

## Client RMS Policy

### **Introduction**

Investment in securities is susceptible to market risks which cannot be predicted. While the risk of loss is inherent in the market, it is important to note that the Risk Management Policy is not an insurance against losses; these are measures and precautions that are adopted to contain risks to the minimum. The Policy is subject to change according to our risk perceptions of the market and SEBI/Exchange regulations for the time being in force.

Sharekhan Risk team reserves rights to give exceptions/deviations to this policy at their discretion

### **Scope**

This policy is applicable to Broking Business of Sharekhan Limited

### **Scrip Categorization**

#### **Scrips margins are primarily based on factors like**

VaR margin  
Exchange Volume  
Exchange Group

However other factors like trading numbers and volumes, market capitalization, profits, track records, shareholding patterns, dividends etc are also considered for determining scrip margins. Based on above parameter scrips are categorized as below. Margins mentioned below may changed time to time at discretion of Sharekhan.

Category	Margins
Very Low	15%
Low Risk	20%-30%
Medium Risk	40%
High Risk	60%
Cash & Carry	100%

### **Dealing in Illiquid/Restricted Scrips:**

In order to exercise additional due diligence while trading in these securities on behalf of their clients:

- Sharekhan reserves the right to refuse execution of any transaction requests of the client on such restricted securities or to reduce the open market interests of the client in such securities/ contracts.

- Sharekhan also reserves the right not to allow any trades or transactions in respect of certain securities or segments or orders/requests which may be below/above certain value/quantity as may be decided by Sharekhan Risk Team from time to time.
- Circular or Insider trading is strictly prohibited. Action shall be initiated against any trade resulting in price rigging.
- Sharekhan shall not be responsible for non-execution/delay in execution of orders in restricted scrips and contracts and consequential opportunity loss or financial loss to the customer. Sharekhan shall have the discretion to place such restrictions, notwithstanding the fact that customer has adequate credit balance RISK POLICY or margin available in his account and/or the customer had previously purchased or sold such securities / contracts through Sharekhan itself. Sharekhan shall have the right to revise the list of such securities / contracts on a periodic basis. For more details, request you to kindly review Terms and conditions (T&C) and Policies and Procedures as specified and displayed on our website from time to time.

### **Limits & Exposure:**

#### Assigning Trading Limits:

- Margin/Deposit based limits are assigned to the customers for trading purpose.
- Limits are set at 1x of Margin received from the client
- Margins are blocked at scrip level on the position taken by the clients as below  
For Cash segment – As per scrip category  
For Derivative segment – Initial (SPAN) + Gross Margin (as per exchanges)
- Deposit is calculated at customer level after netting off ledger balance in all Segments and Collaterals pledge with Sharekhan (after hair cut)
- Additional Limits may be assigned on case to case basis post evaluation of the client profile which shall be solely at the discretion of RMS of Sharekhan Ltd
- The limit for trading on pledge securities will be given to client on best effort basis only post confirmation of creation of pledge in favor of Sharekhan. Sharekhan will not be responsible for any delay or non-receipt of link / OTP from depositors for creation of pledge or non-confirmation of pledge request by the client or due to technical or any other issue at depository as well as at Sharekhan's end.

**Exposure:**

Client can take exposure based on Scrip margins.

Cash exposure: Ledger Debit or Stock value (whichever is lower) by paying upfront margin.

Category	Margin(%)	Exposure (Times)
Very Low	15	6.67
Low Risk	20	5
Low Risk	30	3.33
Medium Risk	40	2.5
High Risk	60	1.67
Cash & Carry	100	1

Derivative Exposure: Client can take exposure in derivative segment by paying upfront margin. Exposure depends on Span Margin & Gross Margin.

**Margins:** Margins are collected upfront from the client before the actual trade.

**Type of Margins:**

Cash Component

Non-Cash Component

**Cash Component:**

Ledger Credit

Fixed Deposits

Bank guarantee

**Non-Cash Component:**

Approved listed securities (after Haircut) in pledge form

Approved Mutual Funds (after Haircut)

Or Any other securities accepted by the Stock Exchanges from time to time

**Margins are blocked in each segment as tabulated below:**

Segment	Margin %	Remarks
NSE/BSE Equity	Scrip wise fixed margin	As per scrip category
NSE/BSE Derivative	Span + Gross + Additional (if any)	As per Exchange / Sharekhan
Currency Derivatives	Span + Gross + Additional (if any)	As per Exchange / Sharekhan
Commodity Derivatives	Span + Gross + Additional (if any)	As per Exchange / Sharekhan

- Margin Required = Margin on Equity & Derivative Positions
- Margin Available = Margin received from client in form of cash & non cash components
- Margin calls will be made to client in case of any margin shortfall
- **Margin Shortfall = Margin Required – Margin Available**

### **Derivatives Margin Reporting**

Derivative Margin reporting is a report, whereby, we update clients margin lying with us against margin required on his derivative open positions to respective exchanges.

The reporting is done on daily basis to the exchange

Currently reporting is mandatory for Cash segment, Equity Derivative, Currency Derivative segment and Commodities Derivative. Margin would also be collected from clients based on peak margin requirement for shortfall if any, as applicable from December 01, 2020 or thereafter from time to time as prescribed by the Regulator.

### **Intraday Products:**

Segment	Type	Product	Leverage***
Equities	Cash	Big Trade	Up to 10 Times
		Big Trade Plus(Cover order)	Up to 50 times
Equities	Equity Derivatives	Big Trade Plus(Cover order)	Up to 80 times
Commodities	Commodity Derivatives	Big Trade	Up to 60 times

\*\*\* Leverage shall be provided as per market conditions and at the discretion of Sharekhan RMS from time to time or as prescribed by the regulator from time to time.

