

FE SECURITIES PVT. LTD
RISK MANAGEMENT SYSTEM POLICY

As the Company's business of Stock Broking faces numerous risks, it is extremely important for all staff members to be alert and exercise caution in all aspects of the business starting from Registration of Clients, Trading to Settlement of Funds & Securities Obligations. Whereas it is not possible to list each and every possible risk probability, the following are important and to be kept in mind.

The Risk Management System can be divided into:

(A) BACK OFFICE

1. CLIENT REGISTRATION

- a) All New Clients must be introduced by an existing client/authorised person/staff of the company.
- b) 100% completion of KYC formalities and in-person verification – Any doubts to be discussed with a senior.
- c) Check with the prescribed SEBI/FATF lists for banned /undesirable persons:
- d) Approval of Director, signing and UCC as per Exchange Rules.
- e) Release of Unique Client Code (UCC) to Trading after successful UCC input.

2. FUNDS OBLIGATIONS

- a) The Client is required to meet margin and net debit obligations on an immediate basis. As Capital Market payout is on T+2, full payment must be received latest by T+2 morning. In the Derivatives Segment since Payin/ Payout is completed prior to start of next day trading, the client must have clear credit balance on T day itself to meet his obligations for that day (T). The Regulations require collection of derivatives segment payin by T+1 latest and daily reporting of the same.
- b) It is important to see that the Client pays from his own bank account (which are recorded in our Client Master Data) only. THIRD PARTY CHEQUE /TRANSFER IS PROHIBITED BY SEBI EXCHANGE REGULATIONS.
- c) Electronic Transfers should be encouraged.
- d) As many clients maintain running accounts and do not settle on day to day basis, it is important that conversely we meet our obligations to the client promptly & efficiently. Also settlement of running account is to be done as per Regulations without fail.
- e) Accounts to advise immediately if a client's cheque is returned unpaid.

3. SECURITIES OBLIGATIONS

- a) The Client must meet his Security Payin Obligations from his Own Demat Account promptly so that Auction does not take place.
- b) As the Company feels very strongly against Short Delivery, operations staff must follow up continuously with Clients to ensure full delivery.
- c) Before release of shares, direct payout or otherwise, client's account balance and status should be checked. New Clients cheques should be cleared prior to shares release. All instances requiring withholding must be brought to the attention of a senior for approval.
- d) Under current Regulations, unpaid shares are to be transferred to CUSA (Client Unpaid Securities Account) which is BO ID12046900 00003796. Shares can be retained for a maximum of 6 (six) days in CUSA. By 5th day, the shares should be sold to recover dues or returned to client, as the case may be. As these Regulations may be revised from time to time, it is important to now the latest Rules and follow them without fail.

(B) TRADING

- a) Please discuss privately with director and Introducer as to value and nature of trading of new client.
- b) It is preferable that a client places orders through one dealer so that overall status can be monitored.
- c) Orders not in conformity with prior discussion should be referred to a Senior.

For FE SECURITIES PVT. LTD.



Director

- d) As the company does not have arrangements for physical settlement at Mumbai, trading in such securities is not to be done without specific OK from a director.
- e) The dealer should keep abreast of client's overall account status and days trading.
- f) **Capital Market:** The client is required to meet his net buy (debit) obligations promptly, either through an existing credit balance, or payment on T+1 so that the settlement process can be completed on T+2. In case of large buy order, outside of the client's normal trading pattern, there may be a need to take upfront margin/part or full payment prior to order placement. These cases should be immediately discussed with a senior and client notified promptly.
- g) **Derivatives:** The Regulations mandate the collection of full margin on an upfront basis and daily reporting of the same. Conversely, The Client's Margin should be well within his deposits available. The Back Office will update each Client's Deposit available (including Pro) every evening, for the next trading date. The information on Client's existing deposit, exposure and the margin utilisation are reflected in the Risk Management Software in the Trading Office. All traders are to keep a watch, so that the client does not exceed the preset limits. At times, the Exchange levies Additional Margins, based on volatility, market wide scrip position and other parameters, and accordingly the traders should reduce the deposit suitably to permit lower exposure limits and provide for potential higher margin.
- h) **Options Trading:** In case of buying, premium amount is payable in full. In case of sale, margin is payable as per SPAN Margin. Both cases upfront margin is required.

Limit will be provided against available funds (net clear balance in ledger) and securities (value of acceptable stocks, after haircut, in Margin A/c. The net clear balance as of a date will exclude unsettled capital market trade dates. It is prudent to be cautious and reduce debits (although to be settled on a future date) while setting up the deposit for derivative trading limits.

