

# SAROJ SECURITIES

309 KAN CHAMBER ,14/113 CIVIL LINES , KANPUR – 208 001

Member :The National Stock Exchange of India Ltd .

SEBI Regn No :INZ 000224427

## **Risk Management (RMS) 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 Exchange, SEBI & PMLA norms and as per Market Movement.

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.
- Monitoring MTM profit/loss incurred out of trades.
- Benchmarking Margin v/s Exposure of client
- Decision taking with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across.

RMS & Surveillance Dept. handles risk management in relation to all the trading activities for Clients.

### **RMS Policies and Procedures**

#### **A. Setting up client's exposure limits**

The Exchange may from time to time fix client exposure limits in the interest of orderly working of the markets. Within that overall ceiling, a client can trade within the exposure limit set from time to time by the Broker for the client.

Exposure Limit is fixed on the basis of the funds and value after haircut of the Securities provided by the client for margin. Clients are requested to adhere to the exposure limits as crossing the limit may involve either a call for margin or restriction on further position / exposure.

Saraj Securities may need to vary or reduce or impose new limits urgently on the basis of risk perception, risk profile of the client and other factors

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considered relevant 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.).

Sometimes the organization may be unable to inform the client of such variation, reduction or imposition in advance. Saroj Securities shall not be held responsible for such variation, reduction or the client's inability to route any order through trading system on account of any such variation, reduction or imposition of limits.

In the sole discretion of the Securities Broker, a client may be allowed to trade beyond exposure limit or the limit may be increased. A client having availed such indulgence shall not be heard to complain about his trades only on this account and shall meet the margin shortfall at the earliest without waiting for reminder. The golden rule is Limit your exposure so as to limit your risk to your means.

1. **While computing the available margin following parameter are considered-**

- Clear credit lying in client's settlement and margin ledger account
- Any Online funds transfer or hold amount through bank gateway
- Credit received against sale of Securities
- Margin amount of open positions
- Outstation cheques are not entertained. All the cheques collected against trading positions should carry a valid MICR number.

2. Exposure limits shall be only against fund provided and Securities approved as decided by the Exchanges/SAROJ SECURITIES from time to time. SAROJ SECURITIES may from time to time change the applicable haircut or apply a haircut higher than that specified by the Regulators/Exchanges.

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3. In case of derivatives, Clients shall be allowed to trade only up to the applicable client wise position limits set by the Exchanges/Regulators from time to time.
4. List of approved collaterals along with applicable haircut, is subject to revision from time to time based on Exchange approved list,
5. In order to ensure smooth settlement on T + 1 day, client has to ensure that entire balance payment against the positions taken by clients.
6. In case of clients' failure to deposit funds against their purchases by above mentioned time schedule, penal action against the clients at the discretion of the stock broker will be taken, which will include squaring up of standing positions of clients

## **B. Setting up Terminal/Branch Level limits**

Trading Terminals are allotted to Members by exchanges. These terminals enable members to place, modify and execute orders on behalf of clients. There may be instances where due to punching error unusual orders may be placed at high prices, which might lead to execution of unrealistic orders or orders being executed at unrealistic prices. In cases where the order/price of such orders is high, it might lead to huge losses to broker. In order to avoid such a situation it is imperative that certain limits are prescribed for each terminal allotted to member broker.

We ensure monitoring mechanism for client's debits / obligations and appropriate collection procedures.

The following limits shall be defined for each terminal:

- Quantity Limit for each order
- Value Limit for each order
- User value limit for each user ID
- User quantity limit for each user ID

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- Branch value limit for each Branch ID
- Spread Order Quantity and Value Limit
- We have a dedicated Risk monitoring team who monitor the exposure, limit, etc.
- We have Symphony XTS , which has a facility to block the client as well as restrict to use over exposure.
- Limits shall be monitored on daily basis, taking following criteria's:  
Turnover, Exposure, past trends, Location, Deposit/Collateral.

## **C. Order Receipt and Execution**

All Orders routed through Symphony XTS are monitored by our risk department and after their confirmation about client is financial and margin status order is executed.

