

## **RMS Policies and Procedures**

### **A. Setting up client's exposure limits**

The Exchange may from time to time fix client exposure limits in the interest of orderly working of the markets. Within that overall ceiling, a client can trade within the exposure limit set from time to time by the Broker for the client.

Exposure Limit is fixed on the basis of the funds and value after haircut of the securities provided by the client for margin. Clients are requested to adhere to the exposure limits as crossing the limit may involve either a call for margin or restriction on further position / exposure.

Broker may need to vary or reduce or impose new limits urgently on the basis of risk perception, risk profile of the client and other factors considered relevant including but not limited to limits on account of exchange / SEBI directions / limits (such as broker level / market level limits in security specific / volume specific exposures etc.).

Sometimes the broker may be unable to inform the client of such variation, reduction or imposition in advance. Broker shall not be held responsible for such variation, reduction or the client's inability to route any order through trading system on account of any such variation, reduction or imposition of limits.

In the sole discretion of the Stock Broker, a client may be allowed to trade beyond exposure limit or the limit may be increased. A client having availed such indulgence shall not be heard to complain about his trades only on this account and shall meet the margin shortfall at the earliest without waiting for reminder. The golden rule is Limit your exposure so as to limit your risk to your means.

#### **1. While computing the available margin following parameter consider-**

- Margin based limit is set on combined basis for Cash & F&O & CD & Commodity Segments clear credit lying in client's settlement and margin ledger account. Collateral holdings (after deduction of applicable haircut), any Online funds transfer or hold amount through bank gateway credit received against sale of securities margin amount of open positions (in case of derivatives) All the cheques collected against trading positions, preferably carry a valid MICR number. All the cheque dishonor cases are viewed seriously and debit amounts in such accounts will be cleared from surveillance dept. The normal rule for 5 days debit will not be applicable while selling the shares in cheque dishonor issues.
- Exposure limits shall be only against approved securities as decided by the Exchanges/BROKER from time to time except those which are available in our CUSPA account on which client obligation is pending to recover. BROKER may from time to time change the applicable hair cut or apply a haircut higher than that specified by the Regulators/Exchanges.
- In case of derivatives, Clients shall be allowed to trade only up to the applicable client wise position limits set by the Exchanges/Regulators from time to time
- List of approved collaterals / securities along with applicable haircut, is subject to revision from time to time based on Exchange approved list.
- In order to ensure smooth settlement on T+1 day, client has to ensure that entire balance payment against purchase and entire delivery against sale orders reaches the broker's specific bank and DP a/c on T+1 day or latest by 9.30 a.m. on T+1 day.
- In case of clients' failure to deposit funds against their purchases by above mentioned time schedule, penal action against the clients at the discretion of the stock broker will be taken, Which will include non-delivery of shares to them, sale of shares in the market.
- In case of clients' failure to deliver shares against their sale orders by the above time schedule, penal action will be taken by the stock broker at his discretion which will include penalty for short delivery as imposed by the Exchange, auctioning of shares by the Exchange, debiting on account of internal shortage.

### **B. Setting up Terminal/Branch Level limits**

Trading Terminals are allotted to Members by exchanges. These terminals enable members to place, modify and execute orders on behalf of clients. There may be instances where due to punching error unusual orders may be placed at high prices which might lead to execution of unrealistic orders or orders being executed at unrealistic prices. In cases where the order/price of such orders is high, it might lead to huge losses to broker. In order to avoid such a situation it is imperative that certain limits are prescribed for each terminal allotted to member broker.

We ensure documentation of internal controls on areas like order modification / cancellation, client code changes and post-trade activities are in place and are being updated from time-to- time.

We ensure monitoring mechanism for client's debits / obligations and appropriate collection procedures.

The following limits shall be defined for each terminal:

- Quantity Limit for each order
- Value Limit for each order
- User value limit for each user ID
- User quantity limit for each user ID
- Branch value limit for each Branch ID
- Spread Order Quantity and Value Limit (Derivatives & Currency Derivatives segment)

Checks in place

- We have a dedicated Risk monitoring team of 6 people who monitor the exposure, limit, etc.
- We have NEST/Now Terminal which has a facility to block the client as well as restrict to use over exposure.
- No user/ branch will be provided unlimited limit.
- Limits shall be monitored on daily basis, taking following criteria's: Turnover, Exposure, past trends, Location, Deposit/Collateral.
- Trading in illiquid scrip shall not be permitted.

**C. Order Receipt and Execution**

All Orders routed through Odin / Nest / Greek / Neat / Bolt & Now are monitored by our risk department and after their confirmation about client's financial and margin status order get executed.

The dealers take utmost care while executing the trades of the clients regarding the accuracy of Client Code, Quantity and Price etc. The orders from the clients are promptly executed by the dealers and the oral confirmation of the placement of the orders is immediately provided to the clients.

Moreover, only registered clients are allowed to enter the dealing room for placing the orders.

The clients are divided into groups among the dealers and sub brokers at head office level, so that particular dealer can serve a particular group of clients which helps dealer to understand the client investment strategy in a better way & serve them accordingly. The orders are entered instantly by the

dealer on the instruction given by the client. On execution of valid order into trade, dealers confirm the trade with the client so as to avoid any future dispute.

