

CHUKNOO SECURITIES LIMITED

RISK MANAGEMENT POLICY

Margins & Risk Management System

SEBI and Stock Exchanges has from time to time put in place various risk containment measures to—address the risks involved in the cash and derivatives market. These measures have successfully and efficaciously addressed the market risks. But as the market is always in a dynamic state, the risk management system cannot remain static and has to constantly address the changing risk profile of the market. Besides, there are certain differences between the risk management system in the cash and derivatives markets

Risk Management System

The core of the risk management system is the liquid assets deposited by members with the exchange/clearing corporation. These liquid assets shall cover the following four requirements:

- a) **MTM (Mark to Market) Losses:** Mark to market losses on outstanding settlement obligations of the member
- b) **VaR Margins:** Value at risk margins to cover potential losses for 99% of the days.
- c) **Extreme Loss Margins:** Margins to cover the expected loss in situations that lie outside the coverage of the VaR margins.
- d) **Base Minimum Capital:** Capital required for all risks other than market risk (for example, operational risk and client claims).

At all points of time, the liquid assets of the member shall be adequate to cover all the above four requirements. There are no other margins in the risk management system.

Liquid Assets

Liquid assets are accepted with applicable haircuts.

Collection of MTM Margin

Mark to Market Losses collection:

- a) Constituent has to pay the mark to market before the start of the trading of the next day.
- b) The MTM margin shall also be collected/adjusted from/against the cash/cash equivalent component of the liquid net worth deposited with the Broker.
- c) The MTM margin shall be collected on the gross open position of the constituent. (The gross open position for this purpose would mean the gross of all net positions across all the clients of a member.)