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RISK MANAGEMENT SYSTEM (RMS) POLICY

Document Version	Reviewed On	Approved By
2025 – Version 2.0	December 2025	Board of Directors

1. Preamble and Purpose

This Risk Management System (RMS) Policy of MLB Capital Pvt. Ltd. (hereinafter referred to as “MLB” or “Member”) is framed in accordance with the requirements of SEBI, the National Stock Exchange of India Limited (NSE), and BSE Limited. The policy is applicable to the Equity (Cash) and Equity Derivatives (Futures & Options) segments.

The purpose of this Policy is to ensure awareness of the standards for risk-taking while conducting business and to provide an easy-to-access guide. The RMS Policy covers Market Risk, Credit Risk, Process Risk, Surveillance Risk, and other associated risks.

Implementation of this policy will facilitate better management of risk, not its elimination. The Risk assessment and granting of limits are qualitative decisions subject to the discretion of MLB, and can be changed/alterd in a particular case or scenario based on risk assessment of the concerned client and prevailing market conditions.

This policy has been presented before and approved by the Board of Directors/Proprietor. The Policy is designed to effectively manage risks arising out of different scenarios that affect day-to-day operations. Review of the Policy is required at least once a year, or earlier whenever necessitated by changes in regulations, market conditions, or significant business changes.

Reference Circulars:

- SEBI circular SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/96 dated July 04, 2024 – Brokers’ Institutional Mechanism for prevention and detection of fraud or market abuse
- NSE circular NSE/SURV/62827 dated July 8, 2024 – Institutional Mechanism for prevention and detection of fraud
- NSE circular NSE/INSP/61529 dated April 08, 2024 – Freezing/Blocking of online access of client trading account
- SEBI circular SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024 – Freezing/Blocking of client trading account
- SEBI circular CIR/HO/MRDSD/DOP/CIR/P/2019/75 dated June 20, 2019 – Handling of Clients’ Securities by Trading Members/Clearing Members

2. Definitions

In this Policy, unless the context requires otherwise:

RMS (Risk Management System)

RMS means the Risk Management System. Risk management is to manage the risk of the company and clients arising from volatility in the Capital Market, Currency, and Commodity Market.

Adjusted Ledger Balance

Adjusted Ledger Balance means the clear balance in the client's ledger account in the company's books. For example, proceeds of shares sold but not yet delivered will be reversed if credited in the ledger, and debited VaR margin will be ignored.

DDPI (Demat Debit and Pledge Instruction)

DDPI means an authorization given by the client to the Trading Member/Clearing Member for the limited purpose of (i) debiting client's demat account for securities towards pay-in; (ii) pledging/re-pledging of securities towards margin; and (iii) close-out/settlement of open positions as per Exchange requirements. DDPI has replaced the erstwhile Power of Attorney (POA) mechanism with effect from January 01, 2023.

CSMPA (Client Securities Margin Pledge Account)

CSMPA means the Client Securities Margin Pledge Account, a demat account maintained by the Trading Member/Clearing Member with its DP, into which clients pledge their securities as margin. Securities in CSMPA can be considered for client margin obligations after applying applicable haircuts.

CUSPA (Client Unpaid Securities Pledge Account)

CUSPA means the Client Unpaid Securities Pledge Account, into which securities purchased by a client but not fully paid for are transferred, pending payment or disposal as per SEBI guidelines.

Securities in On-Behalf (Pool Account)

Securities given by the client as margin or held by the company pending full payment are kept in the Pool/On-Behalf account. Securities given by the client as margin may be pledged to the Exchange towards the company's margin obligations for the client.

Collateral Securities

Collateral Securities means shares (i) pledged to the CSMPA account of MLB by the client; or (ii) held in the client's own demat account against which DDPI is given to MLB. These are subject to applicable haircuts for the purpose of computing margin availability.

Total Deposit / Total Margin Available

Total Deposit means the aggregate of: (i) clear ledger balance; (ii) value of securities after haircut in the Pool/On-Behalf account; (iii) value of securities after haircut in CSMPA; and (iv) value of securities after haircut in the client's own demat account where DDPI is issued in favour of MLB.

MLB VaR

MLB VaR refers to the percentage of haircut/margin prescribed by MLB Capital Pvt. Ltd. from time to time for different securities. The haircut is determined based on various factors, including the average trading volume, price volatility, Exchange-prescribed VaR, impact cost, liquidity, and other risk parameters associated with a particular scrip. The applicable haircut shall be the higher of the margin/haircut determined by MLB or that prescribed by the relevant Exchange/Clearing Corporation. As a general policy, collateral benefit is not extended against non-approved securities. However, such securities may be considered on a case-to-case basis, subject to internal risk assessment and the prevailing rules, regulations, and practices of the Exchange and/or Clearing Corporation.

