

Policy Title	Margin Trade Funding Credit and Risk Management Policy		
Policy Number	IN-PO-1101		
Effective Date	10 November 2025	Last Update Date	04 November 2025
Businesses and Entities to which this policy is applicable: All employees of Elite Wealth Limited			
Departments responsible for policy: Risk, Business			

1. Purpose

The purpose of this policy is to provide the Credit and Risk Management controls that need to be followed while offering the Margin Trade Funding (MTF) product to clients.

2. Scope

This policy applies to all employees involved in offering the MTF product to clients. This involves Sales, Service, Risk, Operations and Compliance team members.

3. Definitions

- “Margin Trade Funding” - Margin trade funding (MTF), also known as margin trading, is a stock market feature that allows investors to borrow money from a brokerage firm to buy securities. The securities purchased act as collateral for the loan, and investors must pay interest on the borrowed money. Margin trading allows investors to increase their buying power and take positions that are larger than they could with their own funds. MTF is guided by SEBI and Exchange circulars (<https://www.nseindia.com/trade/members-faqs-margin-trading-facility>)

4. Policy Statement

The MTF product being offered to clients should adhere to this policy. The policy lists the Credit guidelines, Risk Management and Risk Monitoring requirements to offer the product. Any changes in regulations should be reflected in this policy.

4.1. Product Governance

The ongoing governance of the Product is the responsibility of the following people:

Role	Responsibility
CEO	Share business requirements, funding requirements and benchmarks for the required product/platform. Ensure execution of defined MTF processes at the RM level including trade execution to margin collection. Define/Approve interest rates/pricing, waive-offs & exceptions.

Product Team	Create comprehensive product outlines that align with business requirements, regulatory guidelines, trading practices, back office operations, and additional software features. Establish clear end-to-end processes for product activation, promotions, client onboarding and profile modifications, client communications, trade execution, settlement, risk policy management, tariff structures, and business management information systems (MIS). Regularly review and assess the complete range of product offerings, evaluate return on investments (ROIs), and enhance the overall client experience.
Risk Head	Day-to-day Risk monitoring Ensuring Risk parameters are set up properly Margin call monitoring. Recommending change to Risk parameters Recommending action against specific clients based on their positions
COO/CEO	Overall monitoring of the Product execution, fund utilization & ROIs. Ensuring availability of required funds. Commercial approvals for software, product, promotion and hirings. Review Risk parameters and approving changes Reviewing Margin call situations and clients that may be at risk of default
Equity Ops Head	Day-to-day execution and settlement of the transactions, report 90 days of inactivity & 180 days of maximum funding to business and Risk teams. Ensuring daily interest calculations & monthly postings. Process MTF closures against funds on client requests. Reporting to Clients, Risk and CEO
Equity Compliance	Ensuring that the product is in compliance with regulatory guidelines and ensuring that any changes to relevant regulations are immediately brought to the notice of the Product Governance team.
Treasury	Making funds available to the business for funding Managing excess liquidity

4.2. Collateral

Clients can pay upfront margin in form of cash or exchange approved stocks including Equites, ETF, Liquid bees, G-sec and further classified as Elite approved stocks. Stocks given as collateral need to be in pledged form and further repledged with exchange by Elite. Stock collateral benefit is given only after acceptance of Repledge stock by the exchange. Elite may apply its own haircut and additional margin over and above regulators applied haircut. Detailed explanation on Elite haircuts is given under scrip categorization menu.

If MTF Collateral stock is getting moved out of group 1 stock, then the client needs to replace the collateral stocks immediately.

For MTF Exchange reporting Exchange VAR is considered

Cash collaterals given by clients against MTF are used for the payin purpose.

4.2.1. Margin Requirement for MTF funded stock

SEBI prescribed Margin for MTF funded scrips – (Exchange VAR + (Exchange ELM * 5))

Minimum Margin requirement on MTF funded stock by SEBI in MTF is given below:

Funded Stock	Exchange VAR	Exchange ELM	ELM Multiplier	Margin As per SEBI
	a	b	c	d = (a + (b * c))
RELIANCE	9%	3.5%	5	26.5%

Elite applies its own haircut and additional margin over and above SEBI applied haircut based on fixed criteria and standard parameters. Detailed explanation on Elite haircuts is given under scrip categorization menu.

4.2.2. Scrip Categorization

Scrips are classified into 6 categories, i.e., E, A, B, C, D and Z based on the criteria below.

- Exchange Approved List
- Market capitalization
- 3 months' daily average trade volume
- Exchange VAR C ELM Margin
- Promoter Pledge
- Others like research reports or market intelligence

The Risk team reviews scrip categorization on a quarterly basis or as and when there is a requirement for review. The Risk team reviews scrip based on the above criteria and standard parameters.

