RISK MANAGEMENT SYSTEM POLICY

A Risk Management System is integral to an efficient risk system. We have put in place a comprehensive risk management system, which is constantly upgraded as per the Exchanges, SEBI & PMLA norms and also as per market movement.

The Model of RMS is framed for Branches and Authorized Person and clients. All the Staff, Branches, Branch Managers, Authorized Persons, clients need to understand and follow the policy as it is the integral part of company.

RMS Function includes:

- To check capital adequacy for exposure and requirements of the client.
- Monitoring of Clients Order, Patterns of Trade, Order rejections, increasing of Exposure/Limits if required.
- Monitoring MTM profit/loss incurred out of trades and outstanding positions
- Decision taking with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across.

Risk management in relation to all the trading activities for Clients is handled by RMS & Surveillance Dept. Our Surveillance goes hand in hand with the Risk Management

LIMIT SETTING

Equity segment

We allow exposure in equity market according to VAR margin of the scrip. We set limit in 3 type of product in equity segment. Limit is set on combined basis for Cash, FO, Currency, Commodity MTF segment. Limit is set as per ledger balance + approved stocks (after haircut value of exchange).

Exposure is given on scrip available in scrip basket only. Other stock will not be considered for limit/exposure purpose. Updated scrip basket is available on our website.

Type of limit setting product in equity segment

- **MIS/ Intraday**- Margin intraday square off - under this category we set limit VarMargin/2. The exposure set or given in this category is auto squared off irrespective of the ledgers balances or holding.

- **Normal/Margin:** The exposure given in this category is 2 times of the approved stocks as per the holding of the client and available ledger balance. Approved stocks list is available on our website. Approved stock Delivery will be 2 time of Available Limit via Margin product. Other than approved stock list, Delivery will be 1 time only.

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- **CNC**: Under this category only 1 time limit on cash margin. Or the client can get 1 time benefit of delivery selling. In this category client can do trading as much as his balances only. Non approved/illiquid stocks or any other stock delivery will be only 1 time of available credit balance in CNC mode.
- In equity segment newly listed shares usually do not have any DPR and hence, the chances for rate fluctuations are more. So the dealing in newly listed shares will be restricted to the available credit balance after considering the M2M levels.

Derivative Segment

Derivatives limit setting is margin based in equity derivatives, currency derivatives and commodity derivatives. It includes span and additional margin if any (such as tender, physical margin etc)

Type of limit setting product in derivative segment

Margin/Normal: under this category limit is set 1 time as per the available balances in the trading account. Carry forward is possible only on 100% margin.

MIS/Intraday - Margin intraday square off - under this category we set limit Span Margin /5. (Means 5 times). The exposure set or given in this category is auto squared off as per timing decided by RMS of the segment.

Cover Order: It is order which is placed along with stop loss order. In a Cover Order the buy/sell order is always a Limit/Market Order that is accompanied with a compulsory Stop Loss order in a specified range as pre-defined by the system which cannot be cancelled. Minimum margin is charged for cover order. It is charged on stop loss margin set by client and minimum margin set by admin whichever is higher.
Client can take up to 10 times leverage for intraday by using COVER ORDER in derivatives.

Limit Setting in Options: Option Buy Limit is set 1 times in intraday and Margin product in all exchanges.

Limit setting and Square off timing is tabulated below

		Intraday		Margin/Carried Forward	Delivery
Mode of Trading			Square off Timing	No Auto Sqaure off	No Auto Sqaure off
Trading Product		Intraday/MIS		Margin/NRML	CNC
Equity(NSE/BSE)		Upto 16 Times of Available Fund	03:16 PM	2 Times of Available Fund (Approved Stock Only)	1 Time of Credit Ledge Balance Only
Derivatives(NSE)	Future	5 Time of Available Fund	03:16 PM	As per Required Exchange Margin	Not Applicable
	Option Sell	5 Time of Available Fund	03:16 PM		
	Option Buy	1 Time of Available Fund	03:16 PM		
Commodity Derivatives(MCX)	Future	5 Time of Available Fund	4:45 PM(Agri) and 11:16/11:41 PM(Non Agri)		
	Option Sell	1 Time of Available Fund	4:45 PM(Agri) and 11:16/11:41 PM(Non Agri)		
	Option Buy	1 Time of Available Fund	4:45 PM(Agri) and 11:16/11:41 PM(Non Agri)		
Commodity Derivatives(Ncdex)	Future	1 Time of Available Fund	4:45 PM(Agri) and 08:46/09:16 PM(Non Agri)		
	Option Sell	1 Time of Available Fund	4:45 PM(Agri) and 08:46/09:16 PM(Non Agri)		
	Option Buy	1 Time of Available Fund	4:45 PM(Agri) and 08:46/09:16 PM(Non Agri)		

Kindly note: The positions taken for intra-day should be cleared within the time frame as mentioned above. LISPL shall not be responsible for any uncovered open position on account of any technical failure/ Circuit.

