Risk Management Policy

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BACKGROUND:

M/s RRB Master Securities Delhi Limited as a Corporate Broking entity and for providing hassle free Trading Operations, conducts its business operations based on sound Risk Management Policies to pursue prudent business practices and, for providing hassle free trading / investment facility to the registered clients. The function of Risk Management being an ongoing exercise is reviewed periodically and necessary measures are initiated to enhance its overall effectiveness.

Various Risk Management Measures implemented by RRBMSDL are detailed below:

In the entire policy, any regulatory changes in between the date of review of policy and implementation of guidelines shall automatically applicable.

RMS works on the following concepts:

1. **Cash:** The clear balance available in the customer's ledger account in our books.

2. **Margin:** The underlying stake provided by the customer in the form of cash, FDR/Collaterals and / or stock (PLEDGED with NCCL) to mitigate market (price) or settlement (auction) risk.

3. **Exposure:** The aggregate of the customer's obligations arising out of buy + sell trades awaiting settlement in the cash segment and profit/ loss amounts that are yet to be settled on the closed positions.

CASH SEGMENT:

RRBMSDL stipulates 100% margin by way of hold on funds for the value of buy orders and hold of securities to the extent of sale order for delivery trades. RRBMSDL provides exposure to the extent of 99% of the funds put on hold by the client so that the remaining 1% meets the cost of trading for the client. For non-delivery (intraday) trades RRBMSDL provides exposure based on the VAR for both buy and sell orders. Any changes/modifications in SEBI/Exchange guidelines shall automatically applies Higher exposure for intraday trading is permitted by RRBMSDL only for the scrips on which Future & Options contract are permitted by the Exchange.

FO SEGMENT:

Clients are required to provide Initial Margin i.e., SPAN Margin and Exposure Margin as stipulated by NSE and an additional margin of 100% of ELM Margin within a 10% of the contract value or any other percentage as decided by Managing Director of RRBMSDL from time to time and notified in the Initial / FNO margin report available. Clients are required to provide the margins as stipulated above for both buy and sell of Future contracts

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and for Sell / Writing of Options. The premium on purchase of options is recovered upfront by way of available balance in the form of hold in bank accounts or credit in the account maintained with RRBMSDL. However, RRBMSDL does not provide exposure to the clients against the booked profit or sale proceeds in Cash segment on the T day or any other inter segment proceeds.

4. **Stock qualifying for Margin in cash segment transactions:** Securities in the approved list of Stock Exchange as per SEBI guidelines.

5. **Total Deposit:** The aggregate of client deposit available with us in the form of cash, Shares (After Applicable Hair Cut), FDR/Collaterals.

POLICIES & PROCEDURES UNDER RMS

1. Policy for Penny Stock: The stocks, which are appearing in the list of illiquid securities issued by the Exchanges every month. These stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bi-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.

Generally, Penny stocks have all or any of the following characteristics:

_ Trading at a price which is less than the Face value of the share.
_ Small Market Capitalization.
_ Poor / Unsound fundamentals.
_ Low liquidity.

2. Setting up client's exposure limits: The Company may from time to time impose and vary limits on the orders that the client can place through the our trading system (including exposure limits, turnover limits, limits as to the number, value and/or kind of securities in respect of which orders can be placed etc.). The client is aware and agrees that the Company may need to vary or reduce the limitsor impose new limits urgently on the basis of the Company risk perception andother factors considered relevant by to us 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.), and the Company may be unable to inform the client of such variation reduction or imposition in advance.

The client agrees that the Company shall not be responsible for such variation, reduction or imposition or the client's inability or route any order through the Company' trading system on account of any such variation, reduction or imposition of limits. The Client further agrees that the Company may at any time, at its sole discretion and without prior notice, prohibit or restrict the client's ability to place orders or trade in securities through the Company, or it may subject any order place by the client to review before its entry into the trading systems any my refuse to execute/allow execution of orders due to but not limited to the reason of lack of margin/securities or the order being outside the limits set by us/exchange/SEBI and any other reasons which the Company may deem appropriate in the circumstances. The client agrees that the losses, if any on account of such refusal or due to delay caused by such review, shall be borne exclusively by the client alone.