Stocks can be downgraded anytime from the respective category / haircut in case of stock moved to T2T category, margin increased by the exchange, high volatility, adverse news, research recommendation etc.

Standard Parameters of Scrip classification are as below. Exceptions on scrip categorization / haircut / funding beyond standard parameters and policy can be given on joint approval of CEO, COO and Risk head.

Scrip Catg	Applicable for collateral	Haircut	Applicable haircut for MTF	Minimum Market Cap (in Crore)	Min 3 Months daily Avg. Volume (In Crore)
E	15% or Exchange VAR + ELM whichever is higher		Max (15, (var + (elm * multiplier)))	Nifty 50 stocks	Nifty 50 stocks
A	20% or Exchange VAR + ELM whichever is higher		Max (20, (var + (elm * multiplier)))	25,000	25

B	30% or Exchange VAR + ELM whichever is higher	Max (30, (var + (elm * multiplier))	5,000	10
C	not allowed for MTF Funding	not allowed for MTF Funding	2,000	5
D	not allowed for MTF Funding	not allowed for MTF Funding	1,000	2

Haircut for Liquid bees, ETF, SGB, G-sec, Mutual funds – Applicable haircut for these securities is higher of 10%, VAR Margin.

Promoter pledge – If any security has promoter pledged stocks more than 25% then scrip is considered risky and moved to 1 category down. If any scrip is having promoter pledge more than 50% is excluded from the Elite approved list. However, scrip having more than 50% promoter pledge and falling under E and A category criteria then Elite RMS can consider the scrip as approved stock with higher haircut.

Downgrade – During review if any of the standard parameters does not get fulfilled then Elite would downgrade the scrip.

4.3. Margin Calculation

Client Available Margin is common (and fungible) for MTF, Cash and Derivatives segment

Available Margin

= Trading Ledger Balance

(+) Post haircut value of Pledged Stocks

(-) Margin requirement for open positions in MTF, Cash and

Derivatives (-) Unrealized loss for open positions in MTF, Cash

and Derivatives (-) today's Realized Loss against partial/fully

closed positions in MTF, cash & derivatives (-)

Brokerage/charges against trades

* No credit is given for unrealized (mark-to-market) MTF profit,

* Credit for the day is not given against sold equity stocks/MTF Positions & booked profit.

Stock purchased using Margin Funding is treated as Funded Stock. This is separate from Stock provided as collateral. Different haircuts apply for these two types of stock as described in Scrip Categorization

4.4. Client Limits

Default funding limits up to Rs. 25 Lakhs is provided for all clients. Additional limits require further approval, subject to credit review, business commitment & overall funding allocated to branch/region/business vertical.

Up to Rs. 2 crore	As per Authority Matrix
Up to Rs. 10 crore	Approval from CEO and COO
	Client funding not to exceed 10% of Elite overall exposure limit

4.5. Trade Execution

The Trade execution process works as follows:

Pre-Trade

- i. At time of Order entry, order is marked as MTF by the Client or Dealer based on Client confirmation.
- ii. **Required Margin** = Order Value * Margin%^(a).
- iii. If Required Margin < Available Margin ☐ Order Rejected
- iv. If Client level limit exhausted ☐ Order Rejected
- v. If Firm level limit exhausted ☐ Order Rejected
- vi. Available Margin is reduced by the extent of Requirement Margin

Post-Trade

- i. On trade day Op's team uploads the stock purchased under MTF product on exchange portal for auto pledge under MTF. MTF trades may be moved to normal trading if client wise, scrip wise or any other limits are found breached during back office processing. In case of delivery selling and MTF buying in same stock is identified, the same is considered as square off transaction and both trades are shifted to normal trading. The final confirmation of MTF funding is as per issued contract notes only, trades captured in MTF product on trading platforms are considered as request for funding.
- ii. MTF funded positions are closed in the event of clients selling the MTF funded stocks.
- iii. Clients can also send email to Elite before 2 pm to close the MTF funded positions if sufficient cash is available in the client's trading ledger.
- iv. If MTF funded stock is moved out of group 1 stock then Elite closes the funded position and shifts the position from MTF to normal trading. Once positions are shifted to trading then the client needs to pay the funds.
- v. Booked losses on MTF funded stocks are transferred to a trading account and collected within 6 days period.
- vi. Funding is not allowed to clients beyond 180 days from the date of funding.
- vii. If client is inactive for more than 90 days then positions will be liquidated.

4.6. Margin Maintenance and Margin Call

Ensuring that sufficient margin is available in a client's account is the responsibility of the Client & RM. The Risk team can only assist with information and alerts.

