sale of Options – Squaring-Off an Open Interest.**

- For a Square-Off of a LONG Position of One Lot of NIFTY. We assume a near month Call Option, At the market.

| Particulars | UOM | PCM |
|---|---|---|
| No. of Units / Shares Per Lot | Nos. | 75 |
| No. of Lots Purchased | Nos. | 1 |
| Price Per Unit / Share | Rs. | 9750 |
| Value of Lot | Rs. | 7,31,250 |
| **As per Exchange** | | |
| SPAN | % | 0.00 |
| Exposure Margins | % | 0.00 |
| Premium, if Any | Rs. | 245.00 |
| Intra-Day Crystallized MTM (ICMTM) | Rs. | 0.00 |
| Delivery Margin | % | 0.00 |
| **On T+1, Client will receive as Ledger Credit** | **Rs.** | **18,375.00** |

Settlement for Derivatives Segment

- Daily Cash MTM in Futures - Settled in cash. This is to be calculated and collected every settlement day for all open positions. Collection is to be made by 9 am of the next settlement day.

- Cash Payment of Premium on Options - Settled in cash on T+1. This is settled only on the day after creating an open interest.

- Stock Delivery – Both futures and options contracts can be settled by way of delivery of underlying stock on E+1 (1 day after expiry day of a contract).

Stock Delivery for Derivatives Settlement

All contracts in derivatives segment with underlying as stocks are now compulsorily settled on expiry by way of physical delivery.

| A. Settle by Pay-in Of Stock & Pay-out of Cash | B. Settle by Pay-in of Cash & Pay-out of Stock | C. Settlement Only by Cash |
|---|---|---|
| 1. Stock Futures Short<br>2. Stock Put Options Long<br>3. Stock Call options Short | 1. Stock Futures Long<br>2. Stock Put Options Short<br>3. Stock Call options Long | Index Derivatives ONLY |

In the case of A, client will need to:

- Maintain margins right till E-1, as required, failing which norms related to margins calls and square-off in case enough margins are not available come into play.

- Make available stock delivery by E-1 by 10 am, failing which, SPARK PWM will square-off the specific derivatives open interest.

In the case of B and C, above, client will need to:

- Maintain margins right till E, as required, failing which norms related to margins calls and square-off in case sufficient margins are not available come into play.

- Make available cash required to settle by E+1. At E+1, norms applicable for cash segment delivery come into play.

Release of Margin – Derivatives Segment

On square-off of an open Interest in futures or short options.

## Margins for Intraday Positions – Cash & Derivatives Segments

Norms applicable to Cash Delivery and Derivatives Carry-Forward positions will apply for intraday positions for all clients, except clients utilising custodial services, in the following manner:

- Availability of client margin – As for Cash Delivery and Derivatives Carry-Forward.
- Calculation of client margin - As for Cash Delivery and Derivatives Carry-Forward, without any amplification of margins as applicable for cash delivery – Basically, the margin will be calculated as per exchange norms.
- Margin Multiplier for Trading Limit – This is a number between 1 and 5 and is the factor that is used to amplify Base Deposit (BD) of a client with SPARK PWM to arrive at Extended Deposit (ED) and Intraday Deposit (ID). By default, this is set at 1. Given the current regulations, Margin Multiplier is now set at a maximum of 1 and will be reviewed when regulations are changed such that the same can be increased.

## Intraday Deposit (ID) available to a client is:

- The actual value of the Base Deposit of a client placed with SPARK PWM (BD) arrived at when multiplied by Margin Multiplier (MM) and reduced by any Mark-To-Market Loss (MTML), if any, and Margin consumed for cash delivery (CDM) and derivatives carry-forward positions (DCFM), If any.

- We also refer to this as Expanded Deposit (ED), reduced by:
  - Mark-To-Market Loss (MTML), if any, and
  - Margin consumed for cash delivery (CDM) and derivatives carry-forward positions (DCFM).

Expanded Deposit (ED) = BD X MM

ID = ED – (MTML + CDM + DCFM)

Margin Multiplier (MM) will be applicable for intraday derivatives segment always and **will apply to intraday cash segment only if SPARK PWM uses a PCM for cash segment clearing. If SPARK PWM is a SCM for cash segment, then MM will be capped at 1 for intraday cash trading**.

