

RISK MANAGEMENT POLICY

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Index

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Introduction

Trading in stock market is always subject to market risks which cannot be predicted. Different kind of market risks are communicated to client at the time of account opening with us as risk disclosure document.

We seek to minimize the risk of loss through a dynamic risk management policy which is an essential feature of our operations.

It is important to note that our Risk Management Policy is not an insurance against losses but these are measures and precautions that are adopted by us to minimize the risk.

Our Policy is based on market scenarios and our risk perceptions of the market and SEBI/Exchange regulations for the time being in force. This can be change from time to time based market conditions and decisions basis of internal policies and practices.

Setting up client's Margin Limits

Margin Limit in Cash segment (Including MTF Product): ARSSBL Provides Margin based limit following the VAR and Extreme loss margin applies to scrip as defined by the Risk Management team time to time at its discretion. Hence Exposure for intraday and delivery transactions can be multiple (varying from scrip to scrip based on VAR (Margin rates) applies to scrip) of the ledger balance ,value of collateral benefit after applying haircut on holding lying in the client account and credit for sales .

The value of the “multiple” and the “haircut” shall be decided by ARSSBL based on market volatility and quality of collaterals. Limit on the basis of unsettled sales and uncleared cheques will be at discretion of ARSSBL.

Margin Limit for F&O & Currency segment: ARSSBL provides margin limit in F&O and Currency segments based on availability of initial and exposure margin upfront available into the client account in the form Ledger, cash collateral and non-cash collateral.

Client-wise differential limits: ARSSBL shall have the prerogative to allow differential limits in Cash, F&O and Currency segments varying from client to client, depending upon credit worthiness and past conduct of each client or any other criteria which ARSSBL may find suitable.

ARSSBL Discretions on limits:

- ARSSBL has discretion to change the limits on the basis of risk perception and other factors Considered relevant (such as broker level/exchange level limits in specific securities or Income declaration or volume Specific exposures based on surveillance measures
- ARSSBL shall not be able to inform the client of such variation, reduction or imposition in advance.
- ARSSBL shall not be responsible for client's inability to execute any order on account of any such variation, reduction or imposition of limits.

Refusal of orders for penny stocks

- Penny/ illiquid Stocks are traded at relatively low price and market capitalization. Anand Rathi Share and Stock Brokers Limited (ARSSBL) shall have absolute discretion to accept, refuse or partially accept any buy or sell order for execution from a client in respect of penny stocks, illiquid stocks, stocks having low liquidity, illiquid “options”, far month “options”, writing of “options”, and any other contracts which as per the perception of ARSSBL are extremely volatile or subject to Market manipulation
- ARSSBL may permit restrictive acceptance of orders in such scrips/contracts in controlled environments like orders received from clients being forwarded by branches to a centralized desk at HO instead of allowing trading in such scrips/contracts at branch level or through online trading platform. ARSSBL shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the client.
- ARSSBL may take appropriate declarations from the clients before accepting such orders.
- ARSSBL shall have the prerogative to place such restrictions, notwithstanding the fact that the client has adequate credit balance or margin available in his account and/or the client had previously purchased or sold such securities/contracts through ARSSBL itself.
- In addition to existing Surveillance action being imposed from time to time, it may be noted that securities which are under graded surveillance measures will attract additional surveillance measures.

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The right to sell clients securities or close clients positions, without giving notice to the client, on account of non-payment of clients dues (This shall be limited to the extent of settlement / margin obligation)

ARSSBL shall have the right to sell client's securities, both unpaid securities as well as collaterals deposited towards margins, or close out client's open positions, without giving notice to the client where there is a delay/failure of the client to the pay-in obligations and/or there is a failure of the client to bring additional margins to cover the increase in risk in the dynamic market conditions.

A. Unpaid Securities in Capital Market:

- In case of unpaid obligation on T+3, ARSSBL may sell the unpaid/ partially paid securities. In addition ARSSBL may sell the collaterals deposited by the client towards margins and/or paid securities purchased by the client in earlier settlements where the sale proceeds of unpaid securities are inadequate to cover the pay-in obligations and/where the unpaid securities appear to be comparatively illiquid and cannot be sold at reasonable rates to the extent required.
- ARSSBL may follow the Company Policy for liquidation of securities but it may not be binding on it to follow this method in all cases.

B. The margin shortfall in F&O, Currency and Commodity Segments:

- Positions of the client may be closed out to the extent of margin shortfall on the T+1 basis /Real time monitoring basis.
- While computing margin shortfall, value of unapproved securities shall not be considered.
- As per the Exchange requirements, the ARSSBL is required to maintain a prescribed ratio between cash and collaterals margin deposited with the Exchange. ARSSBL shall therefore have the prerogative to insist for at least such prescribed ratio % margin in cash and may not consider the value of securities over and above the cash component for the purpose of calculating margins shortfall and close the F&O and Currency segment position where it finds deviation.

