

# RISK MANAGEMENT & SURVEILLANCE POLICY

## 1. Preface

Risk Management is an integral part of any organization. We need to deal with various kind of risk like Credit Risk, Market Risk, Default Risk, Liquidity Risk and other Risk.

In Securities Market, customers have to be alerted with respect to their obligations, open positions, market conditions, margin requirements, regulatory requirements and steps initiated by brokers in case of changing market situations.

With a view to enhance customer knowledge and safeguarding investor interests, A.S.Stock Broking & Mgt. Pvt.Ltd. have devised a comprehensive Risk Management & Surveillance (RMS) Policy to make sure that customers are aware of criteria based on which A.S.STOCK BROKING & MGT. PVT. LTD monitors risk and initiates actions to safeguard the interest.

Major parameters of RMS Policy are mentioned below :

## 2. Setting up clients exposure limit

### Cash Segment :

Exposure constitutes both a purchase and sale transactions of shares & securities. A purchase transaction includes buying of securities and it remains as exposure till client gives full payment for the shares bought. A sale involves a share delivery obligation to the exchange and it remains an exposure till the client delivers the shares. Exposure will mean the aggregate of the outstanding purchase and sales.

Exposure limit of the client will be set on the basis of available base capital as defined below. The limits may be allowed on a multiplier basis to the available base capital depending on the market conditions and the risk perception about the market/client. However in exceptional situations A.S.STOCK BROKING & MGT. PVT. LTD may use its own discretion in providing the limits and may change for a client or for all depending on market conditions.

Base Capital constitutes of Margin Ledger +/- Party Ledger + Collateral Stocks ( Stocks given to A.S.STOCK BROKING & MGT. PVT. LTD as Margin ) + Debit Stock ( Stock withheld by A.S.STOCK BROKING & MGT. PVT. LTD against ledger debits ) + Outstanding Stocks ( Stocks yet to receive from exchange ) – Shortages ( Stock sold but not delivered to broker for pay in within T+2 days ) + Value of stocks held in Demat Account ( where Power of Attorney is given )

**# All stocks are valued after hair cut applied by A.S.STOCK BROKING & MGT. PVT. LTD RISK MANAGEMENT & SURVEILLANCE POLICY**

**The exposure in offline segment will be as under :-**

<b>Base Capital ( Rs. In Lakhs )</b>	<b>Normal Market Condition ( No. of times )</b>	<b>Panic Market Condition *( No. of times )</b>
0 - 2	4 Times	2 Times
2 - 10	5 Times	2 Times
10 - 15	6 Times	3 Times
Above 15	8 Times	3 Times

• The market would be categorized as Panic Market if the index movement is 6 % in a single day or a cumulative movement of 10 % ( either side movement ) in consecutive sessions or is declared specifically by A.S.STOCK BROKING & MGT. PVT. LTD in case of emergency for the limited purpose of this Risk Management Policy.

**The exposure in online segment will be as under :-**

<b>Product</b>	<b>No. of times</b>
Intra Day	5
Delivery Plus	4
Margin Plus	Up to 20

Customer can utilize the limit as per his desire for the available product. In case the same is used for one product then the limit will be adjusted for other product automatically. Further trading limits are provided only on realized cheques and fund transfer done using payment gateway in both the segment.

# The above exposure limits can be reduced to one time based on clients profile & A.S.STOCK BROKING & MGT. PVT. LTD's risk appetite.

# In addition to above, A.S.STOCK BROKING & MGT. PVT. LTD applies specific scrip wise Margin, hence few scrips can attract higher Margin than the normal margin available for liquid scrips, this can vary in the range of 50 % to 100 %.

In other case the exchange increases the margin requirement in any scrip, A.S.STOCK BROKING & MGT. PVT. LTD can reduce the exposure in that particular scrip as per the exchange margin requirement i.e. say exchange has increased the margin in scrip XYZ Ltd. By 100 %, A.S.STOCK BROKING & MGT. PVT. LTD may reduce the exposure to half in XYZ Ltd. apart from this scrip, client will be having normal exposure in total as per above guidelines.

