

Annexure 4

Handing of MTM Defaults (Regaining Matched Book)

In the event of a member/client failing to honour pay-in/margin obligations, Exchange can employ the below given alternative tools to liquidate the positions and regain a matched book based on the conditions of market liquidity, volatility, size of position to be liquidated etc.

Any tool lower in the list prescribed hereunder will be resorted to only in extremely rare occasions when the Exchange reasonably expects that it may not be able to restore a matched book by choosing the alternatives above it and also record the reasons for the same in writing:

- a. Alternative 1: Liquidation in normal market in orderly manner (with relaxed price limits, if required);
- b. Alternative 2: Auction of the positions within a specified price band;
- c. Alternative 3: Voluntary tear-up at last mark-to-market price along with compensation (%age of last mark-to-market price equal to twice the daily price limit) and penalty (5%, to be credited to SGF);
- d. Alternative 4: Partial tear-up (pro-rata against members/clients having opposite positions) at last mark-to-market price along with compensation (%age of last mark-to-market price equal to thrice the daily price limit) and penalty (5%, to be credited to SGF).