Purpose of Providing a Margin Multiplier

Margin Multiplier is a market practice that enables a broker to:

- Facilitate, for the derivatives segment, rollover trades and reduce timing risk of rollovers.
- Promote intraday trades.

Monitoring Margins and Square-Off of Intraday Positions

1. A client that has utilized the benefit of the MM for intraday trades will have to reduce open positions to reflect the utilized margin for cash delivery and derivative carry forward positions to be equal to or less than Base Deposit. This must be monitored by the Dealer and the Risk Team.

2. Where required, the Dealer / RM will follow-up with clients to bring in additional Base Deposit or the client will need to let square-off as required, and as preferred by the client, through the recorded line the following:
   a. Intraday positions, or,
   b. Derivatives carryforward positions, or,
   c. Cash delivery positions.

3. Dealer / RM to inform Risk Team if automatic square-off is not to be triggered for any client by 2.55 pm.

4. Automatic square-off of the intraday position by the Risk Team between 3:10 pm and 3.25 pm on T day or also when there is a Margin Shortfall or as per risk management policy.

**Example of application of Margin Multiplier for Intraday Position.**

▪ Assuming a client offered 10,000 Share of RELIANCE as stock collateral and cash collateral of ₹50 Lakhs towards Base Deposit. The client has been provided a MM of 1x.

Intraday Deposit at BoD, assuming no outstanding derivatives carry-forward positions, would be

| Particulars | UOM | PCM |
|---|---|---|
| No of Shares Provided for Collateral | No | 10,000 |
| Price Per Share | Rs. | 1,460 |
| Value of Stock | Rs. | 1,46,00,000 |
| As per Exchange | | |
| VaR | % | 15.47 |
| **Exchange value of Collateral** | **Rs.** | **1,23,41,380** |
| **Cash Collateral Provided** | **Rs.** | **50,00,000** |
| **Total Base Deposit for Carry forward Positions** | | **1,73,41,380** |
| Collateral Value for intraday | | |
| **Multiplier on Base Deposit** | **X** | **1** |
| **Intraday Deposit** | **Rs.** | **1,73,41,380** |

Intraday Deposit available, assuming client has outstanding derivatives carry-forward positions and / or cash delivery wherein margin is utilized for trades executed, would be:

| Particulars | UOM | PCM |
|---|---|---|
| No of Shares Provided for Collateral | No | 10,000 |
| Price Per Share | Rs. | 1,460 |
| Value of Stock | Rs. | 1,46,00,000 |
| VaR as per Exchange | % | 15.47 |
| Exchange value of Collateral | Rs. | 1,23,41,380 |
| Cash Collateral Provided | Rs. | 50,00,000 |
| **Total Base Deposit for Carry forward Positions** | **Rs.** | **1,73,41,380** |
| Utilised Margin of Outstanding Derivatives CF / Cash Delivery Trades | Rs. | 75,00,000 |
| **Net margin Available addl. CF / Delivery Trades** | **Rs.** | **91,41,380** |

## Margin Alerts and Actions

### Margin Factor

Margin Factor (MF) is the percentage of Utilization of Base Deposit (BD) towards cash delivery trades, open derivative carry-forward positions and all outstanding intraday positions.

### Electronic Alerts for Clients, Dealers and RMs

- For Clients – Trading Web Portal, Mobile Phone Trading App and Email. SMS is optional.

- For Dealers – Pop-Up on Trading Terminal.

- For RMs – Email.

### Margin Calls and Preventing Margin Shortfall

- **Electronic Alerts** - Margin alerts and calls will be placed if the Margin Factor reaches 80% and at every additional 10% utilization electronic alerts to client, dealer and RM.

- **Margin Call** - Where Margin Utilization towards just cash delivery trades and open derivative carry-forward positions exceeds 90%, the Dealer / RM will call the client to bring in additional Base Deposit or the dealer must encourage the client, on a recorded line, to reduce positions to reduce Margin Utilization towards just cash delivery trades and open derivative carry-forward positions to between 90% and 100%.

- Dealer to liquidate positions in the F&O market followed by the Cash segment to bring down the Margin Utilization for clients towards just cash delivery trades and open derivative carry-forward positions to between 80% and 90%.