The dealers take utmost care while executing the trades of the clients regarding the accuracy of Client Code, Quantity and Price etc. The dealers promptly execute the orders from the clients and the oral confirmation of the placement of the orders is immediately provided to the clients.

The clients are divided into groups among the dealers and head office so that particular dealer can serve a particular group of clients, which helps dealer to understand the client investment strategy in a better way & serve them accordingly. The dealer enters the orders instantly on the instruction given by the client. On execution of valid order into trade, dealers confirm the trade with the client to avoid any future dispute.

At the end of the trading hours, the dealer informs the clients about the execution of the orders placed by the clients. Also a trade confirmation SMS

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message covering details of all the trades executed is forwarded to client after completion of trading hours on registered Mobile No. of the client.

We have telephonic recording system for receipt of order, maintained the said record in machine, increased the hard disk capacity to store increase data and transfer the same record in tape, and maintained the said tape in safe custody forever.

## **D. Monitoring of Debit Balances**

We have system of monitoring client debit balances on a daily basis. We have dedicated resources to monitor the debtors as well as asking for the margin cheque. Clients are followed up by tele-calling, sending SMS and e-mails and remarks are noted for each client.

No trade is allowed if debit balance continues for next 5 trade days. No fresh trade is allowed unless old dues are recovered.

The debits in client's account are secured against collaterals such as Securities, FD, BG etc.

Exchanges follow a settlement schedule of T+1 in Securities Market segment, daily M to M settlement & Final Settlement in Derivatives segment.

As per SAROJ SECURITIES policy, the customers need to pay the debit balance on the day of purchase itself or on next day. The left out clients' debit will not be allowed to Carry forward beyond 5 trade days. No extension is possible beyond 5 trade days in what so ever circumstances.

## **E. Client Code Modification:**

Trades are done only on the exchange platform and if any trades need to be transfer because of wrong punching of code it is done on the exchange

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platform system only. Client code modification is accepted only through an email or written letter prior to post closing session. Client code modification will be done within the time limit given by the respective exchange.

Every request for client code modification is to be sent to RMS dept. in the predefined format and proper care should be taken in filling the Exchange order number, trade number, old client code, new client code, and the reasons for wrong Punching.

The reason for the modification is to be analyzed by the risk management department with regards to clients ledger a/c; demat a/c; trading pattern etc. & if found to be genuine then modification will be approved. Modification will be allowed only in delivery trades in which error was occurred genuinely.

Penalties & actions taken by the exchange against the broker / member shall be passed on to the respective client & in addition, penalties & action shall be taken against the AP's / Branches / Dealers.

## **F. Margin Collection Procedure**

The SAROJ SECURITIES has a RMS (RISK Management System) Team, who is responsible for setting up the Client wise Trading limits, Margin collection & Reporting procedure as described below:

Client Limits are allowed as per margin norms of the relevant exchanges. Clients are required to provide upfront margin in the form of funds / Securities (after appropriate haircut as prescribed by Exchange from time to time) before any trade.

RMS department monitor all orders & trades given by clients and executed in the trading terminal. The departments are also vigilant about all order rejections and spurt in exposures. The SAROJ SECURITIES takes proper and adequate margin from clients as per the exchange/SEBI norms in the form of

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funds/collateral and report the same to the exchange as per the guideline of exchange.

We take Margin in the form of funds through Account Payee Cheque, Electronic Fund Transfer and Securities. We have utmost monitoring system, which bars the acceptance of third party cheque. In case, client provide Securities towards margin, we accept only liquid Securities received from registered DP ID of client. On receipt of Securities, RMS applied the required hair cut as per exchange VAR.

At the end of the day, 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.

Trading limit is set by RMS based on the available margin amount and calculated by considering the trading price prior to trading day (T-1 day) on daily basis. The debit and credit status is email or SMS to client on daily basis. In case of debit balances regular follow-up has been done. The RMS team do monitor the debtors and if client exceeding the exchange norms of T+5 day the trading is been halt, unless and until the debit is clear by client.

