



RMS & Internal Control Policy

Introduction:

Preface Risk Management is an internal part of any organization. We need to deal with various kind of risk like credit Risk, Market Risk, default Risk, liquidity Risk and other risk.

In Securities Market, customers have to be alerted with respect to their obligations, open positions, market conditions, Margin requirements, regulatory requirements and steps are initiated by the brokers in case of changing market situations.

With a view to enhance customer knowledge and safeguarding investor interests, RKFS have devised a comprehensive Risk Management & Surveillance (RMS) Policy to make sure that customers are aware of criteria based on which RKFS monitors risk and initiates actions to safeguard the interest.

Major parameters of RMS Policy are mentioned below:

Panic markets:

Panic markets are those days where:

- 1) Where base index (Sensex / Nifty) makes movement of 3% on either side.
- 2) Where base index (Sensex / Nifty) makes cumulative movement of 4% on either side.
- 3) Where markets are specifically declared as Panic Market by RMS Dept. of RKFS.

Such panic market will be declared as a normal when market starts making a movement of less than 2% on two consecutive days, or as declared by RMS Dept. of RKFS.

Stable Market:

Stable markets are those where markets do not fall in definition of Panic Markets.

For the purpose of Managing risk, maintaining healthy volumes and growing together, this system is intelligently designed to facilitate better business environment in various market conditions. To understand the system better, please study the terminology as used during practice.

Margin:

Ledger + Pool stock + DP Stock (with POA case only) — Shortages

Exposure:

Exposure is the amount aggregate of all the positions taken in market whether in cash or derivatives or commodity.

Ledger, stock and Shortages:

Ledger is the net balance after TODAY trading at the day end.

Stock includes all the stock bought till ledger day reduced by all the stocks sold till ledger day and any stock not received from exchange due to payout short.

Shortages are short positions in cash market which are kept open for which pay — in are yet not done.

Hair Cut:

For Margin Purpose: For the purpose of Haircut in any stocks we consider Exchange VAR Margin %.

In case of Debit Balance: For the purpose of Haircut in any stocks we consider it as 55 % (hair Cut)

Free Margin:

Free margin is that amount of margin left after considering Hair cut on stock.

Free margin = Ledger + Pool stock (AHC) + DP Stock (with POA case only)— Shortages

Limit Setting at Beginning of Day:

There will be a hierarchy base limit set where a limit will be set for all segments. The consumption of the gross combined limit will be as per exposure taken in different segments.

Exposure Allowed in Cash Market:

Stable market:

Client Exposure	Offline	Online
Exposure in Multiple of Free margin (based on Exchange VAR + ELM)	8 times	8 times

F & O. Currency Segment and Commodity Segment:

Exposure: Stable Market:

	Offline	Online
Span + Exposure Margin only (Margin Limit exceed only on request of franchisee, RM, Branch-Manager or Related Superior person.)	(1 time) only for intraday For carry forward (1) time of ledger balance.	(1 time) only for intraday For carry forward (1) time of ledger balance

Allowable positions at End of Day:

1) Stable Market:

Cash Segment: Allowable position at the end of the day in Cash Segment will be 2 times of net margin where all stocks are eligible, and 1 times of net margin where all stocks are non-eligible. In case of combinations, free margin should be positive.

Derivative Segment: Allowable position in Derivative Segment is Equal to SPAN + Exposure margin available. Span + Exposure margin available in Cash Segment can be Consider and allow trading in F&O Segment.

Delivery Exposure in Commodity Segment: Allowable position to take the Delivery in Commodity Segment is upto 10X (i.e. Ten times) of the Available or Last updated Net worth/ Income of the client as per the records (on the basis of proof submitted).



2) Panic Market:

Cash Segment: Allowable position at the end of the day in Cash Segment will be 2 times of net margin where all stocks are eligible, and 1 times of net margin where all stocks are non-eligible. In case of combinations, free margin should be positive.

Derivative Segment: Allowable position in Derivative Segment is Equal to SPAN + Exposure margin as per Exchange norms. Margin available in Cash Segment can be consider and allow trading in F&O Segment.

Delivery Exposure in Commodity Segment: Allowable position to take the Delivery in Commodity Segment is upto 10X (i.e. Ten times) of the Available / Last updated Net worth or Income of the client as per the records (on the basis of proof submitted).

