

# RISK MANAGEMENT POLICY

The following document describes the risk management policy followed by RKSVM. Please read it carefully as it pertains to your trading activity. The policy is applicable to all the segments of RKSVM Securities & RKSVM Commodities.

## Definitions

RMS - Risk Management System.

This helps RKSVM manage the risk of the company and client from the volatility of the market.

Cash - This is the clear balance available in the customer's ledger account in our books.

Margin - The underlying stake provided by the customer in the form of cash, FDR and / or stock to mitigate market (price) or settlement (auction) risk.

Exposure - The aggregate of the customer's obligations arising out of buy and sell trades awaiting settlement in the cash segment and profit/ loss amounts that are yet to be settled on the closed positions including future and options.

Exposure multiplier - The number of times that exposure is allowed on the underlying margin on the cash segment would have to be made either on the availability of cash margin or on the availability of the stocks (which are to be sold) in our margin account, by executing a transfer before any order is initiated.

Stock qualifying for margin in cash segment transactions - Securities in the approved list of Stock Exchange as per SEBI guidelines and RKSVM.

Total Deposit - The overall client deposit available with us in the form of cash only.

## Nature of Customers' Transactions

- I. Setting up exposure limits

## Cash Segment

We provide an exposure limit to a client which would be a multiple of the clear ledger balance in the account of the client. The value of the "multiple" will be decided by the company based on market conditions.

Clients can place orders in two products:

1. MIS/CO/BO (Margin Intraday / Bracket Order / Cover Order)



## 2. CNC (Cash and carry)

If a client wishes to use margin, he/she can place orders with the MIS/CO/BO product code. Once the trade has been filled, only a portion of the full applicable margin will be blocked as per margin requirements for the stock. RKSV will square off all open positions under the MIS/CO/BO code anytime during the last 30 minutes of normal market closure timing.

If a client wishes to hold a stock overnight or doesn't want RKSV to square off, he/she can place orders using the CNC product code. The full amount of margin is applicable at the time of order and RKSV won't square the position off.

## **Derivatives Segment (Equity, Currency and Commodities)**

Exposure limits for each client is based on the amount of margin money deposited by each client, as per Exchange regulations. Upfront margin is collected by the client.

Clients can place orders in two products in the F&O segment:

1. MIS/CO/BO (Margin Intraday / Bracket Order / Cover Order)
2. NRML (Normal)

If a client wishes to use margin, he/she can place orders with the MIS/CO/BO product code. Under MIS/CO/BO, the client will be required to pay margin as required by RKSV. In futures both buying and selling would be allowed whereas in options only short selling will be allowed in MIS/CO/BO product code on futures. Once the trade has been filled, only a portion of the full applicable margin will be blocked as per margin requirements for the stock till the position is held. RKSV will square off all open positions under the MIS/CO/BO code anytime during the last 30 minutes of normal market closure timing.

If a client wishes to hold his F&O positions futures products overnight he/she needs to place the order under the NRML product code. This will require 100% of the applicable span and exposure margin. In case of Options buying only NRML product code will be allowed and orders placed in MIS/CO/BO will be rejected since they are blocked.

For buying options, the full premium margin amount is required. For selling options, the applicable span and exposure margin is required as per the relevant product code.

## II. Policy for penny stocks

Stocks which appear in the list of illiquid securities issued by the Exchanges every Quarter are considered penny stocks. These stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bid-ask spreads, small capitalization and limited following and disclosure. Depending on the market condition and RMS policy of the company, RKSV reserves the right to refuse to allow trading and/or provide limits on penny stocks.



### III. Delivery Trades

The net purchase or sale of scrip in a client account that is settled by way of a delivery on T+2 (or as per settlement schedule). Delivery in respect of sale transactions in the cash segment has to be settled by the client by tendering securities in Demat form before the pay-in deadline. By not doing so, the client faces the risk of entering in auction.