SQUARE OFF POLICY AND CONDITIONS

- All the Intraday Position will be square off at or after their mentioned time in Limit Setting Chart depicted above.
- Once the MTM loss of the intraday/Margin/Carry Forward Position reach 80% of the margin available, Positions will be squared off.
- In case client MTM loss reaches to 60-70% at the end of the day, client will have to reduce the position up to the level of 50% or need to enhance the limit by additional margin.
- If the open position clearance not been initiated from branch, then same would be cleared from RMS department – Head office. In this regard, company shall not be responsible for any loss that incur to the client on individual basis.
- Any NEFT/IMPS/RTGS is to be done, and then it should be before 2:00 pm for ignoring the ageing square off initiated by Branch and RMS.

- T+6 ageing debit has to be cleared by 2:30 PM by client. If the debit is not cleared by client Compulsory Square off by RMS in the case of non payment of debit balance in the same day. Unclear Chq will not be consider in it and manner of liquidation will be on random basis.
- Debit more than T+6 will be on square off mode. No fresh trade will be allowed in such case even if client square off its position
- Any probability or guarantee of client cheque receipt/fund transfer request will not be considered on 5th day.
- At time of selling stocks, Stock consideration will be on random basis from below mentioned accounts.
  - Stock from Beneficiary Account.
  - Stock from Margin Account.
  - Stock from POA Account.
- Incase stock valuation falls below 20% of the total ledger debit, square off can be done even before 5th day of debit
- In case at any point of time, if the client ledger arrived to debit due to market volatility or dishonor of Pay in, All outstanding positions will be squared off and Client will be responsible to pay the Dues to clear the outstanding in his/her ledger.
- In any Circumstances client fails to pay the dues, Company will switch to Legal activities to recover such amount from client.
- 2 Consecutives Margin Shortfall client's position will be squared off or reduced.
- All Physical Delivery Contract of NSE derivatives will be on square off mode at the last trading day. Outstanding Position will square off if client has not sufficient margin towards his delivery obligations.
- All Position in Commodity will be at square off mode at the first day of their Tender Period.
- The MTM loss arising in F&O positions need to be paid on the same day (T day) so that MTM settlement can be performed properly, failing which the positions will be reduced to the available margin level.
- RMS will Square-off the position in case of :
  - Script highly volatile
  - Margin /MTM Shortfall
  - Chq bounce / third party chq deposit
  - Scrip is banned / not allowed for trading / withdrawal from F&O/ as per exchange
  - Suspicious trade or transaction under PMLA Act
  - Synchronized trading
  - Regulatory body Prohibits or suspended the client

- Any type of consideration shall not be given to client, if any instances of cheque bouncing or cheque reversal have taken place in the account.

Margin Shortage Calculation

It is calculated after taking the below mentioned options in to consideration
Ledger Balance
+ Deposits if any with LISPL
+ Collateral holding
+ Approved Holding after haircut in LISPL Client Beneficiary account belonging to the relevant client
+ Approved Holding after haircut in Client Demat Account where POA in favor of LISPL
 - F&O Margin
- F&O Option Premium (Received on account of Option Open Position

 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/ AP and to clients .In case client doesn't respond RMS team Sq-off the open position and subsequently intimate to the client.

Margin Shortage Penalty

The following penalty shall be levied in case of short reporting by trading/clearing member per instance.

- ➢ 0.5 % Slab- If margin Shortage for a particular client is < 1 Lac & is < 10% of Initial margin then per day 0.5% penalty is charged.
- ➢ 1.0 % Slab- If margin Shortage for a particular client is ≥ 1 Lac Or is ≥ 10% of Initial margin then per day 1.0 % penalty is charged
- ➢ 5.0 % Slab- If margin shortfall continues for more than 3 consecutive days then 5.0% penalty is charged from T+3 OR if margin shortfall takes place for more than 5 days in a month then 5.0% penalty is charged for each day during the month.

