

Anti Money Laundering Measures

Risk Management Policy and Procedure

Sr. No.	Policy / Tasks / Activity
I	<p><u>Risk Management Policy:</u></p> <p>The broker should carry out due diligence and risk profiling based on KYC procedures.</p> <p><u>Categorization of Clients:</u></p> <p>Member should ensure that the RMS policy suggests different policy / treatment for different categories of the client.</p> <ol style="list-style-type: none"> Member should classify the Client into the following categories after considering the factors like Type of Client, Financial Information, Investment Experience, Trading Preferences, Trading Turnover, Manner of making payment, etc.: <ul style="list-style-type: none"> Low Risk Medium Risk High Risk Review the category of Client on month-to-month basis or any other shorter period as deem fit. After review, if require, reclassify the category from Low Risk to Medium Risk, Medium to High Risk or so. Upgrade the client category from High Risk to Medium Risk, or Medium Risk to Low Risk as the case may be only after consultation with Risk Head of the company.

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II	<p><u>Calculation Mechanism of Margin:</u></p> <ol style="list-style-type: none"> Calculate available Margin (for the next day's trading) on EOD (End-of-day) basis, which shall include the following: <ul style="list-style-type: none"> • Actual Margin Received from the client (as appears in client's ledger separately) • (+) Logical balance of Cash & F&O Segment Ledger Balance of the client (NSE & BSE) (i.e. of T+2 day for Cash and T+1 day for F&O as on EOD)

	<ul style="list-style-type: none"> • (+) Value of shares after hair cut as per VaR rate in the withheld account on logical quantity balance • (+) Value of shares in the Beneficiary Account with Power of Attorney after hair cut as per VaR rate • (+) Cash collateral and Share Collaterals (after applicable VaR hair cut) received from the client in the F&O segment • (-) all Un-cleared cheques <ol style="list-style-type: none"> 2. In case of concentration of stock at company level or at Client Level then Risk Team should decide whether additional Margin shall be levied or those excess stocks to be ignored from collaterals balance. 3. In case of any co-relation between the specific scrip in the collaterals and its exposure in cash segment or in F&O segment then Risk Team should decide whether additional Margin shall be levied or to ignore such co-related stocks. 4. The company may decide the component of cash and non-cash collaterals from time to time either in general or for any particular client as the case may be. 5. Only client stocks appearing on the approved list of NSE & BSE (after removing the illiquid scrips as appearing on NSE's & BSE's <i>Illiquid</i> list) shall be considered for margin purposes. However, the Risk Head or authorized person can decide any specific inclusion or exclusion from the collaterals based on exceptional circumstances. 6. Ensure that scrip which is banned, illiquid or T, TS & Z category for collaterals does not form part for calculating exposures. 7. For valuation of collaterals, the market rate should be considered as closing price of T-1 day. 8. Apply the haircut either at applicable VaR rate or at percentage which may be decided from time to time. 9. In case of receipts of Collateral, obtain the details of collateral transferred in client's beneficiary / Margin demat account from the concerned client or branch. 10. Obtain confirmation from Settlement Team or DP for receipt of collateral in account. 11. Ensure that the collaterals received are from the client's designated DP account and not from third party. <p><u>Securities to be received in Payout:</u></p> <ol style="list-style-type: none"> 12. In case client has purchased approved securities and securities are pending to be received in Payout from the exchange, additional amount to the tune of securities to be received from
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the exchange after deducting hair cut (based on VaR + ELM) shall be considered as Margin received from the client, irrespective of Pay-in of fund is received or not.

13. The additional amount is subject to Management's discretion.
14. In case client has purchased unapproved securities and securities are pending to be received in Payout from the exchange, no margin shall be considered i.e. 100% hair cut shall be applied.

Securities to be received for Pay-in:

15. In case of Pay-in to be received against securities sold by the client and such securities are not available with the company, 125% of amount of outstanding sell shall be reduced from the margin.

Funds received for Pay-in / Margin:

16. In case of Funds received for Pay-in from the Client before Pay-in day / Margin received, the amount received shall be considered as Margin received from the client if amount is reflected in our bank account as a cleared credit and we should be able to connect this credit to the specific client.
17. Un-cleared cheque is not considered as Margin.
18. In case funds received and cleared during the trading time, update Margins (only after taking prior approval of Risk Head of the company).
19. Consider Additional Margin for Funds received for Margin only on clearance of the cheque.

Short Pay-in of Securities by the Client:

20. In case of Short Pay-in of securities made by the client, on T+2 day, 125% of amount short pay-in of securities will be blocked. Margin shall be reduced to the extent of such amount.
21. The amount blocked (125%) shall be reversed on Auction settlement day and actual auction bill shall be passed on Auction settlement day.
22. MToM Margin will have to be collected in Cash (Funds) immediately on next day.