C. Securities bought under Margin Trading Facility:

- Positions of the client may be closed out to the extent of margin shortfall on T+2 onwards or Real time monitoring basis.
- While computing margin shortfall, value of unapproved securities shall not be considered.
- In case of unpaid obligation, ARSSBL may sell the unpaid/ partially paid securities. In addition ARSSBL may sell the collaterals deposited by the client towards margins and/or paid securities purchased by the client in earlier settlements where the sale proceeds of unpaid securities are inadequate to cover the pay-in obligations and/where the unpaid securities appear to be comparatively illiquid and cannot be sold at reasonable rates to the extent required.

D. Intra-day positions:

- ARSSBL shall have right to close out any intra-day positions taken by the client after a defined 'Cutoff' time (Presently 15 minutes before close of market)

E. Risk Base Square off:

- All positions under All Product will be subject to 75% MTM Loss i.e. positions will be liquidated if loss reaches to a pre decided level of client margin loss. The OPEN positions (i.e. the carry forward overnight positions) and the intraday leverage position (across segments) will be squared off at 75% MTM Loss

F. Stock Derivative Contracts settled through Physical delivery

- Client's positions in Stock Option and Stock Future contracts which will expire in next 5 trading days may be closed if client do not have sufficient Margin available.

G. General:

- ARSSBL may take into account the sales made, positions closed by the client or collections

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received from the client till a cut off time (as per company policy) while selling the securities/closing the clients positions against debit / margin shortfall.

- While selling the securities/ closing the client positions, ARSSBL may not take into consideration Cheques showing unrealised although deposited by the client with ARSSBL until clear proceeds of such instruments are received by ARSSBL in its bank account. For this purposes Demand Draft / Pay order will not be taken into consideration.
- ARSSBL shall have the right to sell clients securities or close out client's position but it shall not be under any obligations to undertake this exercise compulsorily.
- ARSSBL shall have the right to sell clients securities in case of Ageing of debit and margin shortfall in the client account.
- ARSSBL shall not be responsible for any losses and penalties / charges levied by exchanges(s) caused on such square off.
- ARSSBL shall therefore not be under any obligation to compensate / or provide reasons of any delay or omission on its part to sell clients securities or close open positions of the client.

Restrictions on creation or carry forward positions

Below are conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client

A. All markets:

- Client is not having adequate margins as per conditions in Risk Management policy.

B. Capital markets:

- The client has not been able to meet his pay-in obligations in cash by the schedule date of pay-in irrespective of the value of collaterals available with ARSSBL.
- Clear proceeds of the cheque deposited by the client to meet the pay-in obligations have not yet been received by ARSSBL.
- Client is trading "illiquid" scrips and volumes in his account exceed internal cut off limit fixed by ARSSBL.
- ARSSBL exposure at "house level" in a specific scrip / contract exceeds the internal limits fixed by ARSSBL.

C. F&O, Currency and Commodity Segment:

- The client has not made payment for Market to Market loss in Ledger.
- The "open" positions in a contract exceeded or are close to market wide cut off limits or client wise permissible positions by exchange.
- ARSSBL shall have the prerogative to place such restrictions on creating position in Stock Option & Stock Futures contracts (Settled through physical delivery) which will expire in next 5 days, notwithstanding the fact that the client has adequate credit balance or margin available in his account and/or the client had previously purchased or sold such contracts through ARSSBL itself. ARSSBL shall not be under any obligations to undertake this right compulsorily.

D. INTRA- DAY:

- Clients will not be able to place intra-day orders after a cut-off time fixed by ARSSBL. (15 minutes prior to close of market)

E. Event Based:

- Where based on a corporate / market event, ARSSBL has the risk perception that further trading in the securities /contracts may not be allowed to its clients and/or the market.

Temporarily suspending or closing a client's account at the clients' request

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- ARSSBL may carry a periodic review of the client accounts and may suspend the accounts from trading in the following circumstances:
- The client is inactive for more than 12 month across group companies
- The account is under investigation by any regulatory body.
- Based on the recommendations made by the branch manager due to excessive speculations, unclear balances.
- Physical contract notes are received back undelivered due to reasons like “no such person”,
- “Addressee” left, refusal to accept mails, signature mismatch on POD’s or other reasons which may create suspicion.
- DCN failed (bounced email) on more than 3 instances until client submits and registers new email id.
- Non-delivery of the Statement of Account sent on periodic basis.
- Non-Update of communication details viz., email id, mobile no., landline details or it is found to be belonging to a third person.
- Client lodges a complaint either directly with ARSSBL or through Exchange relating alleged Unauthorized Trades being executed in the account.
- On notices received from statutory, Government or Local authorities and Income Tax, a Judicial or Quasi-Judicial authority, etc.
- Client is reported to or known to have expired.
- ARSSBL may also suspend the account based on the written request received from the client

Deregistering a client

- ARSSBL may de-register the client account based on action taken by SEBI/NSE/BSE or being part of list of debarred entities published by SEBI.
- ARSSBL may also initiate action for deregistering a client on basis of information found in sites of CIBIL, Watch out investors, world check or client having suspicious back ground, link with suspicious organization, etc.
- ARSSBL shall have right to close out the existing positions; sell the collaterals to recover its dues, if any, before de-registering the client.
- ARSSBL may freeze the assets of the client where it deems prudent, at time of de-registering a client.