Margin Trading Facility (MTF)

- Margin Trading Facility is Available for Equity Segment Only.
- Funding is Possible only in Exchange and LAKSHMISHREE Approved Stock available in Group 1 Securities.
- MTF Eligible Stock is available at our website.
- We take minimum 50% initial margin of funded stocks.
- Initial Margin can be deposited in the form of fund and Approved stock after haircut.
- Client should have needed Initial Margin upfront or before the stock purchase.
- Interest rate will be up to 24%.
- No need to square off your margin trading debit balance in T+7.

Shortfall in MTF
- Clients have to maintain initial margin at each point of time.
- 3 Days Consecutive Initial Margin shortage in MTF will lead to force square off by RMS.
- Client must be active once in 90 days.
- Non Active code will convert in Normal Client.

AMO order

- AMO order can be placed any time. AMO orders release can be checked on   the timings stated below
- Equity: 9.15 am FO: 9.15 am and commodity and currency timing: 9.00 am
- AMO will be cancelled if client do not have sufficient funds

Collateral Management
- Collateral Value will be calculated on selected scrip only
- Unpaid securities whether partial or full) is transferred to the client Demat account as per our Policy
- Any debit arises due to nonpayment of MTM, charges will be recovered by selling the client collateral stock.

Trading Banned Scrip

Equity segment: Trading not allowed on GSM / ASM and SMS stocks (sole discretion)

Derivative segment
- Increase in exposure is not allowed on any banned script.
- On open Position only square off will be allowed.
- Intraday trading is allowed in banned scrips.
- Trading in commodity contracts will be banned a day prior to the delivery intention period.
- Trading in far months contracts in MCX and NCDEX will not be allowed

Settlement of Funds

- Accounts needs to be settled once every quarter / month as per preference selected by client at the time of account opening.
- In case client is trading in F&O or in Currency segment he has to maintain the margin up to 225%.
- All excess collaterals/credit balance in client's ledger will be released upon settlement. Quarterly settlement will be done across all exchanges and segments.

Penalty

- Any delay payment (after T+2) will attract 24 % interest P.A.
- Any penalty by the exchange on transaction will be debited to the respective client.
- In case of F&O/Commodity Margin shortfall 1% or 5% penalty will be debited in the account
- In case of regulatory body suspend or client name appear under debarred list
- Any observation like false commitment, fake deposit slip, cheque scanned but not deposited, false receipt of the cheque, cheque reversal instances, cheque bouncing instances and or any such instances come to the notice of Risk department; no further exposure shall be given to the client and strict action shall be taken against respective person

General

- No family adjustment of ledger or cheque is allowed
- No limit or exposure on uncleared cheques.
- No third party cheque or collateral securities will be accepted
- For Authorised person, risk will be consider up to the level of available deposit /brokerage
- DD or P.O will be acceptable only if the same are accompanied by the name of the bank account holder and account number of the bank account debited for the purpose, duly certified by the bank and certificate on bankers letter head..
- Positions taken as intraday can be converted to Delivery Product (MIS to NRML) subject to the availability of credit balance or on confirmation of fund transfer.
- All CO and MIS positions will be automatically squared off at the timings stated above in the limit setting chart .
- Positions will be squared off immediately, if a cheque bounces (due to any reason).
- Any unethical and unpractical practice seen, observe or done by client or dealer or BM or AP or staff, strict action will be taken and the decision will solely by the department.

Password Policy

Password reset for dealers/ clients are through option forgot password. Reset password will be sent on registered mobile number or registered email id.

Kindly Note:

• LISPL will be not held responsible for any consequence or loss arising out of above policy, If any, client will have to borne the loss.

• LISPL will have all the rights to change the policy.

• The above Risk policy is from the desk of Risk management and it is for internal circulation and it is mere a document for communication doesn't have any Legal stand and binding and it is restricted to the staff /Branch & AP and clients to follow the practice.

• All above policy and rules are subject to change as per market conditions and according to the decision of the approval management committee.

• This RMS policy is subject to change without any prior intimation. For latest updation of policy refer our website. www.lakshmishree.com