A broad sequence order for selling positions, collateral, etc. will be:

1. Outstanding Intraday derivatives segment positions.

2. Outstanding intraday cash segment positions.

3. Outstanding carry-forward derivatives segment positions.

4. Unsettled securities bought.

**The above is a mere guideline and can be varied by the Risk Team using its own discretion.**

## Handling Mark-to-Market Loss

### MTM Loss Limits

SPARK PWM will square-off all positions of a client where MTM Losses (MTML) exceed 75% of the Base Deposit (BD).

### Auto-Square-Off must be Initiated by the Risk Team when MTML > 75% of BD.

### MTM Loss Alerts

Alerts will be sent to clients, dealers and RMs in the following manner:

- Electronic Alerts – when MTML >40%.

- First MTML Call – RM / dealer to call client when MTML > 50% and intimate the client to either reduce positions or deposit funds with SPARK PWM to make up for the MTML percentage.

- Second MTML Call - RM / dealer to call client when MTML > 60% and intimate the client to either reduce positions or deposit funds with SPARK PWM to make up for the MTML percentage.

When liquidating positions, the same will be done basis liquidity of available securities. A broad sequence order for selling positions, collateral (Margin Pledged securities), etc. will be:

1. Outstanding Intraday derivatives segment positions.

2. Outstanding intraday cash segment positions.

3. Outstanding carry-forward derivatives segment positions.

4. Unsettled securities bought.

**The above is a mere guideline and can be varied by the Risk Team using its own discretion.**

## Ageing Debit Square-off

### Ageing Debit Rules

1. **Cash Segment Cash Pay-In for Delivery PLUS SPARK PWM Charges.**: Clients will be required to settle obligations by EOD, T+1.

2. **Cash Segment Cash Pay-In for Booked Intraday Loss PLUS SPARK PWM Charges.:** Clients will be required to settle obligations by EOD, T+1.

3. **Derivatives Segment - Options Premium, MTML and Booked Loss PLUS SPARK PWM Charges:** Clients will be required to settle by EOD, T+1.

### Ageing Debit Recovery Square-Off Timelines

If there is default by a client with respect to ANY cash pay-in, SPARK PWM will liquidate available securities to recover debits in between anytime by T+6 days.

When liquidating securities, the same will be done basis liquidity of available securities.

The maximum value of securities liquidated should not exceed 105% at CMP of the cash debit.

**The above is a mere guideline and can be varied by the Risk Team using its own discretion.**

## Handling of Client Unpaid Securities Pledgee Account (CUSPA)

CUSPA has been introduced by the SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 on through Handling of the clients Funds and Securities by Trading Members. Circular is dated November 11, 2022.

With regard to the unpaid securities — the securities that have not been paid for in full by the clients, such securities will be transferred to respective client's demat account on T+1 pay-out day followed by creation of an auto-pledge (without any specific instruction from the client) with the reason" unpaid" in favour of a separate account "titled" client unpaid securities pledgee account", which would be opened by SPARK PWM.

After the creation of pledge, a communication email or SMS would be sent by SPARK PWM informing the client about their fund's obligation and SPARK PWM right to sell such securities within five trading days after the pay-out day, in case of failure by a client to fulfill their obligation.

**Intraday Position Square-off**

Risk Team will, at 35 minutes before market close:

1. Cancel ALL Intraday pending orders.

2. Block ANY further intraday orders.

All outstanding intraday positions shall be squared-off the same day by clients. Client also have an option to convert intraday positions into cash delivery or derivatives carry -forward positions, subject to availability of margins, **before the automatic square-off for intraday positions is initiated**.

Failing the above, SPARK PWM Risk Team will automatically square-off the same **between 20 minutes and 5 minutes before market close, every day**.

**Short-Term Risk Management Measures**

Based on the experienced market volatility / anticipated market volatility MD / HoE can impose additional short-term measures to tide over temporary heightened volatility.

Whenever these changes are made clients should be made aware of these changes, immediately.

Client needs to be provided 2 days' time to bring in additional collaterals and funds or to reduce margin-consuming positions.

