

## **Risk Management Policy**

A Risk Management System is an integral part of an efficient risk system. We have put in place a comprehensive risk management policy system, which is constantly upgraded as per the latest notifications, directions and guidelines issued by exchange, SEBI and other authorities in respect of securities market.

The purpose of this manual is to provide all employees of Ganesh Stockinvest Private Limited (SEB) with a reference to manual containing policies and procedures established by the company. In the interest of brevity, an attempt has been made to include only that information which may be used under normal operating circumstances. For exceptional situations, it is recommended that the appropriate authority is contacted.

The model of RMS consists of Branches and Authorized Person. All the staff of branches, including Branch manager, RM, dealer and also covering all those who are directly, indirectly dealing with client needs to understand and following the policy in order to ensure hassle free market/trading operations.

### **Risk Management Operations:-**

We have a client level risk management system wherein the margins/collaterals of all the clients are uploaded to the front office software of the Company. The clients are allotted exposure based on the margin/collaterals available with us.

VaR / Initial margin is collected upfront from all the clients. Margins are collected either by cheques and other banking instruments through mapped bank accounts of the client/TM, by securities and other eligible instruments prescribed by SEBI/Exchange. The collaterals given by the clients towards margin are accepted only after haircut called "VaR" which is never less than that fixed by the Exchange. An extra VaR is generally applied for haircut on collaterals to give extra cushion against volatility and exposure is allowed accordingly. VaR is calculated taking into consideration many factors such impact cost, VaR by Exchange(s), Market Capitalization, turnover etc.

The clients are allowed to execute transactions and the VaR / Initial margin is blocked based on the exposure availed by the client. In the Capital Market segment the clients are required to pay the balance amount within the stipulated time and regular follow-ups are ensured for recovery of debit balances.

Based on above following are primarily functions of Risk management department includes:

- To check capital adequacy for exposure and requirements of the clients.
- Monitoring of clients order, patterns of trade, order rejection, increasing of exposure/limit.
- Monitoring MTM profits/loss incurred out of trades.
- Benchmarking Margin Vs Exposure of client.
- Decision taking with regards to squaring off positions on account of MTM

loss or margin shortfalls or any other reasons that may come across.

**Client Margin Deposit Calculation for FNO/CDS:**

An upfront margin is required from client to trade in F&O/CDS segment

All margin deposit of a client will be valued on T-1 day for T Day (Example. Trading Day (T Day): Tuesday 03rd March 2022: All margin deposit will be valued according Date 02rd Mar 2022 i.e. (T-1 Day)

**Note:**

- 1) T-1 margin does not include trading date FNO/CDS MTM and credit posting which will actually be treated as accrued for T Day reporting.
- 2) Option sold premium will not be considered for limit purpose for Future although same can be considered for buying premium option of the same value.
- 3) Any MTM (either booked or notional) shall not be considered for limit purpose till settlement of the same.

**Trading Limit Guidelines/Collateral Margin:**

Total Deposit = Ledger Balance+ Pledged Stock Value after Haircut + Fund Transfer  
(Same day, if any)

Particular	Cash	FO		CD		Commodities	
		Future 1 X Future	Option 1 X (Premium)	Future 1 X Margin	Option 1 X (Premium)	Future MCX : 1 X NCDEX : 1 X NSE/BSE Commodity : 1 X	Option 1 X (Premium)
<b>Intraday Exposure</b>	<b>As per VAR</b>						
<b>Delivery Limit / Carried Forward</b>	1 X of Limit Set	1 X of Limit Set		1 X of Limit Set		1 X of Limit Set	
		It is compulsory to keep 100% margin as per the exchange norms.					
<b>Limit Setting</b>		Limit is set on Equity + Currency +Commodity on combined basis					
<b>Criteria for Position Square off</b>		<b><u>Intraday Sq - off</u></b> Cash & FO :- 3.20 pm, NSECD :- 4.50 pm, MCX :- 4.45 and 11.15 or 11.45 PM					

\*The positions taken for intra-day should be cleared within the time frame as mentioned above. TM is not responsible for any open position that remains uncovered due to any technical failure after 3.10 p.m.