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We have margin based RMS System. Total deposits of the clients are uploaded in the system and client may take exposure on the basis of margin applicable for respective security as per VAR based margining system of the stock exchange and/or margin defined by RMS based on their Risk Perception.

3. Applicable Brokerage Rate: Exclusive of Stamp duty, Service tax, STT (Securities Transaction Tax) and any other statutory levies Brokerage will be charged within the limits prescribed by SEBI/Exchange. It is hereby further, clarified that brokerage on option contract shall be charged per lot or on the premium amount at which the option contract was bought or sold, not on the strike price of the option contract. Subject to revision at our sole discretion and as informed by a circular sent by ordinary post/courier services/email.

4. Imposition of penalty charges: The Client agrees that the Company may impose fines / penalties for any orders / trades / deals / actions of the client which are contrary to this agreement / rules / regulations / bye laws of the exchange or any other law for the time being in force, at such rates and in such form as it my deem fit. Further where the Company has to pay any fine or bear any punishment from any authority in connection with / as a consequence of /in relation to any of the orders / trades / deals actions of the client, the same shall borne by the client.

5. The right to sell client's securities or close client's positions, without giving notice to the client, on account of nonpayment of client's due: Without prejudice to the our other rights (Including the right to refer the matter to arbitration), the Company shall be entitled to liquidate /close out all or any of theclients position without giving notice to the client for nonpayment of margins or other amounts including the pay in obligation, outstanding debts etc and adjust theproceeds of such liquidation/close out, if any, against the clients liabilities / obligation.

The client shall ensure timely availability of funds/securities in form and manner at designated time and in designated bank and depository account(s), for meeting his/her/its pay in obligation of funds and securities. Any and all losses and financial charges on account of such liquidations/closing out shall be charged to & born by the client. In case of securities lying in margin account before /client beneficiary account and having corporate actions like Bonus, Stock split, Right issue etc, for margin or other purpose the benefit of shares due to received under Bonus, Stock split, Right issue etc. will be given when the shares is actually received in the Company designated demat account.

In case the payment of the margin/securities is made by the client through a bank instrument, the Company shall be at liberty to give the benefit/credit for the same only on the realization of the funds from the said bank instruments etc, at the absolute discretion of the Company. Where the margin/security is made available by way of securities or any other property, Company has empowered to decline its acceptance as margin/security &/or to accept it at such reduced value as the Company may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as the Company may deem fit in its absolute discretion.

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1. **Shortages in obligations arising out of internal netting of traders:** Company shall not be obliged to deliver and securities or pay any money to the client unless and until the same has been received by the Company from the exchange, the clearing corporation/clearing house or other company or entity liable to make the payment and the client has fulfilled his/her/its obligations first. The policy any procedure for settlement of shortage in obligations arising out of internal netting of the traders is as under:

2. **Temporarily suspending or closing a client's account at the client's request:** On the request of the client in writing, the client account can be suspended temporarily and same can be activated on the written request of the client only. During the period client account is suspended, the market transaction in the client account will be prohibited.

   On the request of the client in writing, the client account can be closed provided the client account is settled. If the client wants to reopen the account in the case client has to again complete the KYC requirement.

TRADE RESTRICTIONS ON SCRIPS COMING UNDER GSM & S+ FRAMEWORK

In order to enhance market integrity and safeguard interest of investors, Securities and Exchange Board of India (SEBI) and Exchanges, have been introducing various enhanced surveillance measures. In spirit of the above measures, the exchanges have introduced GSM, Graded Surveillance Measures (NSE Notice No 20170223-44 Dated 23 Feb 2017, NSE Ref No. NSE/SURV/34262 Dated 23 Feb 2017) and S+ Framework (NSE Notice Number 20170607-24, Dated 07-06-2017). According to the exchange circulars, the price rise of GSM and S+ framework scrips are not commensurate with financial health and fundamentals of the company which inter-alia includes factors like Earnings, Book value, Fixed assets, Net worth, P/E multiple, etc.