At the end of the trading hours, the dealer informs the clients about the execution of the orders placed by the clients. Also a trade confirmation SMS message covering details of all the trades executed is forwarded to client after completion of trading hours on registered Mobile No. of the client.

**E. Client Code Modification:**

Trades are done only on the exchange platform and if any trades need to be transfer become of wrong punching code it is done in the exchange platform system. Client code modification is accepted only prior to post closing session. Client code modification will be done within the time limit given by the respective exchange.

Every request for client code modification is to be sent to RMS dept in the predefined format and proper care should be taken in filling the Exchange order number, trade number, old client code, new client code, and the reasons for wrong Punching.

The reason for the modification is to be analyzed by the risk management department with regards to clients ledger a/c; demat a/c; trading pattern etc. & if found to be genuine then modification will be approved / Modification will be allowed only in which error was occurred genuinely.

Penalties & actions taken by the exchange against the broker / member shall be passed on to the respective client & in addition penalties & action shall be taken against the Sub-Broker's / AP's / Branches / Dealers.

## **F. Margin Collection Procedure**

The BROKER has RMS department at its corporate office situated at **B/2, Ground Floor, ITC Building, Majuragate, Ring Road, Surat - 395002**. The BROKER has a RMS (RISK Management System) Team, who is responsible for setting up the Client wise Trading limits, Margin collection & Reporting procedure as described below:

Client Limits are allowed as per margin norms of the relevant exchanges. Clients are required to provide upfront margin in the form of funds / securities (after appropriate haircut as prescribed by Exchange from time to time) before any trade.

RMS department monitor all orders & trades given by clients and executed in the trading terminal. The departments are also vigilant about all order rejections and spurt in exposures. The BROKER takes proper and adequate margin from clients as per the exchange/SEBI norms in the form of funds/Securities and report the same to the exchange as per the guideline of exchange.

We take Margin in the form of Funds through Account Payee Cheque, Electronic Fund Transfer and Securities. We have at most monitoring system which bars the acceptance of third party cheque. In case, client provide securities towards margin, we accept only from registered DP ID of client. On receipt of securities, RMS applied the required hair cut as per exchange VAR.

At the end of the day, Shortage of Client margin is calculated and reported to the Exchange. During the trading hours if any short margin observed, RMS team follow internal RMS policy, due diligence and update the status to the respective branch/ SB/AP and to clients .In case client doesn't respond RMS team Sq-off the open position and subsequently intimate to the client.

Trading limit is set by RMS based on the available margin amount and calculated by considering the trading price prior to trading day (T-1 day) on daily basis. The RMS team do monitor the debtors and if client exceeding the exchange norms of T+5 day the trading is been halt.

## **G. Margin Reporting Procedure:**

On a daily basis Exchange provides Margin Files to the Trading member in F & O and Currency Segment.

The BROKER report details of Initial Margins collected from their clients for F&O Segment by uploading MG13 file through the Collateral Interface for Members (CIM).

### **Mechanism for regular reporting of Margin**

Free Balance available on current day (T Day) with client in different segments

(BSE/NSE/FO/CURR) of the Exchange will be consider for margin collection

Only exchange approved stock in Pool Account (Broker Beneficiary account.) & Collateral

Account & Client Collateral account & in client DP (If only POA Yes) will be considered for margin collection

Value of securities will be considered with subject to a haircut of VAR margin as per Exchange.

Margins taken in the form of securities in the approved list to be valued as per the closing rate on the previous trading day and not the trading day, with an appropriate hair-cut

Only free and unencumbered balances of securities available with the Member for respective client in different segments of the Exchange shall be considered for margin collection and reporting.

Accordingly, only securities received in pay out shall be considered only after it is actually received from the clearing corporation. However pay-in received from clients for such securities may be considered while calculating the ledger balance for the purpose of reporting of margins till T+1.

Cheques dishonored/reverse or not cleared up to T+5 working days should not be considered for Margin Money.

After preparing margin report file, RMS person forward reporting file to person who is authorized to recheck the report file before uploading on Collateral Interface for Members (CIM).

Status of the file uploaded shall be checked regularly on the day of uploading after a few hours of uploading the same.

Penalty if any occurring out of the short payment will be debited to the respective client's account after t+5 days Information related to margin applicable, utilized and required / balance in respect of each client is to be sent on a daily basis to the respective clients in both the segments.

Client code and name, Trade day (T)

Total margin deposit placed by the client up to T day

Margin utilized up to the end of day T

Margin deposit placed by the client on day T

Margin adjustments for day T

Margin status (balance with the member/due from the client) at the end of day T We maintain proper records of collateral received from clients.

#### **Margin Shortfall Penalty**

We change margin short penalty to respective client only as per the Exchange Compliance.