➤ **MTM Sq- off:**

a) First Call = 70%, b) Second call = 80%, c) Final call/Square off=90%

Note: Once the MTM loss of the intra-day positions reach 80% of the margin available, the positions should be cleared from the branch concerned, failing which the positions taken for the intra-day will be cleared off from RMS & Surveillance dept., therein after only ATOM, or Fund Transfer is allowed to increase the exposure or limit.

➤ In case client MTM loss reaches to 60-70% at the end of the day, client will have to reduce the position up to the level of 50% or need to enhance the limit by additional margin.

➤ **Client should further note that in the case of extreme volatility or with low liquidity contracts, the square off (MTM loss ) may be above 100% of the available capital for which Client is solely responsible and liable to clear any debit occurs due to position square off.**

➤ **7 Days Sq-off**

Stock broker shall not grant further exposure to the clients having debit balance beyond T+7 (T+2+5, wherein T indicates Trading day). Client should provide adequate amount or reduce position up-to ageing debit amount on the day of T+6 for further exposure. Client shall not be allowed for Intraday trading also (across segment) beyond T+7.

- To obtain new exposure client should provide 100 % amount up-to ageing debit amount by cheque /fund transfer. Any NEFT/IMPS/RTGS is to be done and it should be received before 2.30 pm. Payment for all debits older than 7 days have to be cleared by 2.30 pm.
- If the open position clearance not been initiated from branch, then same would be cleared from RMS department (Head office). In this regard, company shall not be responsible for any loss.
- At the time of selling stocks, below method is followed:
  - Stock from Beneficiary Account
  - Stock from Margin Account (If sufficient stocks are not found in Beneficiary A/c)
- In case stock valuation falls below 20% of the total ledger debit, square off can be done even before T+2 days.

➤ In case at any point of time, if the client ledger arrived to debit due to whatever market volatile or higher position values in less margin or dishonor

	<p>of pay in client will be responsible to pay the dues to clear the outstanding in his/her ledger.</p> <ul style="list-style-type: none"> <li>➤ In any circumstances client fails to pay the due amount, company will have legal right to recover such an amount from client.</li> <li>➤ In case client carries commodity or Derivatives position more than 1 time, they need to pay shortfall on next day before 10.30 am or before MTM hits 80% of the total credit available. In case the same is not done, the position will be squared off as per timelines mentioned in the policy.</li> </ul> <p style="text-align: center;">* Note: T+1 day consideration shall not be given to such client, where instances of cheque bouncing or cheque reversal have taken place in the past.</p> <ul style="list-style-type: none"> <li>➤ The MTM loss arising in F&amp;O positions need to be paid on the same day (T day) so that MTM settlement can be performed properly, failing which the positions may be reduced to the available margin level.</li> </ul>
<b>Cheque Bounce or Reversed Cheque</b>	<p>First time instance – the position will be liquidated up to the shortfall amount and no further position will be granted.</p> <p>Second to Fourth instance – Trading will be allowed based on clear balance</p> <p>5 &amp; more – Trading account will be closed and freeze and subsequent reporting will be done to appropriate authority or FIU</p>
<b>Exposure/Limit on Unclear</b>	<p>Limits shall not be provided for clients on cheque under clearing in the following conditions:</p> <p>Branch has given the cheque details but the cheque is actually not presented to the bank.</p> <p>Cheque entered in id but it's not collected</p>
<b>Cheque</b>	<ul style="list-style-type: none"> <li>➤ No limit is allowed against out-station cheque</li> <li>➤ Every new client the exposure limits for transaction shall be given after the clearance of margin cheque</li> <li>➤ No special approvals are accepted/ entertained for those clients who are in cheque bounce history and with negative ledger</li> <li>➤ Limit against cheque may be provided in the same day in case if the cheque is deposited in the same bank (Where issuing bank and the bank in which cheque is deposited is same)</li> <li>➤ In case of other cheques it is given after it gets cleared and Accounts Department gives that confirmation to RMS Department.</li> </ul>

