



## **Risk Management Policy**

This Risk Management Policy of Prabhudas Lilladher Pvt Ltd. (hereinafter referred as "PL") briefly covers the tools, techniques and strategies used to contain risk in trading and settlement in the equity and/or equity derivative segments of BSE/NSE. PL had adopted various guidelines issued by SEBI/Stock Exchanges and best industry practices to frame the Policy. Client trading at various exchange segments are enabled through CTCL Trading Systems where trading limits are set up based on cash/securities margins received from clients.

### **Cash collateral**

Cash collateral means ledger credit after removing the effect of margin debits/credits and credits against undelivered sale. Cheque in Transit is added to Cash margin at cash segment at the discretion of PL provided there is no occurrences of cheque dishonor, delayed collection beyond a week or non-collection for three times or more in two consecutive financial years.

### **Securities collateral**

Securities as collateral is considered in all segments includes (a) securities pledged by client to PL, valued at lower of the last traded prices quoted and reduced by a Haircut @ PL VAR. PL VAR is arrived from higher of VAR + ELM + ADHOC + Additional ad hoc haircut by PL depending on the market volatility and risk.

Securities as collateral is accepted only from the list of securities approved by NSE from time to time. Clients are required to maintain the collateral in the form of Securities collateral and Cash & Cash equivalent at 50:50 ratio. Higher Security ratio is permitted to specified large volume clients based on an approval process and at the sole discretion of PL.

### **Cash equivalents Collateral**

Exchange gives a list of approved securities which forms the part of cash equivalents collateral. These instruments are generally Govt. Securities, Liquid ETF, Sovereign Gold Bonds etc. These are valued for collateral after the applicable haircut.

### **Required Margin on Orders/Trades**

PL follows the order based margining system as practiced by BSE/NSE. Orders are accepted till the Required collateral is within available Margin.

- Available Limit = Cash collateral + Securities collateral after HC
- Required Margin (Cash segment) = Aggregate Margin applied on orders and trades at rates specified in the securities basket attached to a client
- Required Margin (Derivative segment) = Aggregate Margin applied on orders and trades based on Exchange Margins including Initial Margin, Exposure margin, Premium margin and Special Margin.

**Prabhudas Lilladher Private Limited**

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SEBI Regn. No - **Broking:** INZ000196637 | Membership codes: **BSE:** 564 | **NSE:** 05977 | **MCX:** 40690

**Depository Participant:** IN-DP-439-2019 | DP ID: **CSDL:** 12011300 | **NSDL:** IN303868

**PMS:** INP000008279 | **Research Analyst:** INH000000271 | **Investment Advisory:** INA000018267 | **AMEI:** 3276

### Limits at Equity Segment of BSE/NSE

- 1) Limits will be given to clients where sufficient collateral is available against the upfront margin applicable.
- 2) Limits against the Cheque/Transfer of funds will be given after receipt of the clear credit. Limits against securities pledged by the client will be given only after the repledge of approved securities confirmed by clearing corporations.
- 3) Limit calculation will be as follows,
  - a. Haircut will be as per current system (PL Haircut)
  - b. T-1 day cash segment sell margin utilization values are adjusted against the available deposits on T-day
  - c. Approved Collateral Pledged stocks.
  - d. Credit for sale benefit will be given after adjusting PL Haircut
- 4) In MTF, upon sale of MTF collateral stocks credit for sale benefit will be given post stock haircut. Rest there is no change in MTF.
- 5) For Options buy limit will be on Cash credit balance only.
- 6) Booked Profits for the day will not be allowed to take fresh positions in Derivatives

### Stock Category

Particulars	Margin Benefit	Sell Allowed	Credit For Sale	Haircut	CFS HAIRUCT
DP-POA/DDPI	NO	YES	YES	PL Haircut	Higher of PL haircut or 20%
DP-Non POA/DDPI	NO	YES	YES	PL Haircut	Higher of PL haircut or 20%
BTST	NO	YES	NO	NA	NA
POA Pledged	YES	YES	YES	PL Haircut	Higher of PL haircut or 20%
CUSPA	NO	YSE	NO	NA	NA
MTF - Collateral	NO	YES	NO	NA	NA

Clients are allowed to place orders in Intra Day Product and Delivery Product. Sale in delivery product is permitted only from holdings uploaded for POA/DDPI registered clients and required margin will be zero on such sale. Securities Basket is attached to each client to facilitate application of differential margin rates for Intra Day/Delivery Product. Basket contain all listed Securities classified into different categories and the following margin rates are generally applied in a Securities Basket

Intra-day positions are required to be squared up by client before the market close. If the margin applicable on net buy/sell position of a client at market close exceeds their available margin, PL reserves the right to suspend the client on next trading day and close extra positions without waiting for delivery of securities from client/ exchange. Any loss resulting from such action shall be fully borne by the client.

PL reserve the right to disallow Intra Day Product, disallow trade in illiquid scrip/risky securities unless the purchase consideration is fully paid upfront and/or securities to be sold are fully delivered upfront and specify client-wise security-wise differential margin rates to product(s)

### Limits at Derivative segments of NSE

Clients are allowed to place orders in Intraday and Carry Forward Product. Intra-day positions are required to be squared up by client before the market close. Positions built up in carry forward product

shall be carried forward to next trading day.

