

YSL-RISK-011

Risk Management Policy

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Owner: Risk, YES Securities (India) Limited

Document Control

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13	Ketan Vaidya	Internal Risk Committee/Risk Management Committee	Board of Directors, YSIL	Certain amendments were made	21st Jan 2025

14	Ketan Vaidya	RMC	Board of Directors, YSIL	Certain urgent amendments were to be made directly at Board Meeting.	18th March 2025
15	Ketan Vaidya	Audit Committee	Board of Directors, YSIL	Amendment of IT risk management process based on CSCRf. Added point number 12: - IT risk management process	16th April 2025
16	Ketan Vaidya	RMC	Board of Directors, YSIL	Amendment in the Policy to voluntarily freeze/block unfreeze/unblock the online access. Liquidation of Securities Approval matrix for exceptional cases wherein MTF ageing period might be allowed beyond 400 days.	15th July 2025
17	Ketan Vaidya	RMC	Board of Directors, YSIL	Margin Trade funding facility shall be at any time at the discretion of the client or stockbroker but shall not exceed 700 days.	29th September, 2025
18	Viswanath Srinivas Pendyala, COO	RMC	Board of Directors, YSIL	Annual Review Incorporated Reputation Risk Stress Testing.	15th July 2026

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Risk Management Policy

1. Objective, Approach, and Application

- Objective: To ensure effective and timely risk management ensuring strict adherence to risk policies and accordingly providing measures to control the credit and market risk faced by YES Securities (India) Limited (YSIL) for its equity, derivatives, currency, and commodity products.
- Approach: The Risk Management policy has been defined following a conservative approach to ensure the credit and market risk faced by YSIL is managed effectively. There shall be systems in place to ensure the least possible manual intervention as far as core risk functions are concerned.
- Application: Risk Management will be at the broker, client, and script level. Clients and scripts will be categorized into various baskets and risk will be managed accordingly.

Identifying the scrips in which position or funding will be allowed scripts will be categorized into baskets based on YSIL internal criteria.

2. Internal Risk Committee

In addition to Risk Management Committee of the Board, the Company also has Internal Risk Committee comprising relevant Business Unit heads as Members. The Committee meet at least once every quarter and report details of its discussion to Risk Management Committee of the Board.

The quorum required to conduct the Risk Committee meeting shall comprise minimum of MD & Chief Executive Officer, Deputy Chief Operating Officer and two of the remaining members. Approval by the quorum would be deemed as approval by the Risk Committee.

3. Risk Framework

The Internal Risk Committee consists of Senior Management of YSIL shall be responsible for all matters relating to the implementation of the best practices and efficient monitoring of Risk Management.

The Internal Risk Committee discussion and minutes shall be presented before Risk Management Committee of the Board.

On a day-to-day basis, the Senior Management and Risk Unit shall be responsible for putting in place processes and procedures for managing Risks.

Review

The Policy shall be reviewed on an annual basis or as and when the need arises. Any changes to the Policy shall be approved by the Board of Directors of YSIL.

Roles and Responsibilities

Board of Directors

The Board of Directors of the company shall have the overall responsibility for risk management, including Operational Risk management. The Board shall approve the Risk Management Framework, Risk Appetite, and adoption of applicable Policies from time to time.

Risk Management committee

- To review and monitor the adequacy of the internal control environment and Risk Management System, adequacy of checks and balances including Management Information Systems

Terms of reference of Risk Management Committee

The Committee shall function as per its terms of reference decided by the Board from time to time.

Role of Respective Unit Heads/Members:

- Assist in the implementation/review of the Operational Risk framework
- Accountable for the management of Risk in the Unit.
- Approve the identified risks, controls and control assessment, KRIs, Risk and loss Events, and Operational Risk profile and implement the action plan for the mitigation of risk wherever required.

4. Important terms & Abbreviations:

1. SPAN (Standard Portfolio Analysis of Risk) –It is a risk measure developed by the Chicago Mercantile Exchange (CME) and used by the NSE to derive margins to be charged for any position to be taken in the Derivatives segment. The SPAN value tells us the margin requirement sufficient to cover one day's loss at a 99% confidence level. The objective of SPAN is to identify overall risk in a portfolio of futures and options contracts for each member. This margin is collected on an upfront basis from the client.

2. Exchange VaR (Value at Risk) – VaR is a technique used to estimate the probability of loss of value of an asset or group of assets (for example a share or a portfolio of a few shares), based on the statistical analysis of historical price trends and volatilities. This margin is collected on an upfront basis from the client.