This means that if the decision to make these changes is taken on Day 0 the same shall be implemented with full stringency from the end of the T+1 day.

The areas where these risk enhancement measures can be implemented are:

1. Blanket / graded increase in haircut on stock provided as collateral.

2. Blanket / graded increase in the amplification of margin applied on cash delivery trades.

3. Blanket / graded reduction in intraday multiplier.

MD / HoE can reinstate / expand / dilute these short-term measures for blocks of additional 10 trading sessions, as might be required.

As a part of our risk management system, SPARK PWM has inducted team who is monitoring the exposure of clients on real-time basis. During market fall, SPARK PWM observes the client positions as well as the available credit balance, securities lying with it etc. and accordingly SPARK PWM allows clients to transact or create a position. At the same time, SPARK PWM considers the client's trade history/experience with us, his financial capacity and/or credit worthiness and referrals. In case, there is a debit balance, SPARK PWM requests the client to provide sufficient margin / securities / funds to create fresh position.

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## Error Trades

| Types of Error | Authorisation | Diligence | Action | Cost to |
|---|---|---|---|---|
| **Errors due to Dealer Errors / System Errors** | | | | |
| Entering wrong client code while order placement | Compliance Head/ HoE / Risk Team | Listen to recorded line while order placed | Transfer to error code | SPARK PWM |
| Selecting wrong scrip while placing order | | | | |
| Placing the order for a wrong quantity | | | | |
| Placing buy order instead of sale and vice versa | | | | |
| System malfunction | | | | |
| **Client Errors** | | | | |
| Mentioning wrong client code while order placement | Compliance Head / Head of Equity / Risk Team | Listen to recorded line while order placed | Transfer to error code only on specific request by a client with commitment to bear costs. | Client |
| Mentioning wrong scrip while placing order | | | | |
| Mentioning wrong quantity while placing order | | | | |
| Placing a buy order instead of sale and vice versa | | | | |

- The Risk Team shall modify trades that are in error into the Error books at the exchange.
- Request for such transfers need to be done during market hours.
- Error position due to client errors are to be squared-off in the client's account and any gains / costs are to be to the account of the client.
- Any erroneous open positions as identified and transferred to SPARK PWM Error Account at the end of T day are required to be squared-off on the T+1 by 10 am.
- Risk Team shall log such errors in the exception log MIS.
- Error types and reasons are to be monitored periodically in the SRMC meetings by the Risk Team.
- Compliance team to be informed of reason in case of client code modifications on real-time/EoD basis.
- Daily error files should be sent to Compliance.

## Client Limits on Margin Exposure & Net Cash Delivery Buy

A client desirous of trading in derivatives segment needs to provide requisite minimum financial statements to SPARK PWM to draw comfort on before providing maximum acceptable Base Deposit limits.

## Exceptions Handling

**Restricted Securities and Derivative Contracts**

| Scenario | Approval Rules | Checks and Remedial Action |
|---|---|---|
| **Allowing Trading in ASM GSM and T2T Stocks and in Securities in Current Watch List of Exchanges.** <br><br> **Current Watch list –Tips/Recommendations were observed and liable for action as per Exchanges.** <br><br> **Illiquid stocks /T/BE/Z/ZP/ X/XT/M/MT /SM securities.** <br><br> **Outside DP and Non POA stocks.** <br><br> Allow subject to collection of 100% of trade value or exchange margins, whichever is higher, in case of Purchase. <br><br> Allow subject to 100% up-front stock Pay-in, in case of Sale. | Approvals to be provided by MD / HoE on a case-to-case basis when such requests come from RMs / Dealers. <br><br> Approvals valid only for the day and shall be both client and security specific. | **Risk Team to** close the trading window after execution of the transaction. |
| **Allowing Trading in far-Dated Derivatives Contracts beyond 3 months of expiry.** <br><br> Allow subject to collection of 100% of exchange margins, upfront and after detailed conversation with client. | This approval must be made in the rarest of rare situations. <br><br> Approvals to be provided by MD / HoE on a case-to-case basis when such requests come from RMs / Dealers. <br><br> Approvals valid only for the day, shall be both client and contract specific and come with Automatic Approval to allow Square-off. | **Risk Team to** close the trading window after execution of the transaction. <br><br> **Risk Team to** open trading window ONLY for Square-off of such positions. |