#### **H. Right of Sale of client's securities or closing the client's open position without giving notice**

BROKER maintains specific banking and depository accounts, informed to the clients from time to time, for handling clients' funds and securities. The clients shall ensure timely availability of funds

/ Securities in required form and manner, within stipulated time and in the designated bank and depository account(s) for meeting their liabilities and obtaining proper credit thereof. BROKER does not undertake responsibility for any delay or other consequences arising from payment to any other account or non-receipt in time and manner in the designated account(s).

In the event of the Client failing to maintain / supply applicable margin money required to sustain

the outstanding market positions of the Client, the company shall be entitled, at its option and liberty, to liquidate / close out all outstanding market positions or any part thereof such that the outstanding market positions are either zeroed out or reduced to an extent where available margin covers the market positions remaining after such square off.

Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the client.

The company shall also have right to close out any intraday positions taken by the client, in above circumstances. Such liquidation/ close out may be without any prior reference or notice to the client.

RMS Team may initiate liquidation of securities in following circumstances:

In case of Margin Trades, if the open position is neither squared off nor converted to Delivery by Client(s) within the stipulated time.

In case of Margin Trades, where Mark to Market Loss on the open position has reached the 80% of the margins placed with BROKER and the Client(s) have not taken any steps either to replenish the margin or reduce the Mark to Market Loss.

In all other cases where the margin or security placed by the Client(s) falls short of the requirement or the limits given to the Client(s) have been breached

where the Client(s) have defaulted on their existing obligation/ failed to make

Payments/deliver securities to BROKER with the stipulated time

Extreme volatility in the market in particular scrip of both the segment

There are any restrictions imposed by exchange or regulator on the contract(script)

The client is undertaking any illegal trading practice or the client is suspected to be indulging in the money laundering activities or suspicious trade or trading in illiquid stock

The client has taken or intends to take new position in a security which is in the banned period

There are any unforeseen adverse market conditions or any natural calamity affecting the operation of the market.

#### **I. Refusal of orders for "Penny Stocks" (Illiquid stocks)**

A Security that trades at a relatively low price and has small market capitalization is a penny stock. These types of stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bid-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.

##### **BROKER likes to pay special attention to dealing in "Penny Stocks". To this end:**

BROKER may refuse to execute any client's orders in "Penny Stocks" without assigning any reason for the same.

Any large order for purchase or sale of any penny stock shall be taken prior approval from RMS and the dealing of such stock will only be allowed through Head Office

It will be client responsibility and respective Branch Manager/Dealer or RM duty to

ensure that trading in "Penny stocks" does not result in creation of artificial volume or false or misleading appearance of trading

Further it also does not operate as a device to inflate or depress or cause fluctuations in the price of such stocks

Dealer/RM/Branch Manager should ensure that the Clients should not place orders in

“Penny stocks” at prices which are substantially different from the prevailing market prices. Any such order is liable to be rejected at the sole discretion of BROKER

In case of sale of penny stocks as approved by RMS, clients shall ensure the delivery of shares to BROKER before the pay-in date

The Company shall not be responsible for non-execution / delay in execution of such orders and consequential opportunity loss or financial loss to the client

The Company has the right to revise the list of such securities / contracts on a periodic basis. Client can obtain the information about the updated list of securities from the Relationship Manager / Dealing office

**J. Conditions under which a client may not be allowed to take further position or his existing position may be closed**

BROKER shall have absolute discretion and authority to limit client’s volume of business or to close any existing position of a client without giving any prior notice to the client under following conditions:

SEBI or Exchange imposing restrictions on further exposures in cases of extreme volatility in the market or in a security or group of securities.

Client or the Broker exceeding or touching exposure limits set by the Exchange in the particular scrip.

Reasonable doubt as to bonafide of the transaction or identity of the client in the light of the financial status and objectives as disclosed in the KYC form.

Reasonable doubt as to the transaction being cross trade, circular trade, fraudulent practice or connected with price manipulation or market rigging.

SEBI or other competent authority issuing a debarment order against the client from buying, selling or dealing in securities, unless the order is vacated.

The client has taken or intends to take new position in a security which is in the banned period

Due to abnormal rise or fall in the market, the markets are closed.

BROKER Capital shall also have a right to close existing positions of the clients in the abovementioned circumstances

BROKER shall not be responsible for any loss incurred and the client shall indemnify BROKER this regard.

**K. De-registering a client**

Arham Wealth Management Private Limited may, at its absolute discretion, decide to deregister a particular client if found that:

**L. Voluntary Freezing/Blocking Online access of Trading Account**

'The framework for trading members to provide the facility of voluntary freezing/blocking the online access of the trading account to their clients on account of suspicious activities. On receipt of request from client’s registered email id/mobile number regarding suspicious activities in their account to brokers designated email id [stoptrade@arhamwealth.com](mailto:stoptrade@arhamwealth.com) , broker are required to validate the request and give acknowledgement within 15 minutes if complain received during market hours and if aftermarket hours it should be before the starting of next trading session. Broker obligation is to stop trade and cancel all pending orders & if any open position, communicated to client along with contract expiry information within one hours from freezing/blocking of trading account. Post freezing/blocking the client’s trading account, send a communication on registered mobile number & E-mail id. Re-enabling the client’s online access the trading account after carryout necessary due diligence including validation of client’s request.