3. INTRADAY – This is a product feature provided by our Front-end trading system provider to place orders specifically for intra-day trading.

4. YSIL VaR Margin– This shall be the minimum margin that YSIL will be charging to trade in a particular stock. This margin will be derived based on various factors such as Exchange VaR, Market capitalization of the stock, historical volumes, etc.

5. YSIL – YES Securities (India) Limited

6. YBL – YES Bank Limited

7. RMS – Risk Management System

8. MTF – Margin Trading Facility

9. ORE LDP – Operational Risk Event and Loss Data Policy

5. Margin Trading Facility Risk Management

Margin Trading Facility (MTF) is trading with borrowed funds/securities. It is essentially a leveraging metathetic that enables investors to take exposure in the market over and above what is possible with their resources. SEBI has been prescribing

eligibility conditions and procedural details for allowing the Margin Trading Facility from time to time.

SEBI vide circular SEBI/MRD/SE/SU/Cir-15/04 dated March 19, 2004, had prescribed a framework for permitting stockbrokers to provide margin trading facilities to their clients. The said framework was revised vide circular SEBI/MRD/SE/SU/Cir-16/04 dated March 31, 2004, and circular MRD/DoP/SE/Cir- 08/2005 dated March 04, 2005.

SEBI received representations from market participants requesting a review of the margin trading framework to enable greater participation. The suggestions received from market participants were examined and deliberated in the Secondary Market Advisory Committee ("SMAC") of SEBI. Based on the deliberations, SEBI has revised the framework for Margin Trading Facility vide circular CIR/MRD/DP/54/2017 dated June 13, 2017,

Eligibility Requirements for Stockbrokers to Provide Margin Trading Facility to Clients

- Only corporate stockbrokers with a net worth of at least Rs.3.00 crore shall be eligible to offer margin trading facilities to their clients.
- The “net worth” for the margin trading facility shall be as specified in SEBI (Stockbrokers and Sub-Brokers) Regulations, 1992.
- The stockbrokers shall submit to the stock exchange a half-yearly certificate, as on 31st March and 30th September of each year, from an auditor confirming the net worth. Such a certificate shall be submitted not later than 30th April and 31st October of every year.

Source of Funds

- To provide the margin trading facility, a stockbroker may use its funds or borrow funds from scheduled commercial banks and/or NBFCs regulated by RBI. A stockbroker shall not be permitted to borrow funds from any other source.
- The stockbroker shall not use the funds of any client for providing the margin trading facility to another client, even if the same is authorized by the first client.

Leverage and Exposure Limits

- At any point in time, the total indebtedness of a stockbroker for margin trading shall not exceed 5 times its net worth

- The maximum allowable exposure of the broker towards the margin trading facility shall be within the borrowed funds and 50% of its “net worth”.
- Further, the management shall also specify an internal prudential limit within the overall limit (as stated above) after taking into consideration the owned & borrowed funds available with the Company. The limit can be increased or decreased as per the requirement. This limit shall be notified by the Chief Financial Officer from time to time. Exposure to MTF shall always be within this self-imposed prudential limit.
- While providing the margin trading facility, the broker shall ensure that:
 - a. Exposure to any single client at any point in time shall not exceed 10% of the broker’s maximum allowable exposure,
 - b. Exposure towards stocks purchased under margin trading facility and collateral kept in the form of stocks are well diversified. Stockbrokers shall have appropriate Board approved policy in this regard.

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Securities Eligible for Margin Trading

Equity Shares that are classified as 'Group I security' as per SEBI Master Circular No. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016, shall be eligible for a margin trading facility, however YSIL as per its internal policy shall create a list of applicable MTF scrips, which will be a subset of scrips defined under Group I security,

Exchange Margin Requirement

Initial Margin Requirement for availing MTF Facility	
Group 1 Stocks	VAR + 5 times of applicable ELM

1. For the aforesaid purpose, the applicable VaR and ELM shall be as in the cash segment for a particular stock. However, YSIL at its discretion, may decide to add additional margin over and above the exchange-mandated margin requirement for all or any client(s).

2. The initial margin payable by the client to the Stockbroker shall be in the form of cash, cash equivalent, or Group I equity shares, with appropriate haircut.