The underlying principle behind defining various stages under GSM framework is to alert the market participants that they need to be extra cautious and diligent while dealing in such securities as the need has been felt to place them under higher level of surveillance. At present, 6 stages are defined under GSM framework viz. From Stage I to Stage VI. Surveillance action has been defined for each stage. Once the security goes into a particular stage, it shall attract the corresponding surveillance action. The security shall be placed in a particular stage by the Exchange based on monitoring of price movement and predefined objective criteria.

GSM stage wise Surveillance actions as per exchange guidelines are listed below:

Stage	Surveillance Actions
I	Transfer to Trade for Trade with price band of 5% or lower as applicable.

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II	Trade for Trade with price band of 5% or lower as applicable and Additional Surveillance Deposit (ASD) of 100% of trade value to be collected from Buyer.
III	Trading permitted once a week (Every Monday) and ASD of 100% of trade value to be deposited by the buyer.
IV	Trading permitted once a week (Every Monday) with ASD of 200% of trade value to be deposited by the buyer.
V	Trading permitted once a month (First Monday of the month) with ASD of 200% of trade value to be deposited by the buyer.
VI	Trading permitted once a month (First Monday of the month) with no upward movement in price of the security with ASD of 200% of trade value to be deposited by the buyer.

In addition to the existing surveillance actions, a new tool called S+ Framework has been introduced for enhancing the monitoring of securities exclusively listed / traded on main board of NSE which are not a part of GSM framework and whose share price is not satisfying the Financial Health and such parameters or whose shares prices fluctuates abnormally i.e without any corporate event.

Upon identification and as per the applicable effective date, the securities falling under "S+ Framework" shall be placed in a separate group "SS"/"ST". In addition to existing Surveillance action being imposed from time to time, these securities shall be monitored for the price/volume movement and based on the predetermined objective criteria and would attract following additional surveillance actions.

For taking positions in the scrip coming under S+ framework, Additional Surveillance Deposit (ASD) shall be paid only in form of cash and to be retained for at least a period of 5 months. This ASD shall not be refunded or adjusted even if securities purchased is sold off at the later stage and also shall not be considered for giving further exposure. ASD shall be over and above the existing margins or deposits levied by NSE /ICCL on transactions in such companies and shall be interest free. In case of default in payment of ASD, the same would be viewed as violation of Exchange's directions and penal actions may be imposed.

S+ Framework Surveillance actions as per exchange guidelines are listed below

Stage	Surveillance Action	Group
0	Imposition of Weekly and Monthly price bands in addition to existing daily, Quarterly and Yearly price bands. Imposition of very high transaction charges i.e. 1% of transaction value shall be applicable to both buyer and seller.	"SS" or "ST"
I	All existing actions including imposed under Stage 0. Shifting to Trade to trade settlement mode.	"ST"
II	All existing actions including imposed under Stage I. Additional Surveillance Deposit of 200% of Buy value applicable on	"ST"

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	buyer. ASD shall be released in the sixth month from the collection month i.e. minimum retention period of 5 month.	

The Exchange notification shows the seriousness of restricting the speculative trade malpractices in line with the SEBI guidelines. The scrip price movement not in line with the fundamentals of the scrip is matter of concern and may lead to the unwarranted situation to the clients as well as capital market intermediaries. The scrips under GSM / S+ Framework may move dynamically from one stage to the other stage as per the Exchange notifications demanding high level of compliance and monetary obligations apart from the trade restrictions.