Concentration

Concentration means the maximum quantity of a scrip (in terms of value) that can be held by a client, calculated by applying the percentage fixed by the company based on the average daily volume of trade on the Exchange during the last 30 days.

Exposure of Client

Exposure of Client means a client's obligation arising out of: (i) buy and sell transactions entered into on behalf of the client in the cash segment which are yet to be settled; and (ii) open positions in the F&O segment.

Authorised Persons (APs)

Authorised Persons means Sub-brokers or individuals/entities appointed by MLB as its agents to solicit clients and facilitate trading, registered with the Exchange as per applicable regulations.

3. Transactions Offered to Clients

3.1 Trading Segments

MLB is a registered Trading Member of NSE in the Capital Market (CM) and Futures & Options (F&O) segments. Settlement in the Capital Market segment is on a T+1 rolling basis. In the Futures & Options segment, daily Mark-to-Market (MTM) settlement and final settlement are applicable as per Exchange rules.

3.2 Intraday Trades

Intraday transactions are buy–sell (or sell–buy) transactions in a scrip that are reversed by a contra transaction in the same scrip and in the same quantity, so that the net quantity carried is NIL at the end of a particular trading day.

3.3 Delivery Trades

This is a net purchase or sale of a particular scrip in a client's account which is settled by delivery on T+1 basis. In case of sale transactions, the client must provide securities in demat form (through DDPI or through transfer to the Pool account) before pay-in, failing which the client will bear the auction/close-out debit.

3.4 Sell Against Unsettled Buying (BTST)

Under this facility (Buy Today Sell Tomorrow), a client may sell a scrip on T+1 (next trading day) against an unsettled purchase made on T. MLB shall not be responsible for any short payout of securities received from the Exchange resulting in short delivery to the client's account.

4. Risk Management System and Exposure Rules

4.1 Margin-Based RMS

MLB operates a Margin-Based Risk Management System, in which the Total Deposit (margin) of each client is uploaded into the system. The client can take exposure in any scrip(s), and the deposit is utilised based on the applicable MLB VaR margin for those scrips. The RMS system monitors client positions in real-time and restricts order placement if margin is insufficient.

MLB may provide exposure based on Exchange's VaR margin for a particular security (as applicable from time to time), on a multiplier basis or on an ad-hoc limit basis, for delivery positions in the Capital Market. In the capital market segment, exposure up to 5 times of available margin may be allowed on a case-to-case basis depending on client profile, scrip liquidity, and market conditions. In the Futures & Options segment, exchanges have stipulated fixed initial margins and exposure margins; the client is required to maintain at least 50% margin in the form of clear funds and 50% may be in the form of collateral securities as permitted by Exchange.

For the Derivatives segment, Securities kept in CSMPA can be considered towards reporting of the client's margin obligation after adjusting any debit balance in the client's ledger, across all segments and Exchanges.

4.2 Newly Listed, Illiquid, and Trade-to-Trade Scrips

Newly listed shares, illiquid securities, and Trade-to-Trade (T2T) securities are subject to enhanced VaR margins and higher rate fluctuations. The daily price range (DPR) may be hit during a trading day. Dealing in such securities will be subject to specific permission from the RMS department and will be restricted to the available credit balance only. Newly listed shares that do not have a DPR will be restricted to the available credit balance after considering MTM levels.

4.3 Margin Call and Top-Up

If a client's total margin falls short of requirements during the trading day due to adverse market movements or increase in Exchange margins, the RMS department will call for additional margin. The client shall be obliged to pay additional margin as and when demanded by MLB. MLB reserves the right to restrict fresh order placement until the margin shortfall is regularised.

4.4 Concentration Limits

MLB may prescribe concentration limits on scrips to prevent undue concentration of client portfolios in illiquid or highly volatile securities. The limit is computed based on average daily traded volumes on the Exchange over the last 30 days.

5. Levy of Penalty

Penalty levied by Clearing Corporations for short/non-collection of upfront margins shall be passed on to the client if the short/non-collection of upfront margin is on account of reasons attributable to the client, including:

- Cheque issued by the client to MLB is dishonoured.
- Increase in margins on account of change in hedge position by the client or expiry of some leg(s) of the hedge positions of the client.
- Any other reason directly attributable to the client's action or inaction.

6. Square-Off / Recovery of Debit / Liquidation

6.1 General

In case of a client's failure to deposit additional margin or repay outstanding debit or fulfil any obligation or liability within the stipulated time period, MLB's RMS team may exercise its discretion to clear the debit by:

- Squaring off open positions of the client;
- Liquidating collateral securities lying with MLB (in CSMPA or Pool account) after informing the client through SMS, email, telephone, or any other mode of communication as deemed fit;
- Transferring securities from the client's demat account where DDPI has been provided, towards pay-in or margin requirements.