Liquidation of Securities by the Stockbroker in Case of Default by the Client

As per regulatory requirement, YSIL has listed out situations/conditions in which the securities may be liquidated, and such situations/conditions shall be included in the "Rights and Obligations Document". YSIL shall liquidate the securities if the client fails to meet the margin call to comply with the conditions as mentioned in this circular or specified in the "Rights and Obligations Document" specified by the exchange. The Closure date/due date for the repayment of the Margin Trade funding facility shall be at any time at the discretion of the client or stockbroker but shall not exceed 700 days

Client Exposures

- The client will be allowed to take exposures in MTF based on his available free margins in stocks as prescribed under MTF from time to time.
- Clients will not be allowed to take exposures beyond the stipulated conditions as laid down by SEBI from time to time. If any exposure is taken by the client against a security that was erstwhile in the Collateral list of the Exchange and was subsequently removed, a sufficient timeline will be provided to the client to replenish his margins or square off his positions failing which the same shall be done by RMS after due intimation to the client.

Overall Scrip-wise Exposure

3. For Nifty 100 stocks

- Single stock exposure should not be more than 1.75% of the free float market cap.

4. For any other stock (from the approved basket)

- Single stock exposure should not be more than 1.75% of the free float market cap, Or >10% of YES Sec NW, whichever is lower.
5. After taking into consideration, the market outlook & liquidity in the market the exposure limit can be increased or decreased. This limit shall be notified by the Risk Head in consultation with the Deputy Chief Operating Officer from time to time. The final decision rests with the Risk Head and Deputy Chief Operating officer. Exposure will be monitored post-processing of trade. In case the exposure goes beyond the stipulated internal norms then further buying will be restricted in the particular scrip and

the haircut on collateral for the said scrip will also be increased to 100% as deemed fit by the Risk Head. Dealing team to accordingly act on the same.

6. Policy to Voluntarily Freeze /Block, Unfreeze/ Unblock the online access

This is in line with the SEBI Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024, and Exchange Circular No. NSE/INSP/60277 dated January 16, 2024, "Ease of Doing Investments by Investors - Facility of voluntary freezing/ blocking of Trading Accounts by Clients"

To address suspicious activities in client accounts the Company / YSIL is providing a voluntary freezing/blocking the online access to its client account based on their specific request.

Steps to Freeze Account

The Clients can send a voluntary freezing/blocking of the online access request of their account via –

- a. Sending an email from its registered email ID to stoptrade@ysil.in with the reason thereto
- b. Can call through registered mobile no to our Customer Desk on 022-68841888 on working days *between 9:00 am to 5:00 pm*

Kindly note:

ONLY Upon successful verification, the request will be taken on record and the client account will be freeze in 15 minutes with a confirmation mail on the client's registered email ID and mobile no. "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 canceled along with the process of re-enablement for getting the online access to the trading account."

Details of all open positions (if any) along with contract specifications will be communicated to the client within one hour of the freezing/blocking of the trading account.

Impact on Freezing Account

1. Fresh Online order placement, Investment Related Trades, SIP, and IPO applications will not be permitted while the account is in freeze mode
2. All open order(s) will be CANCELLED
3. Online Profile updation or any modifications will be disallowed

SIP Orders registered by the client:

E - SIP registered : Post processing the freeze request & account status marked as “Freeze”, all the registered SIPs with the future trigger dates will be “Paused”. In case of “Pause” functionality not available then the SIP will be “Cancelled”. On the successful processing of the unfreeze request, the SIP with the status as “Paused” will be “resumed” & with the status as “Cancelled” will be restarted.

MF – SIP registered on the Exchange (BSE Star MF): The MF SIP registered on BSE Star MF platform remain to continue as per the client per the SIP schedule, as the same are triggered by the Exchange & the funds are directly debited from the client’s mapped bank account .

Kindly Note:

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

Steps to Unfreeze Account

Re-enabling the client for online access to the trading account: -

The Client can send a Re-enabling online access request of their trading account via –

- a. Sending an email from its registered email ID to stoptrade@ysil.in to re-enabling their trading account
- b. Can call through registered mobile no to our Customer Desk on 022-68841888 on working days *between 9:00 am to 5:00 pm*

Kindly Note:

The Company / YSIL will re-enable the online access of the client trading account within one day from the date of request received after carrying out necessary due diligence including validating the client request and unfreezing / unblocking the online access of the trading account

7. Policy on Handling of Good Till Cancelled Orders of the Clients

SEBI vide Circular No. 40/2024, NSE/INSP/62528 dated June 21, 2024), has prescribed framework for Trading Members to provide policy for GTD (Good Till Date)/GTC (Good Till Cancel) and GTT (Good Till Trigger) or any similar kind of trades