## Cash & Derivatives Segments –Stock Not in Place

| Scenario | Approval Rules | Checks and Remedial Action |
|---|---|---|
| **Exceptions for Cash Market Delivery Sale**: <br><br> Where client has stock held with an external DP account but needs to sell stock, without the requirement of posting margins with SPARK PWM and client commits to transferring in stock for Pay-in, by EOD / T+1 | **Basis of Approval**: <br><br> Copy of DIS showing transfer initiation. | Liaise with client on T+0 and T+1 to fulfil the Margin & Settlement obligations and intimate the repercussions if not fulfilled. <br><br> Track instances for such clients. No approvals are granted if the same occurs for more than 2 occasions in a quarter. <br><br> Client is made aware and agrees to pay auction penalty. |
| **Exceptions for Credit for Sale for a Switch Trade:** <br><br> SPARK PWM norm is to provide only 80% of the executed Delivery Sale Value as limit for making Delivery Purchase or as Margin for same day Delivery Cash Market Trade to take care of the brokerage and charges due. <br><br> No Credit for Sale for stocks whose EPI is not accepted by CC will be granted. | **Approval Limits as follows:** <br><br> MD / HoE <br><br> All Approvals to be valid only for the day | None. |

**MTML Handling – Auto-Square-OFF**

| Scenario | Approval Rules | Checks and Remedial Action |
|---|---|---|
| **Automatic Square-Offs.** <br><br> All positions will get automatically squared off once MTML reached 75% of Base Deposit available. Leeway to hold on to 85%. | **Approval Limits as follows:** <br><br> Upto 85% - <br><br> MD / HoE | To ensure that debit is cleared of created due to the MTM and get into a collection spree with the client. |

**Ageing Debits**

| Scenario | Approval Rules | Checks and Remedial Action |
|---|---|---|
| **Cash Pay-in Default / Delay.**<br><br>Allow pay-in extension beyond T+6 in Cash segment. | **Approval Limits as follows:**<br><br>All such Approvals ONLY by - Head of Equities. | Continuous monitoring of collaterals to use to recover debit.<br><br>Further new exposure will be blocked.<br><br>Follow-up with client to recover debit.<br><br>Do not allow any client to make it a habit to request for extending retaining of ageing debits. |

## Exceptions Tracking, Reporting, Audit & Reviewing

Risk Team will log all the above exceptions when approvals are received.

The exceptions will be logged on a Google Sheet.

The said Google Sheet will be shared to report exceptions, on a real-time basis, with SRMC members.

For Audits of exception handling, call logs, e-mails and system logs will be available, at any point.

SRMC should look to reviewing exceptions history every quarter with an intention to explore if there is a need to modify the risk policy to help improve on both business efficiency and risk management.

Disclosure: To protect its interest, SPARK PWM reserves its right to alter / amend this policy in its absolute discretion from time to time considering the prevalent market conditions or as per the regulatory requirements without any intimation to clients.

## Debt Securities

**1. Governing Regulations and the Settlement Process.**

Spark Group is an active player in the Secondary Debt Market (OTC). It collects information and quotes of debt securities available in the market, from various other participants and re-distributes those securities to its clients. The process around issue and transfer of Debt securities is governed by the Securities and Exchange Board of India through the circular SEBI/HO/DDHS/P/CIR/2021/613 dated 10th Aug 2021 and updated on 13th April 2022.

*Chapter XVI (1.1) - All OTC trades in non-convertible securities shall be reported only on any one of the reporting platforms provided in the debt segment of stock exchanges viz. NSE, BSE and MSEI within fifteen minutes of the trade.*

*Chapter XVI (1.5) - All trades in non-convertible securities shall necessarily be cleared and settled either through NSCCL or ICCL or MCCIL.*

This regulation essentially translates into 3 pointers:

1. All secondary trades in Corporate Bonds will need to be reported on the debt segment of any one of the stock exchanges (*Chapter XVI (1.1)*)

2. All secondary trades in Corporate Bonds need to be settled on any one of the mentioned clearing members (*Chapter XVI (1.5)*)

3. No other process apart from the one mentioned shall be permissible for any kind of secondary trades in debt securities (except CPs and CDs).