## **G. Margin Reporting Procedure:**

The SAROJ SECURITIES report details of Initial Margins collected from their clients by uploading margin file through N-Mass portal.

### **Mechanism for regular reporting of Margin**

- Free Balance available on current day (T Day) with client in different segments of the Exchange will be consider for margin collection.

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- Only stock pledged by client to full fill margin obligation shall be considered for to fulfill margin shortage.
- Value of Securities will be considered with subject to a haircut of VAR margin as per Exchange.
- Margins taken in the form of Securities in the approved list to be valued as per the closing rate on the previous trading day and not the trading day, with an appropriate hair-cut.
- Only free and unencumbered balances of Securities available with the Member for respective client in different segments of the Exchange shall be considered for margin collection and reporting.
- Accordingly, only Securities received in pay out shall be considered only after it is actually received from the clearing corporation. However, pay-in received from clients for such Securities may be considered while calculating the ledger balance for reporting of margins till T+1.

After preparing margin report file, RMS person forward reporting file to person who is authorized to recheck the report file before uploading on N-Mass portal, Status of the file uploaded shall be checked regularly on the day of uploading after a few hours of uploading the same.

Penalty if any occurring out of the short payment will be debited to the respective client's account after t+5 days. Information related to margin applicable, utilized and required / balance in respect of each client is to be sent on a daily basis to the respective clients in both the segments.

## **H. Right of Sale of client's Securities or closing the client's open position without giving notice**



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SAROJ SECURITIES maintains specific banking and depository accounts, informed to the clients from time to time, for handling clients' funds and Securities. The clients shall ensure timely availability of funds Securities in required form and manner, within stipulated time and in the designated bank and depository account(s) for meeting their liabilities and obtaining proper credit thereof. SAROJ SECURITIES does not undertake responsibility for any delay or other consequences arising from payment to any other account or non-receipt in time and manner in the designated account(s).

- In the event of the Client failing to maintain / supply applicable margin money required to sustain the outstanding market positions of the Client, the company shall be entitled, at its option and liberty, to liquidate / close out all outstanding market positions or any part thereof such that the outstanding market positions are either zeroed out or reduced to an extent where available margin covers the market positions remaining after such square off.
- All losses and financial charges because of such liquidation/closing-out shall be charged to and borne by the client. The company shall also have right to close out any intraday positions taken by the client, in above circumstances. Such liquidation/ close out may be without any prior reference or notice to the client.
- RMS Team may initiate liquidation of Securities in following circumstances:
  - ✓ In case of Margin Trades, if the open position is neither squared off nor converted to Delivery by Client within the stipulated time.
  - ✓ In case of Margin Trades, where Mark to Market Loss on the open position has reached the 80% of the margins placed with SAROJ

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SECURITIES and the Client(s) have not taken any steps to either replenish the margin or reduce the Mark to Market Loss.

- ✓ In all other cases where the margin or security placed by the Client(s) falls short of the requirement or the limits given to the Client(s) have been breached.
- ✓ Where the Client(s) have defaulted on their existing obligation/ failed to make payments/deliver Securities to SAROJ SECURITIES with the stipulated time.
- ✓ Extreme volatility in the market in particular scrip of both the segment.
- ✓ There are any restrictions imposed by exchange or regulator on the contract(script)
- ✓ The client is undertaking any illegal trading practice or the client is suspected to be indulging in the money laundering activities or suspicious trade or trading in illiquid stock
- ✓ The client has taken or intends to take new position in a security, which is in the banned period.
- ✓ There are any unforeseen adverse market conditions or any natural calamity affecting the operation of the market.
- ✓ When margin amount due from the client is not received within T+1 days.
- ✓ When any initial margin available in the client's account is less than the requirement for SPAN margin
- For Old Debts more than T+5 clients are given SMS on their registered mobile number with SAROJ SECURITIES. Authorized person of client is also informed about old debit by email and message is flashed on trading system for the same. In case client fail to clear debits before T+5th day then RMS would sell existing stocks of clients to recover old debits.