Details of GTDt Order and Validity

- GTDt order facility allows users to buy or sell a share, index future & index options at a specified price till a pre-defined validity date.
- In this facility, the user gets to set the order validity date (with a maximum validity of 30 days or expiry of the contract whichever is earlier).
- This order will remain in effect until executed, expired, or cancelled till the validity date or contract expiry date whichever is earlier.
- Users can place orders at a specified price and quantity for stocks, index futures & index options.
- The price range of the GTDt order should be within the limit prescribed by the exchange on the given day.
- GTDt orders will be allowed for Limit condition, Market order will not be allowed.
- Once the order is placed successfully it will be displayed in the order book
- The user will be able to modify/cancel the GTDt order from the order book as per the user's requirement by selecting the GTDt order which the User has placed.
- The order will be pumped to exchange every day till one of the following events occurs.
 - Order gets fully executed
 - Validity of the order expires

- Customer cancels order
- Order will be active in the system till the date which user has selected.
- Funds/Securities for the order will be blocked daily till the order is valid/order gets executed.
- During the SOD/GTDt order validation process, system will validate all the order parameters as per the current process.
- In case of corporate action, the order is not changed, modified, or adjusted as per the said corporate action. The order is retained as it was, when the user had placed the order till validity/ contract expiry / executed / cancelled by the user as the case may be
- Corporate actions will be intimated to the clients NOT later than 1 day prior to the EX-Date of the Corporate action
Intimation to the clients will be done via email and/or SMS

8. Right to liquidate position in case of non/partial payment

- As per clause 2 of the circular, in case the client does not pay for securities bought & received in pay-out from the Exchange, then YSIL as a broker is entitled to retain those securities only up to 5 trading days after pay-out. Accordingly, all identified unpaid securities can be held in the CLIENT UNPAID SECURITIES PLEDGE ACCOUNT(CUSPA) and if the client fails to meet its fund pay-in obligation, YSIL shall liquidate the securities in the market to recover its dues. Under no circumstances, the securities of the clients received in pay-out shall be retained by YSIL beyond five trading days.
- The unpaid securities shall be sold from the Unique Client Code (UCC) of the respective clients. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client accounts.
- As the SEBI circular mandates liquidation of securities in case of non-payment within 5 days from the pay-out date, no pre-order confirmation from clients is required.

In case of partial payment, YSIL may retain the full value of securities till the 5th day from the pay-out date. However, YSIL shall within such 5 days transfer the unpaid client securities to the client's demat account or dispose of the securities in proportion to the amount not received as it may deem fit. YES Securities (India) Ltd (YSIL) may in its sole discretion, determine the time of sale and/or securities to be disposed of and/or which open position is /are to be liquidated/closed in full or partial.

Square off for positions in risk

Types of Margin Call	Category
1st Margin call	At 50% capital erosion
Incremental Margin call	Every additional 10% capital erosion
Square off	At 75% capital erosion
Square off to what extent	Square off all

The percentage level square-off may change dynamically based on market scenarios

Current percentages are based on industry standards as followed by bank-supported brokerages.

Note- YSIL being an online broker, the above margin information is disseminated on a real-time basis to all the clients on their respective login portals.

Hierarchy of Square off

The positions shall be squared off in the following manner of hierarchy

- Short Options (Commodity, Currency and Equity)
- Commodity, Currency, and Equity Derivatives position
- Intra-day Cash positions
 - Withheld Stocks
 - Long Options

9. Handling of Client Securities

SEBI released a circular dated June 20, 2019 bearing circular Ref. No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 which has stipulated operational modalities for the handling of client's securities by the stockbroker. According to the issuance of the above & subsequent circulars from SEBI/Exchanges, it has been advised to the stockbrokers to formulate a risk policy on Handling of Client Securities which should be approved by its Risk Management Committee and informed to all its clients.

As per the circular, the stock broker is required to transfer the client's securities received in pay-out to the client's demat account within one working day. In case the securities received in pay-out are not paid in full, then the stockbroker may retain those securities in "CLIENT UNPAID SECURITIES PLEDGE ACCOUNT (CUSPA)" and the same to be transferred to the Demat account of the respective client upon fulfillment of funds obligation. In case, where the client fails to meet its funds' pay-in obligation within five trading days from the pay-out day, the stockbroker shall liquidate the securities in the market to recover our dues.