<b>Banned Securities</b>	<ul style="list-style-type: none"> <li>➤ Intraday position may be allowed on Ban scrip in F&amp;O</li> <li>➤ Commodity declared BAN by the exchange, no further exposure permitted</li> <li>➤ Trading in commodity contracts will be banned a day prior to the delivery intention period</li> <li>➤ Physical delivery of commodities is not allowed.</li> <li>➤ Physical delivery of derivative contracts is squared off before expiry, if adequate balance is not available.</li> </ul>
<b>Illiquid stocks/ Agro Products</b>	<ul style="list-style-type: none"> <li>➤ Exposure: only 1 time exposure may be given on illiquid stock or Z or BE group</li> <li>➤ In equity segment newly listed shares usually do not have any DPR and hence, the chances for rate fluctuations are more. So the dealing in newly listed share may be restricted to the available credit balance after considering the M2M levels.</li> </ul>
<b>Penalty</b>	<ul style="list-style-type: none"> <li>➤ Any delay payment (after T+2) may attract a penalty against delay payment charges (DPC) @18% interest p.a.</li> <li>➤ Any penalty by the exchange on transaction will be levied to the respective client</li> <li>➤ In case of Bounce cheque a penalty of Rs.200 may be debited to the account</li> <li>➤ In case of F&amp;O/commodity Margin shortfall, actual penalty will be charged as per exchange</li> </ul>
<b>Clarification regarding margin collection by clients</b>	<ul style="list-style-type: none"> <li>➤ Free balance available on current day (T day) with client in different segments (Cash/FO/CD) across exchanges may be considered for margin collection</li> <li>➤ Only exchange approved stock in Pool Account &amp; Collateral account will be considered for margin collection.</li> <li>➤ Shares in Pool Account &amp; Collateral Account may be considered for intraday exposure in derivative segment subject to a haircut of VAR margin. Exposure for C/F will be subject to availability of clear fund balance &amp; collateral holding only.</li> <li>➤ Limit against premium credit for sell of option contract: <ul style="list-style-type: none"> <li>* Allow to take position in Option Contract Buy/Sell on same day</li> <li>* Disallow to take position in Future &amp; Option contract sell on same day</li> <li>* Allow to take intraday or Delivery position for EQUITY scrips on very same day</li> </ul> </li> <li>➤ MTM profit cannot be considered for taking fresh position in FNO segment.</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Provisional Margin shortfall penalty &amp; late payment fees will be blocked from clear balance when payout.</li> </ul>
<p><b>Prohibition of manipulative, fraudulent and unfair trade practices</b></p>	<ul style="list-style-type: none"> <li>➤ In case a client, dealer, or BM is found to be involved in manipulative, fraudulent unethical and unfair trade practices, strict action will be taken against them. Following are few examples of activities which are prohibited. <ul style="list-style-type: none"> <li>• Synchronized trading</li> <li>• Client Exchange Volume</li> <li>• Off Market Transfer to Multiple clients and from multiple to single account</li> <li>• Client Script Concentration</li> <li>• Illiquid stock trading</li> <li>• Client Purchase/Sale to Income</li> <li>• Profit loss transfer</li> <li>• Guaranteed returns or promise undue advantages</li> <li>• Planting false or misleading news, spreading rumor with the objective of enhancing brokerage or commission</li> </ul> </li> </ul>
<p><b>Quarterly/ Monthly Settlement</b></p>	<ul style="list-style-type: none"> <li>➤ Accounts needs to be settled once every quarter/month as per preference selected by him at the time of Account opening</li> </ul> <p><b>Periodicity of Settlement</b> The maximum time gap between two consecutive periodical settlements shall not exceed 30/90 days depending upon relevant clients' authorization, subject to the following:</p> <ul style="list-style-type: none"> <li>• In case of clients having regular transactions, the period of 30/90 days shall start w.e.f. the date immediately following the date of last settlement;</li> <li>• In case of new clients and clients having irregular transactions (i.e. the clients who have nil financial credit balance during last 30 calendar days), the period of 30/90 days shall start w.e.f. the date on which fresh clear funds are first credited to clients' trading account;</li> <li>• Further, all such clients who have neither traded nor held any derivatives' open positions in last 30 calendar days shall also be compulsorily settled within next 3 working days notwithstanding their last settlement date and/or periodicity of settlement chosen by them.</li> </ul> <p>The other operational guidelines prescribed in this regard by Stock / Commodity Exchanges or SEBI shall also be strictly adhered to without fail.</p> <ul style="list-style-type: none"> <li>➤ While carrying out the settlement of funds, End of the Day (EOD) clear balance of funds across all segments of all the Exchanges, as on the date of settlement, shall be considered.</li> </ul>