**F&O Segment :**

Derivative segment is a margin driven segment. Margin will be collected as per the requirement of the exchange i.e. SPAN margin + exposure margin + additional margin ( as any made applicable by the exchange ). In case of panic market additional margin can be collected by A.S.STOCK BROKING & MGT. PVT. LTD looking at market conditions.

Scrip's acceptable as collateral—only approval list of stocks as per exchange for F&O margin will be accepted after a 40% haircut . However A.S.STOCK BROKING & MGT. PVT. LTD may accept on its own discretion, the stocks which are not in the list of exchange defined illiquid scrip.

## **Scrip wise Exposure Limits :**

### **Cash Segment**

To keep in mind the surveillance measures and also to stop unusual activities in illiquid stocks, scrip wise limits will be set on the basis of following parameters at A.S.STOCK BROKING & MGT. PVT. LTD level.

<b>Scrip Group</b>	<b>Available Buying Limit</b>	<b>Available Selling Limit</b>
A Group	Unlimited Limit	Unlimited Limit
All scrips where F&O trades are allowed	Unlimited Limit	Unlimited Limit
B + S + T + ST	Avg. Volume > = 50001-Unlimited	Unlimited Limit
	Avg. Volume < 50000—30% of average market volume of last 10 days	Unlimited Limit
	Avg. Volume = < 1000—No buying limit	Unlimited Limit
Z Group	Zero buying limit	There is no restriction on Quantity. However which is Rs. 24 lacs per scrip at A.S.STOCK BROKING & MGT. PVT. LTD level ( As per the exchange norms )

- i. Avg. Volume signifies total of average traded quantity of both the exchange for previous 10 days
- ii. No trades will be allowed in physical scrips

### **F&O Segment**

To bring the control on risk related to trading in illiquid securities in F&O segment we have decided following parameters :

<b>PARAMETER</b>	<b>MODE</b>
Scrip which has open interest and also volume on previous day	Open
Scrip ( only future) which has open interest but no volume on previous day	Open
Scrip ( other than future) which has open interest but has no volume on Previous Day	Square off mode
Scrip which has no open interest but has a volume on previous day	Square off mode
Scrip does not have open interest and also no volume on previous day	Square off mode
Far month Future stock and Option Contract i.e. 3rd month onwards	Square off mode

### **3. Right to sell clients securities (RMS selling) or close clients positions on account of non- payment of clients dues :**

It is client's obligation to clear his obligations on T+2 days ( T indicates Trading day ). The client shall timely provide funds/securities to A.S.STOCK BROKING & MGT. PVT. LTD for the purchase/sale of securities for meeting his obligations to the exchange. In case of client falling short of providing fund/securities, A.S.STOCK BROKING & MGT. PVT. LTD has the right to close the positions/ sell the clients securities with or without giving prior notice to client to the extent of ledger debit and/or to the extent of margin obligation A.S.STOCK BROKING & MGT. PVT. LTD can liquidate the securities bought or collaterals given or any other securities given by client in any other form for clearing the clients obligation.

#### **RMS Selling criteria in Cash Segment**

RMS selling in clients account will be done on T+5 days (T indicates Trading day) for the ledger debit on due basis. For example, if the position has been taken on Monday then the funds payment is due on Wednesday (T+2 day). Shares so bought on Monday will be withheld by A.S.STOCK BROKING & MGT. PVT. LTD till the debit is cleared. If the funds are not received by Friday, shares will be sold on following Monday.

Incase stock valuation falls below 20% of the total ledger debit, square off can be done even before T+5 days.

#### **RMS Selling criteria in F&O Segment :**

In case of F&O segment, RMS selling will be done on T+2 basis for the Mark to Market (MTM) debit/Margin Shortfall

If MTM reaches 80% of the deposit RMS selling can be done even before above stipulates days.

