

Risk Management Policy
Equity - Offline & Online

Trading time: It starts at 9.00 am and continues till 3.30 pm

Risk management is an integral part of the ARJ Securities approach to decision-making and accountability. The objective of the Risk Management is to manage the risk without hurting the normal & routine business and its growth. It is also to be continuously updated / reviewed based on the market scenario / market feedback / competition within the objective of managing risk along with potential threats to the organization and profitable growth. The objective is also to give clear-cut direction and communication at all relevant levels i.e. business acquisitions & servicing and business management (support group) to cut the time-lag / delays in decision making and to provide better & personalized services to our esteemed customers.

1. **Categorization of the clients.**

Categorization of the clients is to be done on monthly basis.

A – Retail

- i) Clients with intraday / position trades with a deposit of Rs. less than 20 Lacs+ with no previous track record of cheque bouncing during last 3 months and/or last 3 chq pay-in's.

B – HNI

- i) Clients with intraday / position trades with a deposit of more than 20 lac and less than 50 lacs + with no previous track record of cheque bouncing during last 3 months and/or last 3 chq pay-in's.

C- SUPER PRIVILEGE

- i) Clients with intraday / position trades with a deposit of more than Rs.50 Lacs + with no previous track record of cheque bouncing during last 3 months and/or last 3 chq pay-in's.

The Business Head / Zonal Head is authorized to provide approval for change in intraday limits for clients not meeting the above norms.

2. Computation of Capital Available: -

The following files will be imported from back office: -

- a.) F&O Net Position= Opening position for the day in F&O Segment.
- b.) Beneficiary Stock** = Stock lying Pool Beneficiary account (enabling the client to sell stock in hand when his/her limits are zero)
- c.) POA Stock** = Stock lying in POA account
- d.) Deposit / Net Available Margin= Available Margin for trading.

Deposit / Margin Available Calculation:

The client will be given credit as capital available as per the following formula:-

Capital Available = Ledger Balance across exchange?? + Margin Deposits + Collateral (permissible stocks after hair-cut) + Ben stocks (permissible stocks after haircut) + DP (POA Client only) stock (permissible after hair-cut)

Examples:

Calculation of Exposure:-

S.No.	Ledger Balance	Stock Value after Haircut	Eligible Balance	Explanation
1.	Rs.1,00,000/- Cr.		Rs.1,00,000/-	Deposit based limit may be set as Rs.1 Lacs
3.	Rs.1,00,000/- Cr.	Rs.30,000/-	Rs.1,30,000/-	Rs.1,00,000 + Rs. 30,000 = Rs. 1,30,000 Deposit based limit may be set as Rs 1,30,000
4.	Rs.30,000/- Dr.	Rs.1,00,000/-	Rs. 70,000/-	Since Ledger is DEBIT, ledger balance will be reduced from Stock Valuation after haircut i.e. Rs.100,000 - Rs.30,000 = Rs. 70,000

Limit against POA / Collateral Account Shares

Stock Type	Exposure/Limit	Credit for sale	Allowed for Selling
Beneficiary (Pool)/Collateral	NO	NO	NO
DP POA Stock	NO	NO	NO

3. Exposure Limit

Exposure Limit

Client Category	Cash Market (Intraday) with time base Square Off or M2M whichever is earlier	Delivery	Futures Position with M2M Square off (Intraday) of Span + Exposure Margin	Futures & Options Position with M2M Square off (Carry Over) of total applicable Margin
Retail	Security specific (depending upon haircuts / multipliers specified by RMS)	Security specific (depending upon haircuts / multipliers specified by RMS)	3x	1
HNI	Security specific (depending upon haircuts / multipliers specified by RMS)	Security specific (depending upon haircuts / multipliers specified by RMS)	3x to 4x	1
SUPER PRIVILEGE	Security specific (depending upon haircuts /	Security specific (depending upon	4x to 5x	1

Client Category	Cash Market (Intraday) with time base Square Off or M2M whichever is earlier	Delivery	Futures Position with M2M Square off (Intraday) of Span + Exposure Margin	Futures & Options Position with M2M Square off (Carry Over) of total applicable Margin
	multipliers specified by RMS)	haircuts / multipliers specified by RMS)		

All multipliers above 3x would be available for Indices only i.e. stock futures and options would not be provided a leverage above 2x.

The exposures provided here in above may be changed if required based on the market condition existing on a particular day. The changes so done would be at the discretion of the RMS department.

Single Order Limit

In order to prevent / limit untoward incidents of wrong price punching / away from market price punching, there will be a single order limit in terms of quantity and amount.

The maximum single order in the cash market would be restricted to 600000 shares or Rs.60,00,000/-.
The maximum single order value in the Futures & Options market would be restricted to Rs.10,00,00,000/-.

The same may be reviewed and changed from time to time.

Script wise exposure limit

Approved Scrip:- Approved scrip are decided by Management and RMS and revived on weekly basis.

Unapproved Scrip:- Other than approved scrip are unapproved scrip.

To keep in the mind surveillance measures and also to unusual activities in illiquid stocks, scrip wise limit will be set on the basis of following parameters.

Script group	Buying limit	Selling limit
Approved Scrip	As per Available Margin	As per Available Stock
Unapproved Scrip	1x on Financial Balance	As per Available Stock
T2T	1x on Financial Balance Value 20 Lac, Qty- 2 lac	There is no restriction on Quantity. However there is a limit value of sale transitions which is Rs. 10 Lac per scrip.
GSM	Zero Buying Limit	There is no restriction on Quantity. However there is a limit value of sale transitions which is Rs. 10 Lac per scrip.