In view of the seriousness assigned on the matter by the Exchanges and regulators and to curtail the abnormal price movement of the scrips and also to safeguard interest of our clients, we have restricted the trades pertaining to the scrips coming under GSM and S+ Framework. The client who wishes to trade in GSM scrip should justify the reasons for trading in the above scrips. The clients should be permitted to trade only after receipt of formal request duly supported with valid reasons. General Manager front office shall be the competent authority to permit trading in GSM / S+ scrips based on the request from the client on merits. Mid office shall take permission from GM, front office for permitting trading in GSM scrips belonging to Stage II onwards and from stage I onwards in the case of S+ framework scrips. Before permitting surveillance desk shall also make the client aware of the exchange guidelines and repercussions in dealing with such restricted scrips. A link shall also be given in the Company's website to enable clients to have a detailed understanding on the guidelines/ list of such scrips and any new developments under these categories of scrips.

Following are the basic risks involved in trading on the Stock Exchanges in Equity and other Instruments, which the clients should be aware before commencing the trade / operation of the trading account.

Risk of Higher Volatility:

Volatility refers to the dynamic changes in price that securities / F&O Contracts undergo when trading activity continues on the Stock Exchange. Generally, higher the volatility of a security/contract, greater is its price swings. There may be normally greater volatility in thinly traded securities/contracts than in active securities/contracts. As a result of volatility, order may only be partially executed or not executed at all, or the price at which order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.

Risk of Lower Liquidity:

Liquidity refers to the ability of market participants to buy and/or sell securities / contracts expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities / contracts swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price for securities / contracts purchased or sold. There may be a risk of lower liquidity in some securities / contracts as compared to active securities / contracts. As a result, order may only be partially executed,

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or may be executed with relatively greater price difference or may not be executed at all. Buying/selling without intention of giving and/or taking delivery of a security / contract, as part of a day trading strategy, may also result into losses, because in such a situation stocks may have to be sold/purchased at a low/high prices, compared to the expected price levels, so as not to have any obligation to deliver/receive a security.

Risk of Wider Spreads:

Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a security / contract and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid securities / contracts. This in turn will hamper better price formation.

Risk-reducing orders:

Most Exchanges have a facility for investors to place "limit orders", "stop loss orders" etc". The placing of such orders (e.g., "stop loss" orders, or "limit" orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders.
A "market" order will be executed promptly, subject to availability of orders on opposite side, without regard to price and that, while the customer may receive a prompt execution of a "market" order, the execution may be at available prices of outstanding orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that security.

A "limit" order will be executed only at the "limit" price specified for the order or a better price. However, while the customer receives price protection, there is a possibility that the order may not be executed at all.

A stop loss order is generally placed "away" from the current price of a stock / contract, and such order gets activated if and when the stock / contract reaches, or trades through, the stop price. Sell stop orders are entered ordinarily below the current price, and buy stop orders are entered ordinarily above the current price. When the stock reaches the pre-determined price, or trades through such price, the stop loss order converts to a market/limit order and is executed at the limit or better. There is no assurance therefore that the limit order will be executable since a stock / contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order.

Risk of News Announcements:

Issuers make news announcements that may impact the price of the securities / contracts. These announcements may occur during trading, and when combined with lower liquidity and higher volatility, may suddenly cause an unexpected positive or negative movement in the price of the security / contract.

Risk of Rumours:

Rumours about companies at times float in the market through word of mouth, newspapers, websites or news agencies, etc. The investors should be wary of and should desist from acting on rumours.

Systemic Risk:

High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation. During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations. Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / contract due to any action on account of unusual trading activity or stock hitting circuit filters or for any other reason.

System/Network Congestion:

Trading on NSE is in electronic mode, based on leased line based communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond the control of and may result in delay in processing or not processing buy or sell orders either in part or in full. Clients are cautioned to note that although these problems may be temporary in nature, clients having outstanding open positions or unexecuted orders, these represent a risk because of their obligations to settle all executed transactions.