### IV. Sell against buying stocks

Clients are cautioned to wait until stocks they have purchased have been delivered before selling them. In case he buys a stock and sells it a day later, the two transactions won't net each other out since delivery occurs after T+2 days. The second transaction would be considered a short payout of security and RKSV will not be responsible for any short payouts.

### V. Trading in newly listed shares, illiquid securities and illiquid F&O contracts

Newly listed securities, illiquid securities and Trade-to-Trade securities which have high VaR margin are subject to high market risks and rate fluctuations. Illiquid securities and Trade-to-Trade securities will have a daily price range (DPR) whereby the chances that these shares can reach the upper DPR or Lower DPR during a trading day are higher than other securities. Hence, the dealing in these securities will be subject to permission from the surveillance department and will be subject to the available credit balance.

In case of Derivative contracts which are Illiquid, dealing would be restricted and would be subjected to permission from the Risk and Surveillance department.

Newly listed shares usually do not have a DPR and hence, the chances for rate fluctuations are higher. The dealing in newly listed shares will be restricted to the available credit balance after considering the Mark-to-Market (Mark-to-Market) levels.

### Intraday Margin Exceptions

Intraday Margin may be reduced on certain days due to any of the following reasons:

- Exchange policy changes or regulation
- Government policy changes or regulation
- Broker policy changes
- Excessive or abnormal market movement / turnover / volatility



RKSV shall not be liable for any loss arise due to RMS selling on non-payment as well as loss in case where RMS Selling may not be done as mentioned above by RMS due to any reason.

RKSV reserves the right to change the above policies any time in general or in particular case within the Exchange / FMC regulations / SEBI regulations / guidelines.

### **Risk Management (Online Surveillance)**

RKSV utilizes a margin based automated RMS. Total deposits of the clients are uploaded in the system and the client may take exposure on the basis of margin applicable for the respective security as per the VaR based margining system of the stock exchange and / or margin defined by the RMS team based on their risk perception.

The client may take the benefit of “credit for sale” i.e., benefit of share held as margin by selling the same by selecting delivery option through order entry window on the trading platform. The value of the shares sold will be added with the value of deposits. On that basis, the client may take fresh exposure.

In case the exposure taken on the basis of shares margin, the payment is required to be made before the ex-change pay in date. Otherwise it will be liable to square off after the pay in time or any time due to shortage of margin.

### **Derivatives Expiry**

On the day of Expiry the online surveillance system will check the net total STT on In-theMoney expiring options with one's ledger and the Risk team would square off the positions during the last 30 minutes of normal trading hours in case the client is expected to go in debit arrived due to levy of STT on options exercising.

No fresh Buy positions will be allowed in the options expiring during the last 30 minutes of normal trading hours on the expiry day, clients will only be allowed to square off their existing positions.

The above system changes is for the benefit of the client and RKSV is not responsible in any case the client turns out to be in loss due to MTM or expenses like STT, turnover charges etc...

Any big value transactions are checked for whether the client is trading beyond ones' known income (i.e. in-come declared in the client's KYC document).

### **Mark-to-Market Square - OFF**



At any given point in time if the MTM level of the client breaches 80% of his available Cash margin, the risk team would square off the complete positions of the client with or without intimating the clients.

If the client is having MTM loss of more than 40% but less than 80% of his available cash margins, the square off call will be taken by the Risk team. A prior intimation on the same may or may not be given and thus clients are requested to take care of their positions and MTM.

There may or may not be a margin calls or intimation from our RMS desk.

### **Margin Square-OFF**

Positions which do not have sufficient funds can be squared off any time at the discretion of our RMS desk. There may or may not be a margin calls or intimation from our RMS desk. Positions would be squared off proportionally by the risk team to bring down your margin shortfall.

MCX Tender Period Positions.

At RKSV, we do not allow clients for Physical Delivery Positions. All the deliverable contracts of MCX enter "Tender Period positions" as mentioned by exchange from time to time.

Clients positions will therefore be Squared OFF one day prior to the start of the "Tender Period" of the contract. No positions will be allowed to carry over in Tender Periods.

Please note, the contracts will be blocked to fresh trade 1 day prior to Tender period start.