	<p><b>Value of clear funds that may be retained at the time of settlement:</b></p> <ul style="list-style-type: none"> <li>➤ At the time of settlement, we shall retain following fund balances of clients: <ul style="list-style-type: none"> <li>-</li> <li>i. entire pay-in obligation of funds outstanding at the end of day as on the date of settlement; and</li> <li>ii. Excess of 225% of clients' total margins liability (excluding the margin on consolidated crystallized obligation/ MTM) for the settlement day (previous trading day in case of settlement on a trading holiday) over value of securities pledged by the client as on the date of settlement, if any</li> </ul> </li> <li>➤ Note: For the purpose of securities valuation as per Clause II above, the closing rate for the tradedate prior to the settlement date (T-1 day) shall be considered after appropriate hair-cut viz. VaR margin rate applicable for the security in the Capital Market segment.</li> </ul> <p><b>Mode of payment to clients for settlement purposes:</b></p> <ul style="list-style-type: none"> <li>➤ For the purpose of settlement of funds, the mode of transfer of funds shall be by way of electronic fund transfer viz., through National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), etc.</li> <li>➤ The payment through a physical payment instrument (cheque or demand draft) shall be made only in such cases where electronic payment instructions have failed or have been rejected by the bank.</li> <li>➤ <a href="https://www.nseindia.com/trade/members-faqs-actual-settlement-of-funds-and-securities">https://www.nseindia.com/trade/members-faqs-actual-settlement-of-funds-and-securities</a></li> </ul>
<b>POA Stocks</b>	<ul style="list-style-type: none"> <li>➤ Margin POA required for Currency &amp; F&amp;O trading</li> <li>➤ Only Intraday Limit is provided on the behalf of POA stock provided client need to pay the loss if any till T+1 day.</li> </ul>
<b>Delivery Margin requirement for Long/Buy option positions</b>	<ul style="list-style-type: none"> <li>➤ It is mandatory to maintain the margin in the expiry week for In the money long/buy options otherwise shortfall penalty will be levied.</li> </ul>

