

R.L.P. Securities Pvt. Ltd.

Risk Management Policy for Cash & Derivatives Segments

BACKGROUND

Considering the speed and complexity of the business, as well as the need for the customer due diligence to ensure that undesirable elements are prevented from entering into the system and to ensure the Compliances of various statutory bodies like SEBI, EXCHANGES, PMLA, AML, RBI, DEPOSITORIES etc. and to enable the company to concentrate on the core business of broking, the company had set up various Departments with Department heads and dedicated staff members reporting directly to the Vice presidents and board of directors. The main object is to manage and mitigate the risk occurring at various levels.

- a. KYC Department
- b. Clearing House Department
- c. Back Office and Accounts Department
- d. DP Department
- e. Risk Management System And Transaction Monitoring
- f. Technical Department
- g. Compliances and Regulatory reporting Department
- h. Dispatch and Record Keeping Department
- i. Training Department

KYC Department

KYC department scrutinizes all the Clients at entry level. After being satisfied by the credentials of the client and having satisfied by the genuinity of the details produced by him as required under the various rules regulations framed by the exchanges and other statutory bodies from time to time.

Proof of identity- PAN card xerox duly attested and verified with Income tax Website

Proof of Address- As prescribed by the Exchanges from time to time.

Bank Proof- Cancelled Cheque, Bank Statement etc.

DP Proof- CMR Copy etc. and any other requirements, as per the status of the clients.

In person verification to be done by the staff members in all the angles including their financial status.

The UCC to be uploaded and the client to be allowed trading only after the KYC is accurate in all respects.

Trading Operation:

The Client to be allowed trading only as per the financial credit balance available and to keep a watch on the trading pattern of the client with relation to the financial net worth, financial discipline and the previous history of honouring the Financial Commitments also taking into account PAN debarred entities by authorities from time to time. Based on the above the client to be classified as:

- LOW Risk Client
- MEDIUM Risk Client
- HIGH Risk Client
- HIGH Net worth Client.

Clearing House Department:

This Department should ensure smooth functioning of Pay in And Pay out of Securities to the Exchange and to the Clients.

This Department has to ensure whether the Client is regularly meeting the Pay in obligation of securities or not. If there are frequent Auctions or shortfall in securities, the Client will be treated as High risk client. Any shortfall in Deliveries will be intimated to the clients. If any Client is buying or selling heavily in only one or two scrips on regular basis, we will be closely monitoring and take appropriate steps. The shares of one person shouldn't be adjusted or issued to the other clients.

Back Office and Accounts Department:

This Department should ensure smooth functioning of Pay in And Pay out of Funds to the Exchange and to the Clients. They will have a watch on whether there are any frequent cheque bouncings are taking place. Whether any unusual amount of cheques are paid or received from any of the clients. If so appropriate steps to be taken to check the genuinity of the transactions and verify whether the client is acting on his own or acting for somebody else. No cash transactions will be accepted. To verify and check whether any client is paying frequently by DD/ PO. No third party Cheques to be received from any of the clients. No Cheques to be issued to third parties on behalf of any clients.

RISK MANAGEMENT POLICY:

The Company shall on its discretion and as per the requirements of the Governing and Regulatory Bodies collect Initial Margins and Mark to Market margins from the clients. In addition, the margins so collected can be topped up as required and exposures of the clients so be adjusted that can vary from client to client basis.

The Company shall on its discretion maintain the non-cash component of the client as a percentage of the cash component and the same can vary from client to client basis. The Management is allowed to take the above decisions and the same shall be monitored on a regular basis by the Automated Software that is in place. The automated software shall compute the capital available towards the exposure on an online basis, the policy for such exposure shall be entered into the system by the Surveillance team in coordination with the management team as a part of RISK MANAGEMENT SYSTEM.

RISKS CONTROL

The trading rights of the clients shall cease once the client utilizes 100% of the allocated exposure or is @ 50% of loss to the capital computed for exposure calculation.

Upon 75% of the clients' capital loss, 50% random position shall be made squared off by the client, subject to client not infusing clear funds to its margin requirements and/or to cover its loss.

Upon 100% of the clients' capital loss, the entire position of the client shall be made to squared off. The loss is a % of the capital computed for exposure calculation as per the company policy or as per the policy framed by the Management for allocating exposure to the Client.

The above guidelines can vary at the sole discretion of the Management.

SYSTEMIC CONTROL

The clients' shall be classified as high, medium and low risks, based on their trading patterns and on their funds flow system. Based on their risk profile the client would be allowed the exposures for intraday, in case of delivery the regular settlement procedure of T+2 will be followed. If the pay in amount is not received from the client on the due date, the positions would be made squared off for the recovery of debit balance. The same shall be at the discretion of the Management

DISCLAIMER:

These are the risks policies in place, but the clients' liabilities shall be as it is, if the above parameters cannot be executed.