



ESPS CAPITAL

Knowledge Creates Wealth

RISK MANAGEMENT SYSTEM (RMS) POLICY

VERSION - 1.0 - 1 (MARCH 2021)

REFUSAL OF ORDERS FOR PENNY STOCKS

Penny/ illiquid Stocks are traded at relatively low price and market capitalization.

Tradenext Securities Limited (TSL) shall have absolute discretion to accept, refuse or partially accept any buy or sell order for execution from a client

in respect of penny stocks, illiquid stocks, stocks having low liquidity, illiquid "options", far month "options", writing of "options", and any other contracts which as per the perception of TSL are extremely volatile or subject to Market manipulation. TSL may permit restrictive acceptance of orders in such scrips/contracts in controlled environments like orders received from clients being forwarded by branches to a centralized desk at HO instead of allowing trading in such scrips/contracts at branch level or through online trading platform. TSL shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the client.

TSL may take appropriate declarations from the clients before accepting such orders.

TSL shall have the prerogative to place such restrictions, notwithstanding the fact that the client has adequate credit balance or margin available in his account and/or the client had previously purchased or sold such securities/contracts through TSL itself.

SETTING UP CLIENT'S MARGIN LIMITS

Margin Limit in Cash segment: TSL Provides Margin based limit following the VAR and Extreme loss margin applies to scrip as defined by the Risk Management team time to time at its discretion. Hence Exposure for intraday and delivery transactions can be multiple (varying from scrip to scrip based on VAR (Margin rates) applies to scrip) of the ledger balance value of collateral benefit after applying haircut on holding lying in the client account and credit for sales.

The value of the "multiple" and the "haircut" shall be decided by TSL based on market volatility and quality of collaterals. Limit on the basis of unsettled sales and uncleared cheques will be at discretion of TSL.

Margin Limit for F&O & Currency segment: TSL provides margin limit in F&O and Currency segments based on availability of initial and exposure margin upfront available into the client account in the form Ledger, cash collateral and non-cash collateral.

Client-wise differential limits: TSL shall have the prerogative to allow differential limits in Cash, F&O and Currency segments varying from client to client, depending upon credit worthiness and past conduct of each client or any other criteria which TSL may find suitable.

TSL Discretions on limits:

- TSL has discretion to change the limits on the basis of risk perception and other factors Considered relevant (such as broker level/exchange level limits in specific securities or Income declaration or volume Specific exposures based on surveillance measures)
- TSL shall not be able to inform the client of such variation, reduction or imposition in advance.
- TSL shall not be responsible for client's inability to execute any order on account of any such variation, reduction or imposition of limits.

The right to sell clients securities or close client's positions, without giving notice to the client, on account of non-payment of client's dues (This shall be limited to the extent of settlement / margin obligation)

TSL shall have the right to sell client's securities, both unpaid securities as well as collaterals deposited towards margins, or close out client's open positions, without giving notice to the client where there is a delay /failure of the client to the pay-in obligations and/or there is a failure of the client to bring additional margins to cover the increase in risk in the dynamic market conditions.

A. Unpaid Securities in Capital Market:

- In case of unpaid obligation on T+3, TSL may sell the unpaid/ partially paid securities. In addition, TSL may sell the collaterals deposited by the client towards margins and/or paid securities purchased by the client in earlier settlements where the sale proceeds of unpaid securities are inadequate to cover the pay-in obligations and/where the unpaid securities appear to be comparatively illiquid and cannot be sold at reasonable rates to the extent required.
- TSL may follow the Company Policy for liquidation of securities but it may not be binding on it to follow this method in all cases.

B. The margin shortfall in F&O and Currency Segments:

- Positions of the client may be closed out to the extent of margin shortfall on the T+1 basis /Real time monitoring basis.

- While computing margin shortfall, value of unapproved securities shall not be considered.

- As per the Exchange requirements, the TSL is required to maintain a prescribed ratio between cash and collaterals margin deposited with the Exchange. TSL shall therefore have the prerogative to insist for at least such prescribed ratio % margin in cash and may not consider the value of securities over and above the cash component for the purpose of calculating margins shortfall and close the F&O and Currency segment position where it finds deviation.

