

## **Risk Management Policy**

### **Refusal of orders for penny stocks**

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

Anand Rathi Share and Stock Brokers Limited (ARSSBL) 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 ARSSBL are extremely volatile or subject to Market manipulation.

ARSSBL 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. ARSSBL shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the client.

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

ARSSBL 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 ARSSBL itself.

### **Setting up client's Margin Limits**

**Margin Limit in Cash segment:** ARSSBL 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 ARSSBL based on market volatility and quality of collaterals. Limit on the basis of unsettled sales and uncleared cheques will be at discretion of ARSSBL.

**Margin Limit for F&O & Currency segment:** ARSSBL 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:** ARSSBL 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 ARSSBL may find suitable.

**ARSSBL Discretions on limits:**

(i) ARSSBL 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)

(ii) ARSSBL shall not be able to inform the client of such variation, reduction or imposition in advance.

(iii) ARSSBL 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 clients positions, without giving notice to the client, on account of non-payment of clients dues**  
**(This shall be limited to the extent of settlement / margin obligation)**

ARSSBL 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, ARSSBL may sell the unpaid/ partially paid securities. In addition ARSSBL 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.
- ARSSBL 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 ARSSBL is required to maintain a prescribed ratio between cash and collaterals margin deposited with the Exchange. ARSSBL 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:**

- ARSSBL 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 :**

- ARSSBL 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 clients positions against debit / margin shortfall.
- While selling the securities/ closing the client positions, ARSSBL may not take into consideration Cheques showing uncleared although deposited by the client with ARSSBL until clear proceeds of such instruments are received by ARSSBL in its bank account. For this purposes Demand Draft / Pay order will not be taken into consideration.
- ARSSBL 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.
- ARSSBL shall have the right to sell clients securities in case of Ageing of debit and margin shortfall in the client account
- ARSSBL shall not be responsible for any losses and penalties / charges levied by exchanges(s) caused on such square off

- ARSSBL 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.

**B. 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 ARSSBL.
- Clear proceeds of the cheque deposited by the client to meet the pay-in obligations have not yet been received by ARSSBL.
- Client is trading “illiquid” scrips and volumes in his account exceed internal cut off limit fixed by ARSSBL.
- ARSSBL exposure at “house level” in a specific scrip / contract exceeds the internal limits fixed by ARSSBL.

**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 ARSSBL. (15 minutes prior to close of market)

**E. Event Based:**

- Where based on a corporate / market event, ARSSBL 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**

- ARSSBL 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 month 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 ARSSBL 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.

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

### **Deregistering a client**

- ARSSBL 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.
- ARSSBL 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.
- ARSSBL shall have right to close out the existing positions; sell the collaterals to recover its dues, if any, before de-registering the client.
- ARSSBL 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.

## Trade Modification Policy

Passion - Relationship - Ideas



CERTIFIED TRUE COPY OF THE RESOLUTION PASSED AT THE MEETING OF THE BOARD OF DIRECTORS OF ANAND RATHI SHARE AND STOCK BROKERS LIMITED HELD ON THE 8<sup>TH</sup> DAY OF AUGUST, 2014 AT THE REGISTERED OFFICE OF THE COMPANY AT 4<sup>TH</sup> FLOOR, SILVER METROPOLIS, JAI COACH COMPOUND, OPP. BIMBISAR NAGAR, GOREGAON (EAST), MUMBAI - 400063

### CHANGE IN NORM OF TRADE MODIFICATION POLICY

The Chairman informed the Board that Trade Modification Policy adopted and approved by the Board of Directors of the Company in their Board Meeting dated 6<sup>th</sup> August, 2011 which laid down norms of trade modifications applicable for trade modification request in below Exchange and Segment needs to be modified by way of replacing the name of Shree Mahesh Bang with Shree Roshan Moondra in the Norm for Acceptance of Trade modification Requests:

Exchange	Segment
BSE	Cash
NSE	Cash
NSE	Derivative
NSE	Currency
MCX	Currency

The aforesaid draft Trade Modification Policy was placed before the Board and initialled by Chairman for the purpose of identification. After discussions, following resolution was passed unanimously:

**"RESOLVED THAT** the Trade Modification Policy adopted and approved by the Board of Directors of the Company in their Board Meeting dated 6<sup>th</sup> August, 2011 has been modified as follows :

As per the SEBI circular CIR/DNP/6/2011 dated 05.07.2011, trade modification for BSE, NSE and MCX - SX exchange are applicable for equity.

Below mentioned norms are applicable for trade modification request in below Exchange

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Dimension: 2456 x 3484 pixels

Exchange	Segment
BSE	Cash
NSE	Cash
NSE	Derivative
NSE	Currency
MCX	Currency

**Code change for Branch clients:** Code modification with trade value less than 1 lacs are accepting as per request from branch manager and other trade modifications with trade value exceeding and equal to 1 lacs are subject to approval from regional director.

**Code change for Franchisee clients:** Code modification is subject to approval from regional director.

### Process for Accepting Trade Modification Requests:

- (i) The trade modification request will be processed and accepted through WEBRMS software.
- (ii) Head Office Risk management team will accept only those requests where wrong trades are due to genuine punching error.
- (iii) Intra Day trade modification request will be not accepted.



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**Norms for Acceptance of Trade modification Requests:**

Condition	Approving Authority
For Trade Value up to 2 lacs	Team - Head office Risk Management
For Trade Value above 2 lacs and up to 10 lacs	Shree Roshan Moondra
For Trade Value exceeding 10 lacs	Shree Roop Kishore Bhootra

**Process for charging penalty:**

- The branch manager will provide the dealer's name and the employee code or the client code to which penalty needs to be debited.
- The penalty levied by the exchange will be debited to the Head office control account and later on to be debited to the dealer / client code as per details received from the branch.
- The deduction from the dealer will be done from the salary at the end of the month, if required.
- Penalty for client account will be debited as and when debited to control account as per the details received from the branch.
- In case of franchisee clients, the penalty amount will be debited immediately to franchisee's ZZZ account.

RESOLVED FURTHER THAT any one Director or Company Secretary of the Company be and is hereby authorised to sign and forward a copy of this resolution to such persons/ entities/ authorities as deemed to be necessary for giving effect to the above resolution."

FOR ANAND RATHI SHARE AND STOCK BROKERS LIMITED

  
 AMI SHAH  
 COMPANY SECRETARY