** No trading allowed in **physical** scrip.

Allowed Contracts

Trading would be restricted to first 3 month contracts. However, if a client wishes to trade in the disallowed contracts, the RM would be required to seek approval of the RMS team which in turn would allow trading in the requested contract based on whether the client has sufficient limits available etc.

Banned Contracts

The stock exchange(s) provide a list of restricted contracts based on Market Wide Positions crossing the threshold limit. Once a contract reaches the threshold limit, further position accumulation is banned and only offsetting trades are wherein positions would be reduced is permitted. As and when the stock exchange(s) announces a banned contract, we would also be placing a similar restriction on all the clients. Fresh positions would be barred and only square-off positions would be allowed. However, rollover of positions would be permitted as long as the positions remain constant at the end of the day.

The possible exception to the above would be for the clients who are allowed to trade in INTRADAY product in futures segment wherein they may be allowed to trade in these contracts but the system would ensure that the positions are squared-off before end of day.

Illiquid options & deep discount option are totally banned for trading.

4. Position Square off

Intraday Square off (Time Based)

All Intraday cash market positions will be squared up on or after 3.15 pm - 3.20 pm or on M2M loss of 70% / 80% (as applicable) whichever is earlier.

M2M Losses based:-

All clients have to be subject to square off mode at m2m loss reaching 80% (or such other % as may be decided from time to time) of the capital available (opening + during the day) and all positions shall be squared-off at available market rate as soon as m2m loss reaches 80% (or such other % as may be decided from time to time) of the capital available. RMS team shall on a priority, square up all outstanding positions in Cash Market Intraday under margin and all outstanding positions in Futures & Options market. Outstanding positions of the clients in Delivery would also be squared-off by the RMS Team, if required.

The currently applicable m2m loss percentages are as follows:

Sr. No.	Multiplier	MTM Sq-off initiation %
1.	In Equity segment	80%
2.	Where intraday multipliers are upto 5x (Only in futures)	80%
3.	Where intraday multipliers are more than 5x (Only in futures)	70%

The MTM square-off percentages would change and continue to become lower as the leverage provided increases.

The multipliers that will be provided are subject to receipt of approvals. Once the approval has been received, the client would be allocated the multiplier, subject to meeting the above norm. The allocated multiplier may change on a daily basis based on the available margin in the client's account at the beginning of day.

5. **Control on Debit Balances**

A) **Covered by Collateral :**

To ensure that the clients do not carry the debit balances (covered by Collateral with us) permanently, the following Policy will be adopted:-

- a) Debit balance shall be permitted against Stock for not more than T+2+5 days.
- b) On T+2+5 day, the client's further buying on Delivery basis shall be suspended. And stock needs to be sold /liquidated by 2:00 pm on the T+2+5 day by the RM / Dealer / sub-broker, else the same shall be squared off by HO RMS Team and/or in case of M2M loss of 80%, whichever is earlier.

B) **Uncovered / Likely to get Uncovered:**

Debit balance of any client shall not exceed 70% of the value of the collateral with us. On reaching 70% or above, client shall be requested through the branch to either get the payment / additional collateral and/or liquidate the stocks / positions to clear the debit balance. Else, HO RMS team shall liquidate the said stocks / positions the moment the M2M loss reaches 80%.

A daily MIS Report will be provided to all branches each day in the morning latest by 9:00 am by HO RMS team. Such report is / shall be computed by back office software.

C) **Cheque Entry and credit to the client**

- The cheque / instrument showing under clearing in the bank account. The exposure would be provided once the cheque has been cleared and credit received in our bank account.
- Online fund transfer facility (Other than payment Gateways) is available to the clients with designated banks to transfer online funds to us. In such case we would be giving credit within 30 minutes of its reflection in our bank account as it is being presently done for online clients transferring online funds.

D) **Cheque issuance and payment to the client**

- All such requests shall be centrally processed and the client's ledger account would be debited at the time of issuance. However, all such payments would be made in consultation with the RMS team so that no exposures / limits in lieu of such credit is utilized by the client. At the time of issuance of the pay-out cheque exposures / limits would be reduced accordingly by the RMS team.

E) **Collateral Shares as a margin**

- Company will accept shares as collateral towards margin subject to appropriate haircut. All such credits shall be given only after receipt of shares in the company's designated DP Account. Also, such shares must come to the designated DP ID from the

respective client's defined DP ID, only, else it shall be treated as third party and no credit shall be given against the same. The RMS team shall update the value of such collateral on the daily basis (BOD) and accordingly deposits / capital available shall be updated to the respective client(s) towards margin / exposures.

- Margin by way of shares / collateral shall not normally exceed 50% of the capital available / applicable margin to take care of daily m2m losses, if any.
 - In case client asks for such shares back, then these shares would be transferred only to the respective clients designated DP ID only, after reducing the capital available / exposure / limits for the respective client.
- F) Enhancement of limit during the day shall be prerogative of the RMS – Head and all such authorizations shall be based on recorded requests from the Branch Manager / sub-broker, subject to no chq bouncing / default track record, etc :-
- i) Based on the scan copy of the cheque
 - ii) Based on the physical chq instrument at the branch / sub-broker
 - iii) Based on the assurance / confirmation from the branch manager / sub-broker, that cheque will be deposited on T+1, morning.

This enhancement shall be applicable upto next day evening (T+1). If the cheque does not show under clearing T+1 day evening, such enhancement will not be considered from T+2 day morning onwards (preferably from 7pm of T+1 day itself) and excess positions have to be squared up by the Branch and otherwise by HO RMS.

NOTE:

- The management reserve the discretion to alter fully or any part of the policy based on facts and circumstances with or without any prior intimation and without assigning any reason.
- Any deviation from the policy can be done with the management approval.
- On special permission management have right to increase or decrease the limits accordingly