Spark Group has registered with the **Indian Clearing Corporation Ltd. (ICCL)** and reports all transactions one the **New Debt Segment – Reporting, Settlement and Trading (NDS-RST)** system of the Debt Segment of BSE.

## 3. Risk Mitigation

Debt transactions, involve multiple participants viz. Entity of Spark Group, Client, and **Arranger**, are exposed to certain risks:

1. **Client Default Risk** – This arises when the client, even after providing a confirmation via a hard bid, fails to honor the commitment to execute his/her part of the transaction. There is a possibility that the transaction value is high, and it is funded by Treasury. So, this also adds up with the size risk i.e., the size is too big for complete liquidation immediately. Hence, SPARK as an organization has decided to charge a brokerage spread which will provide a margin of safety in case of loss occurred in liquidation and/or cover the cost of money that is deployed. Spark will mitigate the risk by doing the following:

   a. Spark will purchase the securities on its books and will need to liquidate them to avoid a negative carry – **Liquidity Risk**

   b. A chart depicting the average annualized brokerage charged on the paper and the buffer days it provides (assuming 11.5% cost of funding) is provided below:

| Tenor | AAA | AA+ | AA | AA- | A+ | A | A- | BBB+ | BBB |
|--------|------|-------|-------|-------|-------|-------|-------|--------|---------|
| 1 Year | 5-10 | 10-15 | 15-25 | 25-35 | 35-55 | 55-75 | 75-95 | 95-125 | 125-155 |
| 2 Year | 3-5 | 5-10 | 10-20 | 20-30 | 30-45 | 45-60 | 60-90 | 90-110 | 110-145 |
| 3 Year | 3-5 | 5-10 | 10-15 | 15-25 | 25-35 | 35-50 | 50-75 | 75-110 | 110-145 |
| 4 Year | 3-5 | 5-10 | 10-15 | 15-25 | 25-35 | 35-50 | 50-75 | 75-110 | 110-145 |
| 5 Year | 3-5 | 5-10 | 10-15 | 15-25 | 25-35 | 35-50 | 50-75 | 75-110 | 110-145 |

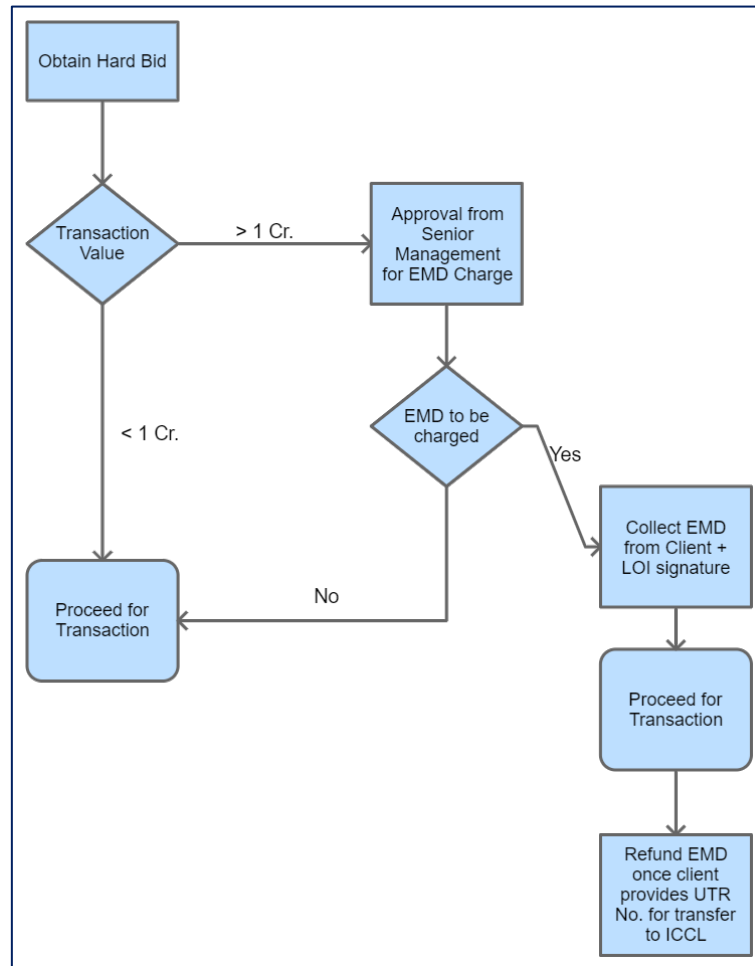*Average annualized brokerage (in bps)*

## 4.1 Mitigation Policy

Considering the risks involved in successful completion of the transaction, SPARK as a Group has formulated a risk process that enables Spark to mitigate, partially if not fully, the above mentioned risks.