In case of panic market conditions, RMS selling will be done on T+1 basis

Selling sequence when A.S.STOCK BROKING & MGT. PVT. LTD does RMS selling

- i. The open position in F&O segment will be squared off towards margin shortage.
- ii. In case there is ledger debit in client's accounts, collateral stocks to the extent of ledger debit ( including MTM) will be sold off.

Further client will be suspended from Trading on RMS selling day and suspension would be removed after selling.

### **4. Other Surveillance Actions :**

i) Refusal of order for penny stocks/ illiquid contracts : A.S.STOCK BROKING & MGT. PVT. LTD may refuse or restrict a client in placing the order in certain securities depending on various conditions like volume/value/part of illiquid scrip's/ Z group of securities although a client may have credit balance or sufficient margin in the trading account. List of such scrip's will be reviewed on a periodical basis and will be updated on A.S.STOCK BROKING & MGT. PVT. LTD website. However A.S.STOCK BROKING & MGT. PVT. LTD under exceptional circumstances may execute clientele order A.S.STOCK BROKING & MGT. PVT. LTD has the discretion to reject execution of such orders based on its risk perception.

In case of F&O segment, all the far Month Option contracts and third Month Option Contract ( Except Nifty) will not have buy and sell limit due to its illiquid nature. However in all above cases if client still wish to trade then the client needs to coordinate with the respective branch and the limit will be set by Head Office after analyzing the requirement.

ii) Regulatory conditions under which a client may not be allowed to take further position or A.S.STOCK BROKING & MGT. PVT. LTD, may close the existing position of the client.

In case overall position is a scrip/derivatives contract has reached the Regulators prescribed exchange limit/ Market wide open interest limit/ client level limit, then client may not be allowed to take further position, till such time Regulators prescribed limit comes down to create a new position.

Further A.S.STOCK BROKING & MGT. PVT. LTD may close the existing position of a client to the extent of debit balances to release the margin from the exchange. In case if A.S.STOCK BROKING & MGT. PVT. LTD has sufficient margin cover on behalf of its clients, it may still decide based on the market conditions and risk perception not to allow further position or may close the existing position of a client.

### **iii) PMLA Guidelines :**

Client will be categorized as High, Medium and Low risk customer as per their risk appetite and their current profile as mentioned in Know your client from ( KYC). The same will be reviewed at regular intervals.

Exposure to client may also be governed by customer profiling mentioned above as well as clients financial income made available to A.S.STOCK BROKING & MGT. PVT. LTD from time to time. Client needs to furnish their income details on yearly basis. Following documents will be accepted as a income proof

- Copy of ITR Acknowledgement
- Copy of Annual Accounts
- Copy of Form 16 in case of salary income
- Net Worth Certificate
- Salary Slip
- Bank account statement for last 6 months
- Copy of demat account Holding statement
- Any other relevant documents substantiating ownership of assets.

If there is a major disparity between financial details and trading volumes, client will be asked to furnish suitable explanation and based on the same further trading limits will be sanctioned.

#### **iv) Suspension of Clients :**

A.S.STOCK BROKING & MGT. PVT. LTD may withhold the payout of client and suspend his trading account due to any internal surveillance ( if client indulges into manipulative trade practice)/ regulatory orders (debaring orders)/ if the client is dormant ( not traded > 6 months).

## **5. Communication**

Client can view details of his ledger, margin, shortfall etc through his secured login on A.S.STOCK BROKING & MGT. PVT. LTD website. The client has to be aware about his position, outstanding balance and Risk. A.S.STOCK BROKING & MGT. PVT. LTD is under no legal obligation to send any separate communication but as a customer centric company we may take extra efforts generally to ensure that client is well informed about the Risk and the possible actions, which may follow. The communication would generally be through SMS/Email on registered contact details with A.S.STOCK BROKING & MGT. PVT. LTD.

## **6. Disclaimer**

A.S.STOCK BROKING & MGT. PVT. LTD management 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.