### **Combined Limit across BSE/NSE Equity and NSE Derivative Segments**

PL permits combined limit across All segments for client Cash Margins at Cash segment and Derivative segments and client to take positions at any desired segment subject to availability of collateral at client level.

### **Margin Calls**

Cash Segment margin calls triggered when Adjusted debit to Securities Holding ratio reach 85%. Derivative margin calls triggered on margin shortage exceeding 10% of required margin.

### **Settlement of Funds/Securities**

#### **Funds / Securities Pay-in**

- Funds/Securities Pay-in are to be settled by client as per deadline set by Exchange(s) Cash Segment funds/securities pay-in is due by T+1 day
- Derivative segments funds pay-in is due by T+1 day
- Funds pay-in is accepted from only from client's own Bank Accounts registered with PL. Securities pay-in is accepted only from client from their B.O. Accounts registered with PL. Short Deliveries shall result into Auction/Close-out
- Internal Short Deliveries at BSE is auctioned at BSE through Self Auction Internal Short Deliveries at NSE is closed out as per NSE formula.

#### **Funds /Securities Pay-out**

- PL settles pay-out as per SEBI guidelines
- Securities pay-out shall be transferred to client's B.O. A/c registered as default DP A/c with PL for the credit clients. However for the debit share are moved to client DP and are marked as CUSPA pledge.
- Direct Funds Pay-out to client can be made through fund transfer/RTGS/NEFT only.

#### **Trail for Receipt of funds from clients**

- SEBI had mandated for money to be received by Broker from client's own bank account and sufficient trail of money to be obtained by Brokers for all receipts from clients.
- Clients Cheques to be deposited compulsory CMS collection except for Intra-bank fund transfers ATOM fund transfer recommended from client bank accounts enabled with third party validation. ATOM is an approved collection agent of PL for on-line fund transfer.
- For all receipts from clients where insufficient money trail is provided to PL by banks, credit will be given to client ledger only after getting the required supporting document from client.

#### **Penalties chargeable to client:**

- Penalty on short sale charged by Stock Exchange(s)
- Penalty on Client Code Modifications charged by Stock Exchange(s) Penalty on Derivative Margin Shortages charged by Stock Exchange(s).

- Penalty for dishonor of cheque charges
- Penalty for Delayed Funds Pay-in charged by PL @ 1.5% p.m. on dues across all segments Accrued delayed pay-in charges not covered by holdings with PL to be provisioned from remittance to clients.

#### **Procedure for withholding securities against client overdues**

Securities to be withheld by PL HO at the higher of the following:

- Security Gross Value up to 200% of overdue will be held in CUSPA.
- Security after VAR Haircut up to the Overdue.
- Overdue to include ledger debit, clear/unsettled naked losses at Cash/Derivative segments.
- Cheque in Transit shall not be considered for computation of overdue
- Securities with lower VAR shall be retained first at HO against Overdue
- Excess securities withheld shall be released to client during daily securities pay-out session

#### **Suspension of Trade Permission**

Trading Permission shall be suspended due to reasons including the following:

Request from client for a Temporary Freeze

- Client failure to meet margin/funds obligations
- Suspected unfair practices by client including money laundering SEBI Investigation/Indictment of client
- Client KRA is not complied.
- Client request to suspend the trading against the voluntary request.
- Closure of client account due to various reasons including death

#### **Recovery of Overdue**

##### **Sale of Securities against Unpaid Dues at cash segment**

- SMS alert shall be sent to Clients having mobile number for overdue beyond T+2. Recovery Sale to include withheld securities in CUSA.
- Recovery Sale shall be done at PL HO after providing one day opportunity to Client for sale through Dealer/ Branch/SB/AP
- Normal Recovery Sale scheduled on T+6 day based on overdue arrived on FIFO basis
- MTM Recovery Sale scheduled on T+3 day for clients where ratio of Adjusted Debit to Security Holding Value exceeded 90%
- Recovery Sale to be done through bulk uploads of orders around 9.30 a.m.
- Clients eligible for exchange switching shall be activated after recovery sale to enable them to buy back the security at the other Exchange. Buy back shall be disallowed to clients where ratio of Adjusted Debit to Security Holding Value exceeded 90%
- PL shall not liable for losses on account of delayed sale of securities for any reason including lower circuit filter and/or illiquid counter

##### **Close out of Derivative Open positions/ Sale of Securities Margin**

- Daily margin sent to the client will have the details of shortfall margin, outstanding debits due by the client. Clients are required to pay the shortfalls before the next trading day failing which client

positions will be squared off to recover the shortfall.

- Margin calls shall be sent to clients by mail and/or SMS demanding payment of Margin/Mark To Market losses/Premium overdue and client shall be placed under Square-up Mode.
- Open positions of clients to be closed out on client failure to pay the overdue despite margin calls made.
- If the overdue is purely on account of MTM/Premium shortfall, PL may exercise it's discretion to close positions and/or sell derivative Securities Margin.
- Positions may be fully closed out where ratio of adjusted Debit to Security Holding Value exceeded 90% or on persistent failure of client to clear MTM losses
- Any residual shortfall to be met by sale of client securities margin at cash segment

If dues are not cleared, recovery process shall be initiated against client as per rules. PL shall reserve the right to revise the above policy through appropriate additions, deletions and/or modifications and client is requested to keep updated with the latest policy published at [www.plindia.com](http://www.plindia.com)

**For M/s. Prabhudas Lilladher Private Limited**

**SD/-**