

RISK MANAGEMENT POLICY – CASH, F&O AND CD SEGMENT

VERSION 3.0

I Preamble:

The existing Risk Management Policy for Cash, F&O and CD Segment was revised on 12.09.2016 further revised on 11.07.2020 and further revised from time to time with the objective of updating existing RMS Policy, to bring it in line with various circulars issued by SEBI and Stock Exchanges during 2020-21

The new policy has evolved with changes implemented by SEBI as various measures were implemented at different time during Covid pandemic. This policy is updated on 01.01.2021 to bring on record the changes implemented in piecemeal manner during Covid lockdown as per directives from SEBI and Stock Exchanges, therefore, for the purpose of records, this policy is termed as RMS POLICY DATED 01.01.2021.

II Approach:

The following new requirements are incorporated in this new policy.

- (A) Margin pledge & repledge framework discontinuing the earlier system of title transfer of securities from client's BO account to Stock Broker's designated BO Account.
- (B) Client Unpaid Securities Account (CUSA) to withhold clients' unpaid securities bought through by clients and not paid for; as well as liquidation of the same within prescribed time frame.
- (C) Collection of upfront margin prior to order acceptance and discontinuation of earlier practice of granting intra-day leverage.

- (D) Discontinuation of treating clients' securities held in client's BO Account with POA granted in favour of Stock Broker

III Policy

- (A) Non-Cash Collateral – securities of the client
1. Clients wishing to avail of margin benefit based on their holding of listed securities shall have to provide the same by creating “Margin Pledge” in favour of Kunvarji to designated Margin Pledge Account of Kunvarji.
 2. The securities on the list of “Approved Securities” as published by respective CM/Clearing Corporation shall only be considered as collateral. However, the management has discretion to accept non-approved but liquid securities from such clients with such limitation as the management may decide from time to time.
 3. If a security received through Margin Pledge from clients, which was hitherto on the approved securities list is removed by such Clearing Member or Clearing Corporation from its approved list, shall be released from Margin Pledge by Kunvarji as soon as practicable.
 4. All the securities so pledged by the clients through Margin Pledge shall be repledged in favour of Clearing Member/Clearing Corporation.
 5. The valuation of such securities for limit setting purpose shall be considered at previous day closing price less haircut as prescribed by respective CM/CC. However, for margin collection reporting purpose, the same shall be valued at previous day's closing price less VaR margin rate as published by Stock Exchanges.

6. Release of client's pledged securities which are repledged with CM/CC may take time. Such release of securities shall be done only after ensuring that the client has not used margin against such securities.

(B) Securities purchased by a client in Cash Market but funds settlement obligation relating to such purchase has not been met.

1. The securities bought by the client and to the extent remaining unpaid for needs to be transferred to a new account opened in the name of the company having tagging as "Clients' Unpaid Securities Accounts" (CUSA) in depository system..
2. The company is required to either transfer the securities to the client account within five working days from the date of settlement or to sell the securities in the market in the account of the client on whose account the same were purchased. In case of client's securities value exceeding the amount of dues receivable by client, RMS Dept. will decide which security and in what numbers needs to be sold to realise dues receivable from such client.
3. The value of securities held in CUSA account shall not be considered for limit setting. However, the same shall be considered for reporting margin collection after appropriate haircut at VaR rate.

(C) Limit setting

1. Trading Limit for each client in terms of margin available from such client will be set before start of trading session considering following components.
 - a. Ledger balance (Credit and debit both)
 - b. Value of approved securities pledged by client in favour of Kunvarji's designated Margin Pledge account as per valuation by CM/CC

- c. Value of unapproved securities from such clients who have been specially approved by management as per previous days valuation after deducting haircut at VaR rate.
 - d. Margin used in Cash Market on account of transactions on T-1 day and T-2 day.
 - e. Value of securities sold by client on T-1 day and T-2 day in respect of which Early Pay-In of securities has been completed.
2. The margin limit so set will be for all segments (Cash, F&O and Currency Derivatives) for each client.
 3. In case of derivatives segment (F&O and Currency Derivatives) the margin on the brought forward positions at applicable rate as per SPAN file uploaded will be blocked first and the balance will be available for further trading by client.
 4. In case of cash market trade, a flat rate of margin @ 33.33% shall be applicable on order with delivery marking flag. In case of order for intra-day trading in Cash market, the applicable margin rate will be 25% or the scrip VaR rate whichever is higher.
 5. In case of a client holding securities in demat account with Kunvarji with POA in favour of Kunvarji, such client will be allowed to enter order for sale of free unencumbered securities held in such client's BO account without requirement of upfront margin. Such client shall be granted margin credit to the extent of 80% of value of securities sold, on request basis.