C. Intra-day positions:

- TSL shall have right to close out any intra-day positions taken by the client after a defined 'Cutoff' time (Presently 15 minutes before close of market)

D. General:

- TSL may take into account the sales made, positions closed by the client or collections received from the client till a cut off time (as per company policy) while selling the securities/closing the client's positions against debit / margin shortfall

- While selling the securities/ closing the client positions, TSL may not take into consideration Cheque showing uncleared although deposited by the client with TSL until clear proceeds of such instruments are received by TSL in its bank account. For this purposes Demand Draft / Pay order will not be taken into consideration.

- TSL shall have the right to sell clients securities or close out client's position but it shall not be under any obligations to undertake this exercise compulsorily.

- TSL shall have the right to sell clients securities in case of Ageing of debit and margin shortfall in the client account

- TSL shall not be responsible for any losses and penalties / charges levied by exchanges(s) caused on such square off

- TSL shall therefore not be under any obligation to compensate / or provide reasons of any delay or omission on its part to sell clients securities or close open positions of the client.

Conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client

A. All markets:

- Client is not having adequate margins as per conditions in Risk Management policy.

Capital markets:

- The client has not been able to meet his pay-in obligations in cash by the schedule date of pay-in irrespective of the value of collaterals available with TSL.

- Clear proceeds of the cheque deposited by the client to meet the pay-in obligations have not yet been received by TSL.

- Client is trading "illiquid" scrips and volumes in his account exceed internal cut off limit fixed by TSL.

- TSL exposure at "house level" in a specific scrip / contract exceeds the internal limits fixed by TSL.

C.F&O and Currency Segment:

- The client has not made payment for Market-to-Market loss in Ledger

- The "open" positions in a contract exceeded or are close to market wide cut off limits or client wise permissible positions by exchange

D.INTRA- DAY:

- Clients will not be able to place intra-day orders after a cut-off time fixed by TSL. (15 minutes prior to close of market)

E. Event Based:

- Where based on a corporate / market event, TSL has the risk perception that further trading in the securities /contracts may not be allowed to its clients and/or the market.

TEMPORARILY SUSPENDING OR CLOSING A CLIENT'S ACCOUNT AT THE CLIENTS' REQUEST

- TSL may carry a periodic review of the client accounts and may suspend the accounts from trading in the following circumstances:

- The client is inactive for more than 12 months across group companies

- The account is under investigation by any regulatory body.

- Based on the recommendations made by the branch manager due to excessive speculations, unclear balances.

- Physical contract notes are received back undelivered due to reasons like "no such person",

- "Addressee" left, refusal to accept mails, signature mismatch on POD's or other reasons which may create suspicion.

- DCN failed (bounced email) on more than 3 instances until client submits and registers new email id.
- Non-delivery of the Statement of Account sent on periodic basis.
- Non-Update of communication details viz., email id, mobile no., landline details or it is found to be belonging to a third person.
- Client lodges a complaint either directly with TSL or through Exchange relating alleged
- Unauthorized Trades being executed in the account.
- On notices received from statutory, Government or Local authorities and Income Tax, a Judicial or Quasi-Judicial authority, etc.
- Client is reported to or known to have expired.

TSL may also suspend the account based on the written request received from the client.

DEREGISTERING A CLIENT

- TSL may de-register the client account based on action taken by SEBI/NSE/BSE or being part of list of debarred entities published by SEBI.
- TSL may also initiate action for deregistering a client on basis of information found in sites of CIBIL, watch out investors, world check or client having suspicious back ground, link with suspicious organization, etc.
- TSL shall have right to close out the existing positions; sell the collaterals to recover its dues, if any, before de-registering the client.
- TSL may freeze the assets of the client where it deems prudent, at time of de-registering a client.

PROCEDURE FOR ACTIVATION OF IN OPERATIVE ACCOUNTS

- Any client is not doing single transaction into trading account with us for a period of 12 months
- To activate these dormant / inoperative accounts, clients require to fill up a dormant activation form and provide the other related documents and details as per company policy
- Refund of surplus funds to Dormant Client

We have a system of advance intimation of dormant in client account and client money is return back on client request basis.