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III	<p><u>Exposure:</u></p> <ol style="list-style-type: none"> 1. Give Gross Exposure to clients on the basis of Total Margin

	<p>available from the client.</p> <ol style="list-style-type: none"> 2. Available Margin will get reduced by applicable VaR rate on scrip client is buying or selling in case of Cash Segment and SPAN and special margin, if any, levied by exchange in case of F&O Segment. 3. On exceptional circumstances and with the specific prior approval of Risk Head(s), the exposure can be modified. 4. The company reserves liberty to vary the trading / exposure limits of the Client depending upon its risk assessment from time to time having regard to the changes in any of the factors or market conditions bearing on the risk profile of the Client.
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IV	<p><u>Enhancing / Adjusting the Exposure or available Margin for Clients during the day:</u></p> <ol style="list-style-type: none"> 1. During the trading hours, exposure or available margin can be enhanced / adjusted for clients based on the following: <ul style="list-style-type: none"> ▪ On receipt of funds through RTGS (with prior approval) ▪ On withdrawal of funds (with prior approval of RMS Team) ▪ On receipt of collateral in client's beneficiary / collateral demat account. ▪ On withdrawal of collateral from client's beneficiary / collateral demat account (with prior approval of RMS Team) 2. In case of funds received through RTGS, ensure that funds have been received and pass the necessary entries in the software. 3. In case of receipts of Collateral, ask for details of collateral transferred in client's beneficiary / collateral demat account from the concerned client or branch. 4. Obtain confirmation from Settlement Team or DP for receipt of collateral in account. 5. Value the securities at the prevailing market price and apply the appropriate haircut. 6. Ensure that the exposure is enhanced after adjusting the shortfall, if any, from the additional margin received during the day. 7. Ensure that the necessary approval has been obtained.

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V	<p><u>Other Norms:</u></p> <ol style="list-style-type: none"> 1. In case of cash segment, if the client is uncovered by 5-10% then that client should be monitored separately by Risk Team and if required, actions for the square off or liquidation can be initiated. 2. In case of client margin has fallen by more than 60% of available margin then inform to client / branch on immediate basis. 3. If the client total exposure during the day or at the end of any day is more than 200% of the available exposure the same shall be placed on the watch list and actions for the square off or liquidation may be initiated. 4. The following are some of the indicative actions which may be initiated by Risk Team in a Volatile Market conditions: <ul style="list-style-type: none"> • Increase the hair cut on collaterals • Increase the margin rate • Reduce Intra day exposures / multipliers • Disallow scrip to trade • Liquidation of positions • Disallow client to take exposure (based on news) • Put Client on watch list • Provide Margin calls to clients after valuing their portfolios

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VI	<p><u>Margin Calls and Shortfall monitoring:</u></p> <ol style="list-style-type: none"> 1. At any point of time the client is required to maintain at least 35% of Margin on ongoing re-valued portfolio. 2. If the actual Margin is less than such prescribed Margin, then client falls under Margin Shortfall and margin shortfall call may be raised. 3. In case of client falls under Trigger, square off of the positions to recover shortfall without intimation to client.

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VII	<u>Square off and Liquidation</u>

	<ol style="list-style-type: none"> 1. In the event of the Client failing to maintain / supply applicable margin money required to sustain the outstanding market positions of the Client, the company shall be entitled, at its option and liberty, to liquidate / close out all outstanding market positions or any part thereof such that the outstanding market positions are either zeroed out or reduced to an extent where available margin covers the market positions remaining after such square off. 2. The company may also sell off all or any securities of the Client lying with itself as collateral or otherwise, for any amounts due by the Client and adjust the proceeds of such liquidation / close out against the client's liabilities / obligations to the company. 3. Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the client. The company shall also have right to close out any intra day positions taken by the client, in above circumstances. Such liquidation/ close out may be without any prior reference or notice to the client. 4. RMS Team may initiate liquidation of securities in following circumstances: <ol style="list-style-type: none"> a) When shortfall percentage exceeds the required Margin and the client fails to make good the Margin Call made to him within the specified time. b) When margin amount due from the client is not received by T+2 days. c) When amount due from the client is not received in case of Cash and F&O segment d) When any intra day position is open e) When any initial margin available in the client's account is less than the requirement for SPAN margin f) When any market disruption event occurs. 5. RMS Team can add some of the more criteria based on the circumstances as they may deem fit. 6. In case of F&O segment, RMS Team may close the positions of the client if shortfall margin is not provided or pay-in of funds is not done. They may sell such collateral/position which can release the maximum margin for F&O positions. 7. Work out the amount of securities to be liquidated from the client's holding to fulfil the Margin Call. 8. Risk Head(s) to decide on the priority of shares to be square off from the stock holdings of a client i.e. which scrip is to be liquidated first. Also the Stock Exchange in which the securities are to be squared off.
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