Margin Trading Facility

A stockbroker is required to transfer the client's securities received in pay-out to the client's demat account with a pledge marked in "Client Securities under Margin Funding Account". The broker will initiate an advance pledge on the stock which is to be received in payout as the same is unpaid. In case the client does not accept the OTP for pledge request then the position is converted to normal, and shares are transferred to the CUSPA account if the client fails to meet its funds pay-in obligation within five days from the pay-out date, the stockbroker shall liquidate the securities in the market to recover the dues.

10. Running Account Authorization:

Further, in terms of the regulatory guidelines, concerning Running account authorization provided by the client (as applicable) for settlement of funds and securities, periodic settlement of securities shall be discontinued from running account authorization.

The settlement of running account of funds of the client shall be done by the TM after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges on first Friday of the Quarter (i.e., Apr-Jun, Jul-Sep, Oct-Dec, Jan-Mar) for all the clients i.e., the running account of funds shall be settled on first Friday of October 2022, January 2023, April 2023, July 2023 and so on for all the clients. If the first Friday is a trading holiday, then such settlement shall happen on the previous trading day.

For clients, who have opted for Monthly settlement, the running account shall be settled on the first Friday of every month. If the first Friday is a trading holiday, then such settlement shall happen on the previous trading day

11. Guidelines on Margin collection & reporting

This has reference to Exchange circulars NSE/INSP/45191 dated July 31, 2020, NSE/INSP/49929 dated October 12, 2021 and NSE/INSP/53525 dated September 02, 2022 wherein it was clarified that members are not permitted to pass on the penalty levied by clearing corporations on account of “short/non-collection of upfront margins” to clients under any circumstances.

In view of the representations received from Broker’s Industry Standards Forum (ISF) and after consideration of the same by SEBI, it has been decided that penalty levied by clearing corporations of short/non-collection of upfront margins may be passed on to client if short/non collection of upfront margins is on account of following reasons attributable to client:

Cheque issued by client to member is dishonored

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

However with respect to point number II mentioned above, members are requested to note that penalty can be passed only if member in its Risk Management Policy, has informed their clients of potential situations resulting in a hedge break / loss of cross margin benefits like square off by the clients / expiry of some leg(s) of the hedge positions of the clients, leading to higher margin obligations on the open position(s).

The provisions of this circular are applicable for aforesaid penalty levied by clearing corporations on or after November 01, 2024, and accordingly, members are advised to inform their clients of aforesaid change in their risk management policy at least 7 days in advance from the date of applicability of this circular or date of aforesaid penalty levied by clearing corporation whichever is later.

Further, wherever penalty for short reporting of upfront margin in cases mentioned above is being passed on to the client, relevant supporting documents for the same should be provided to the client and audit trail should be maintained.

12.IT risk management process

1. Purpose

To establish a structured approach for managing cybersecurity and IT-related risks in YES Securities (India) Ltd (YSIL) to ensure the protection of critical assets, systems, and data.

2. Scope

Applies to all employees, systems, processes, and third-party service providers involved in the YSIL IT infrastructure.

3. Objectives

- Identify and evaluate IT-related risks systematically.
- Implement risk-based controls.
- Maintain business continuity and resilience.
- Ensure compliance with regulatory and legal requirements.

A. Identify

- Maintain an inventory of assets (hardware, software, data, personnel).
- Define risk appetite and tolerance.
- Conduct regular risk assessments.
- Classify assets and data according to criticality and sensitivity.

B. Protect

- Implement access control, encryption, and secure configurations.
- Train staff on security awareness.
- Apply patch management and endpoint protection.
- Enforce third-party risk controls.

C. Detect

- Deploy monitoring tools (e.g., SIEM) to detect anomalies.
- Maintain incident logging and alerting mechanisms.
- Regularly review logs and user activity.

D. Respond

- Develop and maintain an incident response plan.
- Assign clear roles and responsibilities for incident management.
- Communicate effectively with stakeholders during incidents.
- Perform post-incident analysis.

E. Recover

- Establish disaster recovery and business continuity plans.
- Conduct regular backup and restore tests.
- Continuously improve based on lessons learned from incidents.

Risk Management Lifecycle

- Risk Identification
- Risk Assessment (Qualitative/Quantitative)
- Risk Mitigation Planning
- Control Implementation
- Monitoring & Review
- Risk Reporting

13.Reputational Risk Stress Testing.

- Reputational Risk Stressing testing will be conducted on a quarterly basis
- Results of the same to be presented in the IRC and minutes to be shared with RMC. Scenarios will be documented in risk management framework.