<b>Online Trading Guidelines</b>	<ul style="list-style-type: none"> <li>➤ All clients who have opted for Internet based trading (Online Trading) accounts will be given a user ID and password. Such clients will execute trade through his Online Trading system only.</li> <li>➤ TM is not responsible if the password is shared / disclosed to another person by client himself. Such clients have responsibility to execute trade and square off the position through provided Online Trading system within prescribed time frame and TM will not interfere in between trades as executed by client.</li> <li>➤ In the special case, client may request TM to square off the same. In absence of such request or otherwise, TM may square off the position as and when required.</li> </ul>
<b>Risk Disclosure Guidelines</b>	<ul style="list-style-type: none"> <li>➤ Clients must aware about the "Risk Disclosure Documents" as prescribed by SEBI/exchange. In the light of the various risk involved, as mentioned in the "Risk Disclosure Documents", client should undertake transactions only if they understand the nature of the relationship into which executing trading.</li> <li>➤ TM is not liable or held responsible for such Risk. The clients shall be solely responsible for the consequences and no contract can be rescinded on that account.</li> </ul>
<b>General</b>	<ul style="list-style-type: none"> <li>➤ No family adjustment of ledger or Cheque is allowed</li> <li>➤ Third party Cheques or collateral securities are not accepted</li> <li>➤ Positions taken as intraday can be converted to Delivery Product (MIS to NRML) subject to the availability of credit balance or on confirmation of Fund transfer.</li> <li>➤ AMO may be cancelled if the price entered is more than 15% away from the LTP in either direction</li> <li>➤ AMO may be cancelled if client do not have sufficient funds</li> <li>➤ Positions may be squared off immediately, if cheque bounces (due to any reason).</li> <li>➤ Trading in Z group is not allowed</li> <li>➤ No unlimited access granted to any client ID, Dealer ID and Branch ID</li> <li>➤ Restrictions on Far-month contract (Expiry of contracts does not fall within 60 days from the trade day)</li> </ul>



<b>Payout Request Guidelines</b>	<ul style="list-style-type: none"> <li>➤ Client can request for payout online or send an email to _____ The limits may be decreased from trading accounts once account department intimate us about such payout requests.</li> <li>➤ All requests to entertain limit or hold positions in short margin will only be allowed if client requests to cancel payout being processed after we receive a request through registered email only.</li> </ul>
<b>Surveillance</b>	<ul style="list-style-type: none"> <li>➤ Apart from monitoring the availability of margins and recovery of Debit balance we also identify the incidents which in our opinion, require to be scrutinized.</li> <li>➤ We keep check on the list of securities provided by exchange as illiquid. No business center is allowed to transact in these securities. Further, we identify the securities that are having very few transactions on regular basis in the market and categorize them also as illiquid securities. The approval to execute transactions in such securities is given on a case to case basis and we charge 100% margin on these.</li> <li>➤ At the end of the day we process the transactions through our offline surveillance system. We also examine the incidents of trades which are executed in less liquid securities to identify whether the same are used as a mechanism to execute transactions like circular trading, profit transfer incidents etc.</li> </ul>
<b>Disclaimer Note</b>	<ul style="list-style-type: none"> <li>➤ This document is intended for internal use only. It is designed to keep clients and front line employees informed about the company's internal policy procedures and risk management.</li> <li>➤ If you are not the intended recipient, you are strictly prohibited from disclosing, copying, distributing, or taking any action in reliance on any information in this policy.</li> <li>➤ Any form of transmission cannot guarantee the security or accuracy of the data, as data may be intercepted, corrupted, destroyed, arrive late or incomplete, or contain viruses. SEB therefore does not accept liability for any errors or omissions in the contents of this message, which arise as a result of such transmission.</li> </ul>
<b>Temporarily suspending or closing a client's account at the client's request</b>	<ul style="list-style-type: none"> <li>➤ On the request of the client in writing, the client account can be suspended temporarily and same can be activated on the written request of the client only. During the period client account is suspended, the market transaction in the client account will be prohibited. However client shares/ledger balance settlement can take place. On the request of the client in writing, the client account can be closed provided the client account is settled. If the client wants to reopen the account in the case client has to again complete the KYC requirement.</li> </ul>
<b>Voluntary freezing of Online</b>	<ul style="list-style-type: none"> <li>➤ A client can voluntarily freeze online access to their trading account in line with SEBI Circular no. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated</li> </ul>