The Risk team is not responsible for following up with the client A Margin call may be made in one of more of the following situations:

- MTM loss on funded positions and Available Margin < 0
- Funded stock moves to lower Category and Available Margin < 0
- Funded stock is removed from Acceptable Collateral list and Available Margin < 0
- Funded stock position closed by client at Loss and Available Margin < 0

4.6.1. Margin Call Process

Margin Shortage % is calculated as follows = Negative Available Margin / MTF Required Margin

Margin Shortage %	Action
< 10%	Additional margin required by T+ 2, 3 pm
> 10%	Additional margin required by T+1, 11 am
In case of extreme volatility	Risk team can square off positions

However, during volatile market conditions and there being a situation where there is a significant movement in the market, Elite reserves the right to liquidate the holdings much in advance

RMS Team to ensure that all margin shortfall cases are recovered on or before T+4. In case of any shortfall not recovered within T+4 then RMS team to inform the COO and CEO immediately.

Automated margin shortage alerts will be sent to clients/RMs on email, SMS & Mobile app notifications on set frequency or as and when required. However, It is the client's & RM's responsibility to check margin report on trading platform regularly to monitor the margin conditions. The Risk team may inform about margin shortages to RMs and Clients on a best-effort basis. In case there are open positions in derivatives, the available margin is allocated to derivatives first and remaining margin is considered for MTF positions.

4.7. Risk Monitoring

The Risk team will monitor adherence to the following parameters:

Monitoring criteria	Threshold	Action if threshold crossed
Firm level exposure of Collateral + Funding for any given stock	Should not be more 1% of the Free Float market cap	Remove stock from scrip basket to prevent new positions
Firm level exposure of Collateral + Funding for any given stock	Should not be more than 10% of total collateral + funded stocks	Remove stock from scrip basket to prevent new positions
Firm level exposure of Collateral + Funding for any given Sector	Should not be more than 20% of total collateral + funded stocks	Remove stock from scrip basket to prevent new positions
Client level exposure of Collateral + Funding for any given Stock	Should not be more 0/50 % of the Free Float market cap	Ask client to diversify portfolio
Client level funding of Single stock	a. No restriction for total funding up to Rs. 1 crore b. Funding above Rs. 1 crore, max funding in 1 stock not more than 33%	Ask client to diversify portfolio
Maximum duration for funded position	180 days	Ask client to close position

Additionally, the Risk team will have the following responsibilities

- Monitors the margin maintenance of all clients
- Monitors the live MTM loss of all clients
- Communicates the shortfall to clients and business team
- Risk team may take immediate action of liquidating open positions if stock is falling rapidly without any prior alert/call to client/RM.
- Risk team may liquidate collateral to recover any losses or interest due from the client

4.8. Interest Calculation and Charging

Interest is charged on the client's MTF ledger balance. Client wise Interest rate is set as per business team confirmation. Interest is calculated/accrued daily and debited monthly; funding is considered on T+1 basis. Credit in normal trading ledger is not netted off against the MTF ledger balance for the purpose of interest calculation.

In case of failure in payment of interest within the 6th days of the interest charged, Risk Management team can liquidate client stocks for the recovery of interest.

5. RACI Matrix

Task	Responsible	Accountable	Consulted	Informed
Fund Raising	Treasury	CEO	-	-
Credit Appraisal for new Clients	Risk Team	Risk Team	COO and CEO	-
Funds Utilization Monitoring	Risk Team	Risk Team	CEO & COO	CEO
Scrip Categorization	Risk Team	Risk Team	CEO	COO
Margin and M2M Monitoring	Risk Team	Risk Team	COO	CEO
Margin Collection / Portfolio changes	Business Team	CEO	-	COO
Liquidation in case of shortfall	Risk Team	Risk Team	CEO	COO
Scrip level and client level funding monitoring	Risk Team	Risk Team	CEO	COO
MTF Reporting to Exchange	Operations	Operations	-	COO

Responsible = Those who are responsible for the correct completion of the task

Accountable = The one ultimately answerable for the correct and thorough completion of the deliverable or task, the one who ensures the prerequisites of the task are met and who delegates the work to those responsible. In other words, an accountable must sign off (approve) work that responsible provides.

Consulted = Those whose opinions are sought, typically subject-matter experts, and with whom there is two-way communication

Informed = Those who are kept up-to-date on progress, often only on completion of the task or deliverable, and with whom there is just one-way communication

6. Compliance

The following regulations and circulars are pertinent to the policy:

- SEBI Broking regulations
- Circulars, Informal Guidance and Orders issued by SEBI from time to time

7. Procedures

None

8. Training and Awareness

None

G. Review and Revision

This policy will be reviewed every two years by Risk, or if there are any regulatory changes/ business requirements. Any changes to the policy will be documented and communicated to all relevant parties.

10. Related Documents

None

Document History

Version	Change Date	Changes made	Change by
0.1	01. Nov. 25	Created	Risk