1. Bifurcation of clients based on their creditworthiness. E.g., Creditworthy clients such a Corporate Treasuries, Very Large Family Offices, Institutions, and not very creditworthy clients such as Individuals and Retail.

2. Charging an EMD (**Earnest Money Deposit**) amount for the client – 2% of the transaction value – before the transaction and refunding the amount to the client once evidence of the completion is obtained.

To satisfy both criteria, The process to follow is as follows:

**Steps involved →**

1. Once a hard bid is obtained, if the **transaction value** is lesser than 1 Cr, the transaction may be processed without any additional approvals

2. However, if the transaction value is greater than 1 Cr, RM/Sales will need to seek an approval from the Senior Management (Rajesh/Venkatesh) to proceed with the transaction or charge EMD.



3. On the senior management's discretion (depending on the creditworthiness of the client), an approval is obtained.

4. If an EMD is required to be charged, the client will need to pay 2% of the transaction value as EMD to Spark along with a signed **Letter of Intent** for Spark to accept the bid

5. The EMD will be refunded to the client once he/she furnishes proof of transfer of full consideration amount to ICCL. If the transaction is canceled from Client's side, the EMD will not be refunded.

6. The Senior Management may choose to proceed with the transaction without charging an EMD, in which the transaction may be processed.

**4.2 Credit Risk Policy**

A lower-rated paper, although provides a higher accrual, may become illiquid or difficult to liquidate if it remains on SPARK PWM books. We thereby keep a strict policy on the papers SPARK PWM would offer to trade in.

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## 5. Additional Risk disclosures.

SPARK Group believes that an organization's risk is managed when it follows the practice of serving the clients products that are aligning to client's risk profile.  And therefore, SPARK Group always explain the risks involved to the Investor on a selection of any security. We ensure that the investor can take the risk posed by any such securities. If required, we also make available the offer document to the investor.

SPARK Group provide the investor with guidance on exit loads/ exit options/ liquidity support, if any, etc., being provided by the issuer or through the secondary market.

**Passing of Penalty to the clients:**

It is essential for a client to note that the penalty levied to Spark PWM shall be passed on to the client in the below cases:

I    Cheque issued by client to member is dishonoured.

II    Increase in margins on account of change in hedge position by client/ expiry of some leg(s) of the hedge positions of the clients.

For a better understanding, we have listed the different scenarios of change in hedge positions as follow:

| Scenario 1 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Hedge Position | | | | | | | |
| Exchange | Contract | Strike | Qty | Margin | Total Margin Charged | | |
| NIFTY24NOV | Options | 23700 CE | -25 | 70,577 | | | |
| NIFTY24DEC | Options | 24200 PE | -25 | 50,664 | | | |
| Total | | | | | 99,794 | | |
| After Hedge break | | | | | | | |
| Exchange | Contract | Strike | Qty | Margin | Total Margin Charged | | |
| NIFTY24NOV | Options | 23700 CE | -25 | 70,577 | | | |
| NIFTY24DEC | Options | 24200 PE | -25 | 50,664 | | | |
| Total | | | | | 1,45,584 | | |
| | | | | | Difference | 45,790 | Penalty will be pass on to client |

| Scenario 2 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Expiry Position | | | | | | | |
| Exchange | Contract | Strike | Qty | Margin | Total Margin Charged | | |
| NIFTY24NOV | Options | 23700 CE | -25 | 70,577 | | | |
| NIFTY24DEC | Options | 24200 PE | -25 | 50,664 | | | |
| Total | | | | | 99,794 | | |
| After Hedge break | | | | | | | |
| Exchange | Contract | Strike | Qty | Margin | Total Margin Charged | | |
| NIFTY24NOV | Options | 23700 CE | -25 | 70,577 | | Expired contract | Position left open |
| NIFTY24DEC | Options | 24200 PE | -25 | 50,664 | | | |
| Total | | | | | 1,45,584 | | |
| | | | | | Difference | 45,790 | Penalty will be pass on to client |

