

6.1 RISK MANAGEMENT POLICIES

OVERVIEW

The purpose of this section is to outline the necessary control framework and internal policies that shall be implemented by Tannu Securities Pvt Limited to govern the Margin/leverage Trading Desk serving Tannu Securities Pvt Limited clients.

6.3.1 MARGIN/MTS/MF TRADING – POLICIES

6.3.1.1 Internal Margin facility is financing the purchase of securities in favor of Tannu Securities Pvt Limited's client at their instructions for day's trading. If the securities are purchased on internal margin facility and at the end of trading session the leveraged amount is still outstanding, the client shall be moved to MFS.

6.3.1.2 The client can request the application for Leverage trading after being adequately briefed about the Margin/Leverage Trading products (MFS, MTS, Future, etc.) features including interest and the associated risks to ensure that the client is aware of such risks through direct contact with any of Tannu Securities Pvt Limited Customer Support Executive (CSE) or the assigned A/C Officer.

6.3.1.3 Customer Support Executive (CSE) should assist the client in completing all the necessary documents.

6.3.1.4 The CSE, before the initiation of account opening procedures, shall ensure that:

- The client's signature on the Margin trading contract matches the one in the SAOF/CRF.
- The designated authorized personnel have signed off the Margin Trading Contract.

6.3.1.5 By signing the trading contract, the client acknowledges the following:

- All the information and documentation provided are true and reliable;
- He/she understands and commits that he / she is responsible for updating his/her personal data in case of change or whenever requested by Tannu Securities Pvt Limited;
- He/she read and understood the terms and conditions for MFS & MTS.
- He/she understood the risks related to leverage trading and by accepting Credit Risk mentioned in the terms and conditions, the client confirms that he/she is in a position to take risk.
- He/she authorize Tannu Securities Pvt Limited to liquidate the securities in case the margin percentage reached 35% from being in line with fair and timely communication.

6.3.1.6 Cash and securities (list of approved securities by Risk Management Committee) are the only acceptable collaterals.

6.3.1.7 For all MFS transactions contract with client is mandatory, this contract will be subject to approved limits by the Board.

- 6.3.1.8 MFS will be provided in MFS eligible securities and rate of interest will be subject to a maximum limit prescribed by NCCPL.
- 6.3.1.9 Tannu Securities Pvt Limited will allow margin trading for a day trade to a maximum of 2.5 times (250%) of the client's net worth maintained with Tannu Securities Pvt Limited. This maximum threshold will be according to the agreement with client moreover maximum threshold for margin trading shall be approved by the Board.
Margin above
2.5 will not be allowed to any client under any circumstances, margin in excess of 2.5 times may be allowed with the prior approval of the Board.
- 6.3.1.10 Margin trading will be allowed in scrips which are included in the list of margin eligible securities as prescribe by NCCPL/PSX from time to time
- 6.3.1.11 MTS shall be applicable only to the approved list of scrips for Margin Trading issued by NCCPL and adopted/shortlisted by Tannu Securities Pvt Limited. Risk Management Committee (RMC) comprising of Chief Executive Officer (CEO), Compliance Officer (CO) and Head of Equity (HOO) shall review the list of approved scrips on monthly basis. Whenever there is an update in the list of approved scrips, by Tannu Securities Pvt Limited RMC, the HRM shall communicate this to the following parties:
- Customer Support Executive (CSE); to be informed of the stocks applicable for Margin Trading & Accepted collaterals.
 - Clients via their preferred way of communication call/SMS/email.
- 6.3.1.12 For margin trading value of scrips, Var, Haircuts will be according to the limits prescribed by the NCCPL/PSX from time to time.
- 6.3.1.13 For future trading margin limits and margin deposits will be according to the limits prescribed by PSX / NCCPL from time to time.
- 6.3.1.14 Head of settlement with the approval of Chief Executive may reduce / block the margin limits of clients.
- 6.3.1.15 HRM shall ensure that exposure to a single client shall not exceed 5% of the total permissible exposure, and exposure in single MF Eligible Security shall not exceed 20% of the total permissible exposure (5 times of net capital balance), matching with internal policy and comply with NCCPL regulation.
- 6.3.1.16 HRM shall be reviewing and updating the haircut and accepted collateral on monthly basis or if there are, updates from NCCPL and then apply on the system.
- 6.3.1.17 HRM shall ensure that clients' mark-to market losses on their account are covered by cash.
- 6.3.1.18 A standard limit as approved by the Credit Committee comprising of CEO, Head of Operations (HOO), and Head of Settlement (HOS) and CO on recommendation of HOO shall be allotted to each client for Margin Financing.
- 6.3.1.19 Limit allotted to a client for Margin Financing above the prescribed limit shall be approved by the Credit Committee on recommendation of HOO on case-to-case basis and shall be filed in his personal file.
- 6.3.1.20 List of Scrips eligible for Margin Financing shall be either forwarded to each client at the account opening stage by the Trader via email or handed over in person.