

## **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 Margin**

Cash Margin means debit/credit in client ledger 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 dishonour, delayed collection beyond a week or non-collection for three times or more in two consecutive financial years.

### **Securities Margin**

Securities Margin considered in all segments includes (a) securities received/receivable by PL against client purchases (b) securities pledged by client to PL, valued at lower of the last traded prices quoted at BSE/NSE and reduced by a Haircut @ PL VAR. PL VAR is arrived from higher of VAR+ELM+ADHOC rate specified by BSE/NSE for Non-Risky securities and @ 100% for Risky Securities as identified by PL based on impact cost, liquidity, traded volume, operator presence, loss making, ASM, GSM etc.

Securities Margin is accepted only from the list of securities approved by NSE from time to time. Clients may arrange Exchange Margins fully in the form of Securities Margin up to Rs.5 lakhs and thereafter at 50:50 ratio for Cash: Securities. Higher Security ratios are permitted to specified large volume clients based on an approval process.

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

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

- ✚ Available Margin = Cash Margin + Securities Margin
- ✚ 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. Specified large volume clients are exempted from Exposure Margin based on approval.

### **Limits at Equity Segment of BSE/NSE**

Clients are normally allowed to place orders in Intra Day Product and Delivery Product. Sale in delivery product is permitted only from Securities margin 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 4 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 (a) disallow Intra Day Product (b) 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 (c) specify client-wise security-wise differential margin rates to product(s)

Intraday Product at with lower margin rates is permitted to specified clients subject to the following:

- ✚ Undertaking to be signed by client for MTM & Timer based Square up
- ✚ Client to compulsorily provide Mobile number and own mail Id
- ✚ Client to meet margin/funds obligation preferably using on-line fund transfer
- ✚ PL to restrict Securities eligible for high leveraged intraday trading
- ✚ MTM Square-up to trigger any time during market when losses consume 90% of available margin at equity segment and shall dispose all holdings including intra-day open positions
- ✚ Conversion of positions from Intra-Day to Carry Forward and vice versa subject to available margin
- ✚ Timer-based square-up to trigger at set time within last 15 minutes of market close and would square-up open intra-day trades only

### **Limits at Derivative segments of NSE**

Client are permitted to trade at Derivative Segments of NSE provided they register their mobile number and own mail Id with PL, authorise PL for Running Account and provide proof of Income details as prescribed by SEBI. Fresh positions not permitted in securities under Ban Period. PL shall reserve the right to disallow trading in Illiquid Option Counters.

Clients are normally 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.

Intraday Product with lower margin rates is permitted to specified clients subject to the following:

- ✚ Undertaking to be signed by client for MTM & Timer based Square up
- ✚ Client to meet margin/funds obligation using on-line fund transfer
- ✚ PL to restrict the securities eligible for high leveraged intraday trading
- ✚ Special Margin rates for each instrument to be specified for Intra-day positions
- ✚ MTM Square-up when losses consume 90% of available Derivative margin
- ✚ MTM Square-up to dispose all positions including intra-day / carry forward open positions
- ✚ Conversion of positions from Intra-Day to Carry Forward and vice versa subject to available margin
- ✚ Timer-based square-up to trigger at set time within last 15 minutes of market close
- ✚ Timer based square-up to clear intra-day trades only

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

- ✦ PL permits combined limit across All segments for client/group of clients Cash Margins at
- ✦ Cash segment and Derivative segments to be complemented each other Fungible Cash
- ✦ Margins shall enable client to take positions at any desired segment Security Margin at
- ✦ Cash segment is also considered at Derivative segment and vice versa

## **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+2 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 HO
- ✦ Securities pay-in is accepted only from client from their B.O. Accounts registered with PL HO
- ✦ 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 to settle 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, on FIFO basis, after providing for client overdue.
- ✦ Direct Funds Pay-out to client can be made through fund transfer/RTGS/NEFT
- ✦ If no bank a/c registered for direct credit, effort shall be made to print cheque at the remote location of Branch/SB/AP
- ✦ If no remote cheque print possible, cheque shall be printed at PL HO and dispatched to client
- ✦ If authority to maintain running account is taken from client, settlement to be done once in calendar quarter/month after retaining money/security for future obligations and an additional margin @75% of current margin, as suggested by SEBI

### **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 dishonour or non-collection of cheques
- ✦ 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 overdue**

- ✚ Securities to be withheld by PL HO at the higher of the following:
  - Security Gross Value up to 200% of overdue
  - 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
- ✚ 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**

- ✚ 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 on two consecutive days.
- ✚ 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 though appropriate additions, deletions and/or modifications and client is requested to keep updated with the latest policy published at [plclients.com](http://plclients.com)