As far as Futures and Options segment and Currency Derivatives Segment are concerned, Client shall get acquainted with the following additional features: -

Effect of "Leverage" or "Gearing"

The amount of margin is small in relation to the value of the derivatives contract so the transactions are 'leveraged' or 'geared'. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the principal investment amount. But transactions in derivatives carry a high degree of risk. Therefore the client should completely understand the following statements before actually trading in derivatives trading and also trade with caution while taking into account one's circumstances, financial resources, etc. If the prices move adversely to the position of the client, then the client may lose a part of or whole margin equivalent to the principal investment amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.

Futures trading involves daily mark to market settlement of all positions. Every day the open positions are marked to market based on the closing level of the index / F&O Contract / Currency Derivatives Contract. Based on the movement of the index / price of underlying client will be required to deposit the amount of loss (notional) resulting from such movement. This margin will have to be paid within a stipulated time frame, before commencement of trading next day.

If client fails to deposit the additional margin by the deadline or if an outstanding debt occurs in client's account, RRBMSDLL may liquidate a part of or the whole position or substitute securities. In this case, Client will be liable for any losses incurred due to such close-outs.

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Under certain market conditions, an investor may find it difficult or impossible to execute transactions. For example, this situation can occur due to factors such as illiquidity i.e., when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.

In order to maintain market stability, the following steps may be adopted: changes in the margin rate, increases in the cash margin rate or others. These new measures may also be applied to the existing open interests. In such conditions, client will be required to put up additional margins or reduce positions. Client must ask RRBMSDLL to provide the full details of the derivatives contracts which he / she / it plans to trade i.e. the contract specifications and the associated obligations.

Risk of Option holders

An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option.

The Exchange may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

In case of close out, STT applicable for in the money contracts is substantially more than the normal trading / square off trades. Hence, amongst others, the clients need to monitor their positions especially on expiry day and square off their in the money contracts before the closure of the market.

Risks of Option Writers

If the price movement of the underlying is not in the anticipated direction, the option writer runs the risk of losing substantial amount.

The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.

Transactions that involve buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances.

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In pursuant with the SEBI Circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, we prescribed following norms in our RMS Policy over and above from anything earlier specified.

1. As a part of our Risk Management System, we observe the trading position of respective client as well as his Credit balance / Securities available with us, etc. and depending upon the same, we can transfer the client's securities from client's unpaid securities account / Pool Account to Client's demat account in spite of having the unpaid securities of the respective client only in the discretionary conditions duly discussed with the management. Except with such discretionary power lying with the management, we prescribed following in any other cases:

   i. Securities that have not been paid for in full by the Clients (Unpaid Securities), will be transferred to "Client Unpaid Securities Account" and will be disposed off in the Market by us on or before 5 Trading Days after Payout without giving any previous notice to the client, if funds obligation is not fulfilled by the respective Client and Profit/loss on such sale transactions will be transferred to/adjusted from the respective client account

2. In case of partial payment, we can retain full value of securities till the 5th day from the pay-out date in "Client's Unpaid Securities Account" and such securities will be transferred to the Demat Account of the respective Client only upon fulfillment of clients' funds obligation within Five Trading Days.

3. Procedure for Liquating the client securities that have not been paid for in fullby the Clients (Unpaid Securities):

   i. In case of multiple securities, disposed the securities on pro-rata basis (Securities sold in equal proportion to recover the total unpaid amount), e.g.

      a. In case of any client purchase securities worth Rs. 2,50,000 with only Rs. 1,00,000 available ledger balance and purchase 10 different types of securities, then we sold each securities in equal proportion, i.e. 60% of each securities sold (150000/250000 = 60%) to recover the entire unpaid amountof Rs. 1,50,000 from the respective client.

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4. In case of old debit of client is not realized in full by way of receipt of clear funds in our bank accounts or by way of realizing pay out as a result of liquidation of securities, then not allowed to initiate the buy trade in the same day in the respective client's account until receipt of clear funds.

5. Securities kept in "Client unpaid securities account" cannot be considered towards client's margin obligation.

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