<b>access to client trading account:</b>	January 12, 2024 by providing the request through verified/registered channels. On receipt of request, all open unexecuted orders / pending orders would be cancelled by the RMS and the trading account access would be frozen such that the client would not be able to trade/access his trading and demat account through Digital means of SEBPL. The freezing of online access will not impact open positions of the client, if any. Further, the client will not be able to execute new orders through network channels ie Branches and Authorised Persons / Business Partners. The clients in such will have to place orders only through centralised dealing desk post proper authentication as required under the internal policy and procedures of the company. Re-activation of the online access will be done within 3 working days post receipt of request from the client and due diligence performed by the company.
<b>Policy for Penny Stock</b>	➤ The stocks, which are appearing in the list of illiquid securities issued by the Exchanges every month. These stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bi-ask spreads, small capitalization and limited following and disclosure. Depend on the market condition and RMS Policy of the company RMS reserve the right to refuse to provide the limit in Penny stocks and losses if any on account of such refusal shall be borne by client only.

<p><b>Equity Settlement Obligations &amp; Corporate actions</b></p>	<ul style="list-style-type: none"> <li>➤ Equity stocks traded in India follow a fixed &amp; pre - calendared settlement mechanism across the year. The settlement cycle varies accordingly with the category or the stock type here, Eg : SGB (Sovereign Gold Bonds) which gets settled in T3. T+2 settlements are followed in Indian stock markets. Starting with Buying &amp; Selling of the stock it takes 2 days for the stocks to get settle in-case of buying &amp; cash settlement in case of selling also.</li> <li>• However 80 % of the sale proceeds can be used for same day margining</li> <li>• Early pay - in is a mandate from exchange end for settlement obligations to get completed</li> <li>• BTST - In Buy today Sell tomorrow concept of trade you are allowed to sell your T1 holdings well before it gets settled in your demat account. Note - The risk liability of BTST transaction entirely lies with client only, as stock settlement is always based on availability in exchange only.</li> <li>• Before clients making a SHORT - SELLING in BO / CO / MIS products should ensure the availability of units in client demat account. Note - Specific symbols might hit Upper freeze time to time in which selling will lead to penalty &amp; auctioning</li> <li>• Corporate actions are one of the major factors that determine the health of the stock we hold. Sometime corporate actions provide the stock holder a lump sum good deal; some might also affect the share price too. Hence as a shareholder the client has the liability to keep watching out AGM's &amp; Corporate actions. In this scenario the client will be directly intimated via mails regarding the upcoming corporate actions and important dates.</li> <li>• Corporate actions include <b>Split / Reverse Stock Split / Rights Issues / Dividends / Mergers &amp; Acquisitions / Spin off / Buyback / Bonus</b></li> </ul>
<p><b>Physical settlement of derivatives contract.</b></p>	<ul style="list-style-type: none"> <li>➤ As mandated by SEBI, stocks which do not meet the Enhanced Eligibility criteria shall move from cash to physical settlement. Kindly refer the circular as communicated by NSE, where physical settlement has been introduced for July 2018 expiry and onwards in all FNO scrips.</li> <li>➤ With introduction of physical settlement, all the open positions (Futures &amp; in the Money Options) of near month will be settled through actual pay-in or pay-out of shares if positions are left open. Kindly refer Circular issued by SEBI and Exchanges from time to time. Annexure-1</li> </ul>
<p><b>Additional Surveillance Measure (ASM) &amp; Graded Surveillance Measure (GSM)</b></p>	<ul style="list-style-type: none"> <li>➤ <b>ASM :-</b> In continuation to various surveillance measure already implemented, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, have decided that along with the existing pre-emptive Surveillance measure like Graded Surveillance Measure (GSM), price band, periodic call auction and transfer of securities to Trade to Trade settlement from time to time; there shall be Additional Surveillance</li> </ul>

	<p>Measure (ASM) on securities with surveillance concerns viz. Price variation, Volatility etc.</p> <p>➤ <b>GSM :-</b> In continuation to various surveillance measures already implemented, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, have decided that along with the aforesaid measures there shall be additional Graded Surveillance Measures on securities with price not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets, Net-worth, P/E multiple, Market Capitalisation etc. <b>(Policy Attached)</b></p>
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