Procedure for Activation of in-operative accounts

- Any client is not doing single transaction into trading account with us for a period of 12 months.
- To activate these dormant / inoperative accounts, clients require to fill up a dormant activation form and provide the other related documents (including IPV) and details as per company policy
- Refund of surplus funds to Dormant Client: We have a system of advance intimation of dormant in client account and client money is return back on client request basis
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Intimation to clients

- Client can view details of his/her ledger, holdings, margin etc. via secured login on internet login provided to client.
- Regular intimations regarding debit, information about margin shortage with penalty amount, communication regarding liquidation is sent through SMS and email on the clients’ registered mobile number and email address respectively.

Margin collection in Derivative segments

A. Equity Derivative Segment:-

- Total Margin levied by exchange is to be given on upfront basis by Client.
- Mark to Market Losses are to be given as soon as margin calls are made by ARSSBL and client will have time only till T+1 working day to provide such margins.

B. Currency Derivative Segment:-

- Total Margin levied by exchange is to be collected on upfront basis.
- Mark to Market Losses are to be given as soon as margin calls are made by ARSSBL and client will have time only till T+1 working day to provide such margins.

C. Commodity Derivative Segment:-

- Total Margin (Initial + Exposure + Net Buy Premium) levied by exchange is to be collected on upfront basis.
- Other Margin and Mark to Market Losses are to be given as soon as margin calls are made by ARSSBL and client will have time only till T+2 working day to provide such margins.

D. Cash Segment:-

- Total Margin (Minimum Margin) levied by exchange is to be collected on upfront basis.
- Other Margin (Adhoc Margin) and Mark to Market Losses are to be given as soon as margin calls are made by ARSSBL and client will have time only till T+2 working day to provide such margins.

Note:- The period of 'T+1' or 'T+2' working days has been allowed to client to provide margin taking into account the practical difficulties often faced by the client only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them.

Margin Trading Facility (MTF)

SEBI / Exchanges prescribe eligibility conditions and procedural details for allowing the Margin Trading Facility from time to time. Apart from guidelines prescribed by regulating authorities, ARSSBL shall follow below points and ARSSBL has discretion to change the same from time to time.

- MTF segment is activated only after consent from client.
- ARSSBL shall have the prerogative to allow / not to allow MTF facility to client.
- Trade done with MTF Product on Trading Platform will be booked in Backoffice as MTF Trades only in case free margin available in MTF book, rest all trades will be moved to Broking book.
- Product conversion is not allowed. For e.g. CNC or MIS to MTF or vice a versa.
- Separate Intimation through mail will be sent for the trades which are booked as MTF trade in MTF books.

Important Notes

Apart from above, below are important points which need to take a note while trading. Below list is indicative and not exhaustive.

- CNC selling benefit for subsequent fresh position on T day will be available up to 80% of sell value.
- 80% of the sell value will be considered for MTM alert (75% Loss of available funds)
- Peak Margin obligation will be there if client does intraday trading.
- Peak/EOD Margin obligation will be there if client sell stock during the day and take other position during the day and then buy back same stock before market close.

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- Margin may Increase during the day due to hedge position close (1 leg cover) or Market volatility or Price change or change in Margin % by exchange. In case client is not having sufficient reportable balance (Collateral pledge +Ledger) then there will be Peak/EOD Margin Shortfall and penalty may be levied for the same to client.
- If client sells stock under MTF product and wants to buy it back then system will allow to buyback the same even if margin is not available, this is due to system limitation of Trading platform and if client is not having sufficient reportable balance (Collateral pledge +Ledger) then there will be Peak Margin Shortfall and penalty may be levied for the same to client.
- Upfront Margin is required for selling BTST stock, but margin for selling BTST stock under MTF product is being not blocked on trading platform so if client is not having sufficient reportable balance (Collateral pledge +Ledger) then there will be Peak Margin Shortfall and penalty may be levied for the same to client.
- Any stock sold under MTF product, system will release 100% CNC sell credit rather than 80% so there will be additional 20% limit available in trading platform and if client utilize this additional limit and client is not having sufficient reportable balance (Collateral pledge +Ledger) then there will be Peak/EOD Margin Shortfall and penalty may be levied for the same to client.
- If any stock release from Broker's pool / CUSA to client's DMAT A/c , if there is any margin requirement and client is not initiated Margin pledge client is not having sufficient reportable balance (Collateral pledge +Ledger) then there will be Peak/EOD Margin Shortfall and penalty may be levied for the same to client.