## ACCOUNT FREEZING FACILITY – (Applicable to only online access)

Stock broking industry in India has moved from a call and trade type of scenario to online mode, wherein the investors use the login ids and passwords provided to them by the Trading Members. At times, suspicious activities are noticed by investors in their trading account, but the facility of freezing/blocking of accounts was not available with of Trading Members. Many a times, investors raise issues of suspicious activities in their trading accounts and thus, there is an urgent need to address the situation of having a facility for blocking of trading accounts.

With the above background, SEBI issued guidelines on January 12, 2024, through its circular SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 issued guidelines for a Trading Member that covers a detailed policy on voluntary freezing / blocking the online access of the trading account of the client. Stock Exchanges have further issued operational guidelines on this topic through their circulars / notices (NSE - NSE/INSP/61529 and BSE - 20240408-12) Spark PWM Private Limited (Spark PWM), which is member with National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) has framed this policy to enable its clients to request for an online freezing of their Trading Account (Offline access remains open. Hence, trades can be placed through Spark PWM's branches).

This policy shall be communicated to the clients in the Welcome Kit sent through email or physically.  Further, with respect to the existing clients, the aforesaid policy shall be communicated via email or any other suitable mechanism. This policy and process below covers modes through which a client can request/communicate to the Spark PWM  for voluntarily blocking the trading accounts; issuing of acknowledgement to the clients by Spark PWM on receipt of intimation from client; time period within which the request shall be processed and the trading account shall be frozen/blocked; Action to be taken by Spark PWM pursuant to the receipt of request for freezing/blocking of the trading account; Process for re-enabling the client for trading/transfers.

## ACCOUNT FREEZING FACILITY – (Process)

- Spark provides the facility of voluntary freezing/blocking the online access of the trading account to their clients. The clients can submit the freeze / blocking request by either of the one mode below:

  a. Sending an email request to stoptrade@sparkcapital.in from their registered email address.  Call from the registered mobile number on 022 6291 6754.

  On receipt of the client request, validation will be done by the Spark PWM team (2 Factor Authentication – PAN no. and registered mobile no / email). Once validation is successful, an acknowledgement will be sent to the client's registered email address and Mobile no. after freezing the account stating that the online access to the trading account has been frozen/blocked and all the pending orders in the client's trading account, if any, have been cancelled. Also along, the process of re-enablement for getting online access back to the trading account will be communicated.

  o All the pending orders will be cancelled, and online access will be blocked within 15 mins.

  o Freezing/blocking is only for the online access to the client's trading account, and there shall be no restrictions on the Risk Management activities of the Trading Member.

- o To eliminate the risk, Details of open positions (if any) will also be communicated to the client along with contract expiry information within one hour from the freezing/blocking of the trading account.

- Below is the timeline along with the scenario:

| Scenario | Timelines for issuing acknowledgement as well as freezing / blocking of the online access of the trading account. |
| --- | --- |
| Request received during the trading hours[1] and within 15 minutes before the start of trading. | Within 15 minutes[2] |
| Request received after the trading hours and 15 minutes before the start of trading. | Before the start of next trading session |

1. Trading hours shall be as follows: Capital Market Segment: 9.15 a.m. to 3.30 p.m., Equity Derivatives Segment: 9.15 a.m. to 3.30 p.m., Currency Derivatives Segment: 09.00 a.m. to 05.00 p.m., Commodity Derivatives Segment: 09.00 a.m. to 11:30 p.m.

2. To begin with, the time limit of 15 minutes is being specified for the purpose of issuing acknowledgement as well as freezing/blocking of the online access of the trading account. This time limit shall be contracted after a review in next six months after the date of its applicability to enhance protection of investors from suspicious activities.

- For Re-enablement of your trading account submit your request from your registered email address on stoptrade@sparkcapital.in.