IV Monitoring of overnight open positions and rules for squaring off:

The RMS Team will, at the end of trading session, prepare a Risk Report which will track value of the collateral and compare it with the debit balances in all segments ledger and margin utilization of the client.

In case of margin used exceeding the available margin, a margin call will be generated and will be communicated to the client by SMS, to the Branch Manager and Relationship Manager or the Sub Broker by email.

V Liquidation policy

- (1) In case of liquidation of clients securities withheld in CUSA account for nonpayment, the liquidation shall be done to the extent of debit balance. Due to inherent volatile nature of market, such squaring up may result into liquidation of securities of a value higher than the debit balance by small margin.
- (2) The liquidation of securities shall be done by selecting securities using FIFO method, i.e. the securities received earlier shall have to be liquidated first. In case of debit balance is such that out of several securities received in the CUSA account at the same time in same settlement only is less than total value of such securities, RMS department shall choose which securities out of the total of such securities shall be liquidated to meet debit balance.
- (3) The RMS department shall have discretion to transfer securities to clients own Demat account based on following parameters.
 - A. In case the client has sold other securities held in clients own demat account with the company.
 - B. In case of debit balance less than Rs. 10,000/- where client profile and relationship with the company justifies such delivery of securities even with debit balance in ledger account.
 - C. In any other case with the approval of senior official of the company.
 - D. In case of NRI PIS client where the payment has not come forth from clients PIS bank due to some technical issues and such payment is expected to be received in due course.
- (4) In case of non-payment of settlement dues by the client, Kunvarji shall have paramount right to invoke pledged securities margin pledged by such client to

Kunvarji. Kunvarji shall dispose of such invoked securities in client's trading code to realize its outstanding dues.

VI Terms & Conditions

- (1) Delayed payment charges @18% per annum will be charged on actual debit balance in client ledger account.
- (2) Appropriation of credits received in client's ledger account having debit balance:

In case of any credit received in client ledger account having debit balance, the same shall be appropriated in the following order:

- (a) First against Settlement dues excluding brokerage and expenses. If the debit balance comprises of dues from multiple settlement days, the credit shall be applied against settlement dues applying FIFO method.
 - (b) Balance, if any, against the penalties levied by Stock Exchange on short margin collected together with GST thereon.
 - (c) Balance, if any, shall be appropriated against brokerage and expenses like GST, Stamp Duty, STT, Exchange transaction charges
 - (d) Balance, if any, shall be appropriated against late payment charges debited to the client's ledger account.
- (3) If a client has outstanding debit balance arising due to settlement obligations for continuous five working days, no further exposure shall be allowed to such client till the debit balance is settled either by selling stock, squaring off collateral securities or securities held in CUSA Account or by payment. However, outstanding dues up to Rs. 500/- shall not be considered for the applicability of the above clause.

VII General Rules for availability of securities and contracts

1.	Cash Market	All securities except those notified by BSE and NSE as “illiquid securities”, and securities in BSE XC, XD and T Group as also scrips in GSM Stage 1 onwards.
2.	Equity Index and Stock Futures Contracts	All current month expiry contracts. Contracts expiring next month (mid-month) will be available after 15th day of the current month.
3	Currency Futures Contracts	Allowed up to 3 months expiry including current month. Contracts with expiry farther than above will be allowed on case to case basis depending on client profile and available liquidity.
4	Equity Derivatives Option Contracts	
4.a.	Indices Option Contracts	Allowed current month expiry contracts and mid-month expiry contracts with strike price within price band of +10% to -10% of ruling market price.
4.b.	Stock Option Contracts	Current month expiry contracts with strike price within price band of +10% to -10% of ruling market price. Mid-month expiry contracts available after 15 th day of current month with strike price within price band of +10% to -10% of ruling market price and subject to Open Interest and liquidity.
5.	Option contracts in USDINR	All available strike price up to 3 months including current month expiry contracts.

VII Changes in policies and restrictions

- (1) In times of extreme volatility or major impending event which might trigger such volatility, the management reserves right to withdraw the same. Decision of the management in this respect shall be final. The company may modify or amend any of these rules without prior notice.

- (2) The concession granted to clients for keeping debit balance till forth day from the settlement date is not right of the client. The company has and shall always have paramount right to demand and get paid for securities bought by client or debit balance arising out of transactions in equity derivatives, currency derivatives and commodity derivatives on or before settlement day. In case of such requirement not being fulfilled by the client within the time specified, the company shall have all the rights available to it under various dispensations of SEBI and exchanges including but not limited as available under rules, regulations and bye- laws of the exchanges and KYC documents.

VIII Kunvarji shall always have right to change any aspect of the policy unilaterally and no client shall claim enforcement of clauses as available in this policy which are changed or discarded altogether