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- In case of liquidating client position arising from MTM loss SAROJ SECURITIES informs client about the MTM loss on registered mobile once MTM loss is 60%, 70% and 80%.
- Once MTM loss crosses 80-85 % SAROJ SECURITIES would liquate client's position if client have not paid for loss arising in outstanding open position or have squared off open position.
- SAROJ SECURITIES has proper system to maintain all records of communication done with clients and sub brokers/authorized persons.
- RMS Team can add some more criteria based on the circumstances as they may deem fit.

**I. Conditions under which a client may not be allowed to take further position or his existing position may be closed**

SAROJ SECURITIES shall have absolute discretion and authority to limit client's volume of business or to close any existing position of a client without giving any prior notice to the client under following conditions:

- SEBI or Exchange imposing restrictions on further exposures in cases of extreme volatility in the market or in a security or group of Securities.
- Client or the Broker exceeding or touching exposure limits set by the Exchange in the particular scrip.
- Reasonable doubt as to bonafide of the transaction or identity of the client in the light of the financial status and objectives as disclosed in the KYC form.
- Reasonable doubt as to the transaction being cross trade, circular trade, fraudulent practice or connected with price manipulation or market rigging.

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- SEBI or other competent authority issuing a debarment order against the client from buying, selling or dealing in Securities, unless the order is vacated.
- The client has taken or intends to take new position in a security, which is in the banned period.
- Due to abnormal rise or fall in the market, the markets are closed.

SAROJ SECURITIES shall also have a right to close existing positions of the clients in the abovementioned circumstances

SAROJ SECURITIES shall not be responsible for any loss incurred and the client shall indemnify SAROJ SECURITIES in this regard.

## **J. Temporarily suspending or closing a client's account based on the client's request**

Any client desirous of suspending his or her trading account has to give such request in writing to the management. After management's approval, further dealing in such client's account will be blocked. Whenever trade has to be resumed in any suspended client account, a request in writing should be made by the client to the management and the management may ask for updated financial information and other details for reactivating such account. After receiving necessary documents, details, etc. and approval from the management, the client account will be reactivated and transaction will be carried out.

Similarly, any client desirous of closing his / her account permanently is required to inform in writing and the decision in this regard will be taken by the management. After necessary approval from the management, the client code will be deactivated. Only after scrutinizing the compliance requirements

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and a “no pending queries” confirmation is taken, Securities and funds accounts will be settled.

## **K. De-registering a client**

SAROJ SECURITIES may, at its absolute discretion, decide to deregister a particular client if found that:

- SEBI or any other regulatory body has passed an order against such client, prohibiting or suspending such client from participating in the Securities market.
- Such client has been indicted by a regulatory body or any government.
- Enforcement agency in case of market manipulation or insider trading or any other case involving violation of any law, rule, regulation, guideline or circular governing Securities market
- Such client is suspected of indulging in illegal or criminal activities including fraud or money laundering.
- Such clients name appears in the UN list of prohibited entities or in the SEBI debarred list
- On the death / lunacy or other disability of the Client
- Such clients account has been lying dormant for long time or the client is not traceable
- If the Client being a partnership firm, if any steps have been taken by the Client and / or its partners for dissolution of the partnership.
- Such client has been irregular in fulfilling obligations towards margin or settlement dues
- Such client has been declared insolvent or any legal proceedings to declare him / her as insolvent have been initiated.

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- Such client has a tainted reputation and any business relationship with such clients is likely to tarnish the reputation of SAROJ SECURITIES or may act as detriment to SAROJ SECURITIES prospects.

## **Disclaimer**

SAROJ SECURITIES will have a discretion to alter/change any of Exposure limit , selling parameter defined in this policy on the basis of prevailing market conditions with or without prior intimation and can use their discretion to grant any kind of exemption/permission in case they deem fit on case to case basis.

For Saroj Securities

Sanjay Agarwal  
Partner/Compliance officer)