

Product Note for Trading Products on ODIN:

With a view to offer products with better efficiency and productivity, we propose to introduce the following products to our clients, business associates and dealers.

A) Delivery Product – For positions to be carried forward.

B) Intra-day Product – For Intra-day positions.

A) Delivery Product:

Features of the Delivery Product:

1. To be used to put all trades meant for Delivery (Cash Segment) and carry forward (F&O) positions.
2. Clients can take exposure on the basis of the Margin with LKP. Margin is defined in the Notes below.
3. Exposure will be allowed on the basis of VAR (for Cash) and Initial Margin (for F&O) defined for each script by LKP. Trading allowed in a vast basket of stocks with variegated exposure.
4. In order to manage risk effectively, “MTM cut off” or “MTM limit” can be defined for the clients. Once the limit is triggered, all outstanding positions gets squared off.

To begin with we shall have 2 MTM limit categories, which shall be 80% and 90%. **Once MTM limit is set for a customer, it remains in the system till any further changes are made.**

5. Clients can also square off the position before the day end (subject to MTM limit not being triggered till then).
6. Clients are allowed to convert the position from Delivery to Intra-day in case they don't want to carry forward the position (subject to margin being available).
7. Ad-hoc limit can be given for clients on exception / case to case basis.

Risk Monitoring:

1. Position will be monitored on MTM basis. If the MTM exceeds the prescribed limit (say 80%), **all open positions** for that day in Equity (Delivery and Intra-day) as well as Derivatives (Carryforward + Intra-day) will be squared off by the system. Thus all open positions of that customer shall be squared off on hitting the MTM limit.

B) Intra-day Product:

Features of the Intra-day Product:

1. Trading can be allowed with a higher leverage on a specified basket of stocks as compared to the Delivery Product.
2. Clients can take exposure on the basis of the margin available with LKP. Margin is defined in the Notes below.
3. **All Intraday positions** will be squared off by the system at “cut off time limit” (which will be set as 3.15 pm as of now, which may vary as may be decided and communicated from time to time).
4. Clients can square up the position before the “cut off time limit”. However, if MTM limit is hit prior to this “cut off time limit”, **all open positions** (delivery and intraday, Cash and F&O) will get squared off on hitting the MTM trigger set.
5. Clients can convert the position from Intra-day to Delivery provided there is sufficient margin to convert to Delivery. Delivery Product usually has higher margin than Intra-day product.
6. Clients will not be allowed to place any further trades for that day once the Auto-Square off are done by the system.

Risk Monitoring:

1. Same for MTM as mentioned above.
2. All open positions in Intraday will be Auto squared off by the system at “cut off time limit”

Important points to be noted:

- 1) Once the MTM limit is hit, all open positions will be squared off by the system i.e. all open F&O positions (including BOD positions), all intra-day positions taken in Cash as well as F&O **and all delivery position taken during the day as well**. Delivery position taken on a previous day will not be squared off.
- 2) There is a flexibility of having different MTM limit for different set of clients.
- 3) Once Auto Square off is run for the intra-day product no client will be allowed to place further trades in the intra-day product.
- 4) In cases where adhoc limits are given, for Delivery or Intraday, it will be considered for the purpose of giving exposure to the customer but will not be considered as margin. Thus for example, say margin with LKP is Rs. 1 lac. Adhoc limit of Rs. 2 lacs is given to the customer. Customer can take position on amount of Rs. 3 lacs but MTM limit of max Rs. 80,000 will be considered (being 80% of actual margin with LKP) **and not** Rs. 240,000 (being 80% of Rs. 3 lacs).
- 5) What is Margin? Margin is dynamic and not static.

Beginning of the day: Margin uploaded in the system at the beginning of the day. This mainly comprises of ledger balance and collateral after haircut, as reduced by the margin utilized by the

carried forward F&O positions. Say client has 1 lac ledger debit and 3 lacs worth of stocks (post haircut), his margin will be 2 lacs on which he can take exposure.

Margin will change during the day: Margin will fluctuate during the day on the account of:

- a) Change in value of collateral (post haircut) with LKP.
- b) Change in value of the margin in F&O due to change in margin requirement or change in F&O position etc.
- c) Profit / loss on the transactions squared off during the day.

The margin will get dynamically updated in the system on the basis of the above points and accordingly Margin limit will get triggered.

Thus MTM limit of 80% means whenever the MTM loss touches 80% of the margin (dynamic as mentioned above) with LKP, the positions will be cut off as mentioned.