6.2 Recovery of Old Debts

Clients Introduced by Authorised Persons: Debit balances of clients (without collateral) introduced by Authorised Persons are adjusted against the respective AP's sub-brokerage ledger on a periodic basis. Any shortage is adjusted against their deposit account.

Clients Who Do Not Clear Debit Balances: Clients who do not clear debit balances (without any collateral) for more than one month, despite repetitive notices, shall be subject to suitable legal action to recover the outstanding amount.

6.3 Client Communication

Clients shall monitor various communications from MLB regarding outstanding dues, including daily margin statements, contract notes, bills, SMS and email communications, and information available on the back-office portal and internet trading terminal. Such communications shall be construed as sufficient warning to the client to settle outstanding dues. Failure to comply will lead to disposal of client stocks or liquidation of open positions by MLB without further notice or pre-order communication.

6.4 Funds Transfer to Client

If MLB is unable to transfer securities to the client's demat account due to legitimate reasons, MLB may liquidate the securities and transfer funds to the client's registered bank account. If the client's bank account is dormant or the client is not contactable, MLB shall set aside such funds until correct bank account details are obtained.

7. Handling of Client Securities – Client Unpaid Securities Account

As per SEBI circular CIR/HO/MRDSD/DOP/CIR/P/2019/75 dated June 20, 2019, and Exchange FAQs related to Handling of Clients' Securities, the following rules apply with effect from October 01, 2019:

1. Securities purchased by a client shall be transferred to the client's demat account within one working day of pay-out, subject to a clear credit balance in the client's trading account (Capital Segment).

2. With regard to securities that have not been paid for in full by the client (unpaid securities), full or partial securities shall be transferred to a separate account titled "Client Unpaid Securities Pledgee Account" (CUSPA).
3. Securities kept in CUSPA shall be transferred to the client's demat account upon fulfilment of funds obligation within five trading days from the pay-out date. Otherwise, the same will be disposed of in the market by MLB. MLB may, at its sole discretion and based on risk assessment, transfer all or part of the securities from Pool/CUSPA to the client's demat account even if there is a debit balance.
4. MLB shall not be held responsible if it is unable to sell the unpaid securities within the 5th day from the pay-out date due to reasons such as inactive/suspended shares, lower circuit, litigation, regulatory enforcement/court directions, trading restrictions (e.g., GSM), or any other reason specified by the Exchange from time to time.
5. If unpaid securities of the client are disposed of by MLB as per SEBI circular, the client is not allowed to purchase the same securities on the same day unless the debit balance is cleared.
6. MLB may, upon receipt of instructions from the client, sell securities lying in the CSMPA in lieu of securities in CUSPA, and credit the proceeds towards the unpaid securities obligation, provided clear funds are received within the stipulated 5 trading days.
7. The selection of scrip(s) and quantity for liquidation from any or combination of demat accounts (CUSPA/DDPI/Pool/CSMPA) shall be at the sole discretion of MLB. No pre-order confirmation from the client is required for liquidation within 5 days from pay-out date, as this is mandated by SEBI circular.

8. Precautionary Measures During Market Volatility

As part of the risk management system, MLB has constituted an RMS/Surveillance team that monitors the exposures of clients and Authorised Persons on a real-time basis. During periods of market volatility or sharp decline, MLB monitors the position of each client and their credit balance, securities lying with MLB, MTM profit/loss, and margin adequacy.

The RMS team may, based on its assessment:

- Restrict or disallow fresh position creation;
- Enhance margin requirements on scrips/segments;
- Impose concentration limits;
- Square off positions where the MTM loss exceeds a prescribed threshold relative to the available margin;
- Apply additional ad-hoc margins for volatile or illiquid scrips.

At the same time, MLB considers each client's trade history, financial capacity, creditworthiness, and referrals while applying these measures. In case of a debit balance, the client must provide sufficient margin, securities, or funds to carry out fresh buying or to create fresh positions.

9. Disclosure

In order to protect its interest, MLB reserves the right to alter/amend this RMS Policy or any part thereof in its absolute discretion from time to time, considering its prevalent RMS framework, market conditions, or regulatory requirements, by displaying the updated policy on its website (www.mlbcapital.com). Clients are advised to refer to the website for the prevailing RMS Policy, Policies and Procedures, and other terms and conditions before entering into any transactions with MLB.

In case of any query or for further understanding, the client may approach the Compliance Officer at:

Telephone: 011-45060606 | Email: mlbcapital@mlbcapital.com | Grievances: mlbcaps@hotmail.com

For MLB Capital Pvt. Ltd.

Sd/-
Authorised Signatory
(Compliance Officer / Designated Director)

Board Approval:

This Policy was reviewed and approved by the Board of Directors in their meeting held in 18 Dec '25.

Next Review Due: December 2026