The company may reduce or impose new limits urgently on the basis of the risk perception, risk profile of the client and other factors 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.).

In case margin is kept in securities, these would be valued after applying such haircut as deemed appropriate but not less than specified. Similarly for providing exposure to client, the securities can be pledged in favour of Clearing Member/ Clearing Corporation, at the specific request of the client.

As we may be unable to inform the client of such variation, reduction or imposition in advance, the client has agreed that we shall not be responsible for such variation, reduction or imposition or the client's inability to route any order through the Stock Broker's trading system on account of any such variation, reduction or imposition of limits. Sometimes client's sauda may go to IOC (Immediate or Cancel) instead of normal bidding if the terminal is on square off mode. However, traders should make every effort to keep clients informed by whatever mode possible (phone, whatsapp, email etc)

The Stock Broker shall have the right to sell client's securities, both unpaid as well as collaterals deposited towards margins, or close out client's open positions, after giving notice (including verbal) to the client where there is a delay/failure of the client to meet the pay-in obligations and /or there is a failure of the client to bring additional margin to cover the increase in risk in the dynamic market conditions.

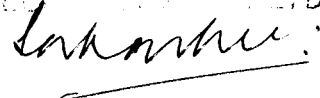
a. Unpaid Securities in Capital Market:

- i. In case of unpaid obligation on T+2, the Stock Broker may sell the unpaid/ partially paid securities. In addition the Stock Broker may sell the collaterals deposited by the client towards margin, where the sale of proceeds of unpaid securities are inadequate to cover the pay-in obligations.

b. The Margin Shortfall in F&O:

- i. Positions of the client may be closed out to the extent of margin shortfall on T+1 basis., if additional margin is not brought in on T+1 morning. This could arise only in case of imposition of additional margins on specific securities post closure. As stated in Para (B) (g), full efforts to be made not to let such a short margin status arise.
- ii. While computing margin shortfall, value of unapproved securities shall not be considered.

For FE SECURITIES PVT. LTD.



Director

- iii. As per the current Exchange requirements, the Stock Broker is required to maintain 50:50 ratio between cash and securities margin deposited with the Exchange. The Stock Broker shall therefore have the prerogative to insist for at least 50% of margin in cash and may not consider the value of securities (after haircut) over and above the cash component for the purpose of calculating margins shortfall and close out the F&O position wherever it finds the deviation. Credit for sales made in capital market segment shall be considered only from Settlement Date while reducing/closing F&O positions on T+1 basis due to margin shortfall.

c. Intra-day Positions:

It is the primary responsibility of the client to manage the exposure / obligation in the Capital Market. However, as part of our RMS, the trader shall advise Client of the exposure (prima facie intraday) ½ hour before market closing so that client can take appropriate steps. Where the client fails to reduce the intraday exposure, squaring of such excess/ intraday exposure should be completed at least 10 minutes prior to market close. However it is important that the client be kept informed of exposure and necessary exposure reduction at all times by phone, whatsapp, SMS/ email etc.

d. General


- i. The securities kept in 'Client Unpaid Securities Account' (CUSA) shall either be transferred to the demat account of respective client upon fulfilment of client's funds obligation or shall be disposed off for debit recovery. The unpaid securities shall be sold in the Unique Client Code (UCC) of the client (without pre-order confirmation, but after informing the client) to the extent of debit balance of the respective settlement. The present CUSA Rules mandate that a security can be retained for a maximum period of 6 days, in case a security is kept beyond 5 days, penalty will be automatically levied on the Broker. Accordingly, the withheld security is to be sold/ transferred as the case maybe, a clear 1 day prior to expiry of maximum holding period. However it is necessary that the Client be advised by email/phone/whatsapp/sms prior to sale.

In case of securities not sold due to reason such as inactive / suspended shares, upper circuit, lower circuit, regulatory enforcement / court directions or such other legitimate reasons then such securities may be transferred to client demat account on T+ 5 day from pay-out date, after approval of a management.

- ii. While selling the securities/ closing the clients positions, the Accounts may not take into consideration the cheques/ bank drafts/ pay orders deposited by the client, until clear proceeds of such instruments are received in our bank account.
- iii. Although we have the right to sell client's securities or close out client's open positions but we shall not be under any obligation to undertake this exercise compulsorily except as in CUSA Rules. Also the Stock Broker shall therefore not be under any obligation to compensate/or provide reasons of any delay or omission on its part to sell client's securities or close open positions of the client.

All fines/ penalties and charges levied by the Exchange/ Depository due to the Clients acts/ deeds or transactions will be recovered directly from the client's account.

For FE SECURITIES PVT. LTD.



Director

24-10-2019