Square off to be done from HO:

Stable Market:

- 1) **Ageing Base Square off:** Ageing base Square off will be done on 5th Trading Day. Such base square off may be considered as Penalized square off and not a facility. **Such days may be reduced according to market conditions, with or without prior notice.**
- 2) **DP Square off:** On last Trading day of particular Month debit amount standing in the client account is been squared off from HO including DP Stock. For considering debit in such code, aged debits more than 5 days will be considered. Such ageing base square off may be considered as Penalized square off and not a facility. **Such days may be reduced according to market conditions, with or without prior notice.**
- 3) **No Margin Client Square off:** New clients and delivery base clients may purchase stock by the way of demand of limits from RMS Dept. routed through Branch Manager / Franchisee Holder. Such clients have to pay margin till end of the day to the extent required. In case of non-receipt of margin till 12:00PM next working day, stock is to be squared off by RMS. In any case if the loss hits the amount of RS. 10,000/- the stock may be squared off from system.
- 4) **M2M Square off:** Over ruling all above conditions other than no margin client, during market if any client's M2M hits 50% net margin, a warning call is issued from RMS Dept. and if M2M hits 80% of net margin, Square off process is initiated.

Forced Major Conditions:

- 1) Due to any technical reasons ageing days may be postponed. Any claims against such postponed of square off, may not be addressed.
- 2) Claims against any technical error in ageing based square off may not be considered as ageing Base Square off is a penalized square off and not a product or facility.

Scrip Wise Limits in Online as well as Offline:

Due to Compliance requirement to restrict unhealthy trade practices and secure the higher interest of investors, Securities and Exchange Board of India has issued such guidelines and defined such scrip as illiquid scrip where trading is to be specifically monitored. Such list of scrip time to time updated by market regulatory authorities are been published on their website Please visit www.Nseindia.com or www.Bseindia.com for further clarifications. In lieu to comply with such norms and restrict unhealthy trade practices scrip limits available on trading terminals will be:

Sr.No.	Scrip type	Across all trading terminals.	
		Buy	Sell
1	Illiquid Scrip	12.5% of previous day Volume	12.5% of previous day Volume
2	XC,XD,XT,Z,T, Group	Block	Block
3	Physical and odd lots	Block	Block
4	Other than 5 series in BSE	Block	Block
5	Other than EQ series in NSE	Block	Block
6	F&O Contracts in F&O Segment for BAN Period.	Open, subject to intraday, if position kept open, client will have to bear penalty	



Factors of Risk Perception having regard to

Client's Location (Registered / Correspondence/ other address), Nature of Business Activity and Trading Turnover etc.

Low Risk

- 1) Clients whom we know personally
- 2) Client Introduced by our existing clients
- 3) Retail clients (average daily turnover < Rs 10 Lakhs or net settlement obligation < Rs 3 Lakhs)

Medium Risk

- 1) Direct Walk in Clients registered at our Corporateoffice
- 2) Client Introduced by someone other than our ExistingClients
- 3) Retail clients (average daily turnover Rs.10- 25 Lakhs or net settlement obligation Rs.3 to 10)

High Risk

- 1) Clients registered without reference at any place other than Corporateoffice
- 2) Nonresident Clients
- 3) Retail Clients (average daily turnover > Rs. 25 Lakhs or net settlement obligation (Without Holding) > Rs 10 Lakhs)

Manner of Making Payment

- 1) Regular payment through A/c payee cheque from the Bank A/c already mapped with us for Low Risk client
- 2) Payment through A/c payee cheque from the Bank A/c other than one already mapped with us for Medium Risk client.
- 3) Payment through Banker' s Cheque / Demand Draft / for High Risk client.

Handling of Client's Securities

This is with reference to SEBI circular no. CIR/HO/MRDSD/DOP/CIR/P/2019/75 dated June 20, 2019 and subsequent Exchange circulars dated Sep 04, 2019 related to Handling of Clients' Securities by Trading Members/Clearing Members, following important changes will be **effective from 1st October, 2019**:

- 1) In case of clear credit balance in your trading account (for Cash Segment), securities purchased by you will be transferred to your demat account within one working day of the pay-out.
- 2) With regard to securities that have not been paid for in full by you (unpaid securities), it shall be transferred to a separate client account titled – "client unpaid securities account".
- 3) The securities kept in the 'client unpaid securities account' will be transferred to your demat account upon fulfilment of funds obligation within five trading days from the pay-out date otherwise the same will be disposed off in the market by RK Stockholding.
- 4) If your unpaid securities are disposed off by RK Stockholding in accordance to SEBI circular, then you will not be able to purchase the same securities on the same day unless the debit is cleared in your trading account.
- 5) Securities kept in Client Collateral A/c can be pledged with Exchange Clearing Corporations for margin purpose.

Disclaimer:

Even though the client has to be aware about his position and Risk the Franchisee is also responsible to communicate to the client about his shortfalls. RKFS / are under no legal obligation to send any formal communication but as a customer oriented company we take those extra efforts generally to ensure that client is informed about the Risk and the actions, which may follow. The communication would generally be through Back-office Software, SMS, Email subject to the correctness and availability of the data in the system.