### **Features of Big Trade Plus (Cover order)**

Big Trade Plus (BTP) Order is a order placement facility offered by Sharekhan wherein any market order can be placed along with a Stop Loss Order.

BTP order allows the client to take leverage as per his / her risk appetite along with the benefit to limit the downside. One can take an intra-day position with such orders which blocks lesser margin than other product.

Only scrips approved by Sharekhan RMS will be allowed under this product.

### **Liquidation:**

Based on the risk, every client account shall be evaluated to ensure that, sufficient margin is available at all the times as per the Margins defined in Sharekhan Collateral policy.

In case of Margin shortfall, following actions are initiated by Risk Team:

Making margin calls, and requiring clients to provide additional margins.

Liquidating clients position or collaterals to the extent of shortfall obligations.

- Sharekhan may follow the Company Policy for liquidation of securities but it may not be binding on it to follow this method in all cases.

### **Risk square off process**

- a) Auto liquidation of client positions or collateral will be carried by RISK department in case client margin Shortfall exceeds 50%,

Sharekhan reserves the right to close/liquidate the open positions / sell securities to the extent of ledger debit and /or to the extent of margin obligations if clients does not clear margin shortfall within stipulated time .

Selection of position to be liquidated will be as per best possible combination, which would cover maximum margin shortfall.

Liquidation would be done by RMS in the following sequence:

1. Derivative position
2. Stock lying in client Demat (with POA)
3. Stock lying in SK Collateral (pledge stock)
4. Stock lying in Unpaid securities

The above mentioned liquidation will be on a best-effort basis and will be solely at discretion of Sharekhan RMS.

- b) For Big Trade (intra- day leverage product), liquidation is triggered on following basis:

- Earlier of MTM Loss basis i.e. margin erodes by 70% of total margin blocked.

At any given point in time if the MTM level of the client breaches 70% of his available Cash margin, the risk team would square off the complete positions of the client with or without intimating the clients.

For sake of better understanding, the square off percentage of 70% is basically the threshold base limit and it should not be construed as exact 70% for square off. The

position may get squared off at exact 70% above the base threshold limit. Due to market extreme volatility it may not be possible to monitor the square off limit from percentage (%) to percentage (%).

Further the above square off will also be based on the extreme volatility in the market which may have severe impact on the client and the company. The Company may or may not inform the client on the same in case of potential fluctuation. This would occur at the discretion of the Risk team. It would be client responsibility to ensure that sufficient margin is available at all the times.

- c) Margin Square-OFF Positions which do not have sufficient funds can be squared off any time at the discretion of our Risk team. There may or may not be a margin calls or intimation from our Risk team. Positions would be squared off proportionally by the risk team to bring down your margin shortfall.
- d) Positions taken under Big Trade Products will be squared off immediately if the price gets triggered. Square off can also be initiated by client before 3.15 PM. Else Sharekhan shall endeavor to square off the position at any time after 3.15 p.m.

In case the said position is not squared off before closure of the market, the position shall be carried forward to the next day. In such cases the client shall be responsible for ensuring that adequate margins are available in the clients account with Sharekhan in order to ensure that there is not shortfall in the account. In case there is a margin shortfall, the positions may be squared off based on the risk management policy of Sharekhan. Margins shall be placed in form of funds and / or securities subject to appropriate haircut based on risk management policy of Sharekhan. Client would be liable for penalty for shortfall in payment margin from time to time within the ambit of regulations.

**Ageing Debit Square off:**

- As per SEBI guidelines, clients account cannot be funded by broker.
- Only grace period of 5 working days from settlement day is given to the client to clear the dues. It is client's obligation to clear his/her outstanding dues by T+2 (T indicates Trading day). The client shall ensure that sufficient funds / securities are kept with Sharekhan to meet exchange obligations.
- Sharekhan reserves the right to close / liquidate the open positions / sell securities to the extent of ledger debit and /or to the extent of margin obligations.
- Selling will be done in clients account on T+7 days for the ledger debit which is more than T+6 days on ageing basis. No further exposure is to be given clients having debit beyond 5 days.

- Further, as per SEBI circular on handling of clients' securities, in case of Debit balance (at consolidated level) in client ledger account, Sharekhan reserves rights to transfer securities to Client unpaid securities Account (CUSA) from pool account. In case of non-payment, Sharekhan reserves the right to sell securities from CUSA. Further, Sharekhan also reserves the right to transfer unpaid Securities to client account directly from the pool / CUSA account. In case the client is providing collateral in the form of approved securities as margin, a margin pledge shall be initiated by the client in favour of Sharekhan through physical or electronic instruction mechanism provided by the Depositories.
- In case of non-payment of purchased securities or towards margin obligation of client, where the client has given Power of Attorney in favour of Sharekhan, the margin pledge shall be initiated by Sharekhan on behalf of the client. The margin pledge will be initiated as per the process defined by the Depositories / SEBI / Exchanges.  
The client will receive a link on registered Email id / Mobile number mapped with depository (NDSL / CDSL) for confirmation of pledge in favour of Sharekhan. Client will have to enter an OTP received on Email id and /or Mobile number within the prescribed timeline to confirm pledge in favour of Sharekhan.

Sharekhan reserves the right to re-pledge the securities to the Clearing Corporations. In case the client defaults Sharekhan and/or the Clearing Corporations shall be entitled to invoke securities pledged by the client.

- Sharekhan reserves right to sell the collaterals pledge 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.

**Intimation:**

On best effort basis, clients will be notified of their trades/Risk-square off in case of margin shortfall through SMS & E-mail.