

BRICS SECURITIES LTD

Risk Management & Surveillance (RMS) Policy

The broad policy to be followed for Risk Management & Surveillance (RMS) is as under.

Cash Segment: - Delivery Based & Intraday Trading

System and Procedure which is currently being followed

- Currently Margin based RMS system is being followed in cash segment.
- Generally no margin limit is given to a new client without any Margin. However on a case to case basis, we give a maximum margin limit of Rs. 10,000/- without any Margin. Limit is given to client according to the Margin available with us. However, on case to case basis excess limit is given to the client.
- Margin is accepted either by way of Cheque or in the form of Liquid Shares. Liquid shares are all shares other than illiquid shares as defined by Exchange from time to time and shares traded in physical mode. Shares are valued after applying a VaR hair cut or 50%, 70%, 80%, 100% haircut depending upon the scrips.
- Currently, trading (buy/sell) is allowed in all Liquid shares (as per above definition) only. However on a case to case basis we allow trading in illiquid scrips also.
- In case of delivery based trading, limit for selling the securities are given only if the securities are available with us or in the demat account of the client held with Brics Securities Ltd. However, on case to case basis selling limit is given even if securities are not available with us or in the demat account of the client held with Brics Securities Ltd.

Debtors / Exposure monitoring:

Total exposure/open position that can be allowed to branches / clients will be decided from time to time. In case the exposure exceeds the limits allocated to a particular branch / client, the branch manager /relationship manager has to reduce the excess exposure on T+1 days, failure to do so the RMS team may reduce the same on T+2 day.

Risk Cover To be Maintained :

For delivery based trading Risk Cover is to be maintained at minimum 25% (i.e. debit of the client should not exceed 75% of the value of margin available with us), at all times. Any shortfall in the same for carry forward (delivery based trading) has to be topped up by the client not later than T+1 day till 12.30 p.m. by either depositing the cheque to the extent of shortfall or depositing / transferring equivalent liquid shares (as per our approved list and applying after VaR hair cut or 50%, 70%, 80%, 100% hair cut whichever is more) or reducing the position of the client. Failure to do so the RMS team may reduce the exposure / square off the position on T+1 after 1.30 p.m. Value of margin means clear ledger credit, cheque deposited in bank and value of shares as per our approved list after applying VaR hair cut or 50%, 70%, 80%, 100% hair cut whichever is higher.

RMS Action:-

1. If any debit is in Ageing for T + 6 trading days or more, then RMS may sell the shares to recover debit balance.
2. Notwithstanding above, if the debit of the client reaches 75% of the value of margin available with us, than RMS may sell the shares to recover debit. Please note that debit shall also include MTM loss on real-time basis. Also note that if shares are given as margin, then the value of same will be taken after applying VaR haircut or 50%, 70%, 80%,100% haircut whichever is higher.
3. For Intraday trading square off may take place at / after 03.15 pm till the close of market at 03.30 pm.

Other Points :-

1. Generally Exposure/open position of not more than 50% of the previous day's total market volume will be permitted in that particular scrip.
2. Prior permission will be required to be obtained from the Risk Management & Surveillance Dept.(RMS) or Mgmt for buying / selling more than 0.49% of issued capital of particular scrip.
3. In addition to above criteria, if the client wants to purchase T2T and Z group securities then BSL may insist on 100% advance payment / sufficient clear ledger credit and similarly if client wish to sell T2T and Z group securities, then the BSL may insist that shares should be first transferred to Brics Securities Limited (BSL) beneficiary account. Even after receiving 100% advance payment / sufficient clear ledger credit/transfer of shares to Brics Securities Limited (BSL) beneficiary account, BSL may not allow the client to buy/sell the T2T and Z group securities depending upon the liquidity, market conditions or as per the regular due diligence, BSL feels the same as suspicious/unusual transaction.

Bill to Bill Clients:

Bill to Bill clients are those clients where debit is normally cleared by T+3 days. Default margin limit is set for Bill to Bill clients as may be decided from time to time by the management. Only certain HNI and other clients with proven track record shall be categorized in this category. The list of clients to be included in this category and their respective limit shall be finalized by the management in consultation with the Branch Manager / RM. The list shall be reviewed periodically to include and/or exclude any client and /or to revise their limit.

Futures & Options Segment:-

Initial Margin (IM) :

Initial Margin has to be available before executing trade in F&O Segment. BSL may insist on margin which may be higher than the Exchange prescribed initial margin. The applicable IM has to be in the form of approved shares (NSCCL list for NSE F&O and BSE list for BSE F&O) valued after applying applicable VaR haircut or 50%, 70%, 80%, 100% haircut whichever is higher. However, even though sufficient IM was available at the time of executing the trade but subsequently at end of day IM turns out to be short, then the shortfall

in IM has to come from client on T+1 by 12.30 p.m. However, care shall be taken to ensure that there is no margin shortfall for Exchange reporting purpose.

Exposure Margin (EM):

Though clearing member is collecting EM from BSL, it is decided for time being, not to insist on collection of EM from client.

Additional / Adhoc Margin (AM):

AM if any, levied by the Exchange to client has to be collected on T + 1 basis.

Intraday Positions in F&O:

- Up to 2 times of margin available may be allowed for intraday trading. However, on case to case basis, excess limit is given to the clients.
- If the debit of the client reaches 75% of the value of margin available with us, than RMS may sell the shares/square off the position to recover debit. Please note that debit shall also include MTM loss on real-time basis. Also note that if shares are given as margin, then the value of same will be taken after applying VaR hair cut or 50%, 70%, 80%,100% haircut whichever is higher.
- For Intraday trading square off may take place at / after 03.15 pm till the close of market at 03.30 pm

Mark to Mark (MTM) Loss / Margin:

MTM Loss/ Margin has to be collected on T + 1 by 12.30 p.m.

Rollover:

Rollover of the open position, if any, to be done from current month to the next month has to be completed simultaneously. If the open position is created in the next month before squaring off the current month position, then sufficient margin should be available with us.

Scripts in Ban Period:

Dealers using the direct NEAT terminal/CTCL terminal need to exercise caution and ensure that no trades are executed in scrips in F&O Ban period. Penalty, if any, levied for the violation of the same will be debited to the client a/c or the dealers dealing error a/c as the case may be.

Broker wise Limit Allocation :

70 % of the broker wise limit for a particular script shall be allowed to be utilized by the clients on first come first served basis. Any fresh position beyond 70 % shall not be allowed by RMS unless approved by competent authority. In any case, no further position will be allowed beyond 95 %.

RMS Action:

1. If MTM loss is not collected by T + 1, then available shares may be sold by RMS to recover MTM Loss. Consequently, the open position of the client may also be squared off depending on the market condition.

2. Notwithstanding above, if the debit of the client reaches 75% of the value of margin then RMS may sell the shares to recover debit/ MTM loss. Please note that debit shall also include MTM loss on real-time basis. Also note that if the shares are given as margin, then the value of same will be taken after applying VaR hair cut or 50%, 70%, 80%, 100% haircut whichever is higher.

RMS dept. reserves the right to call up the clients directly for any suspicious / unusual / high value trades during or after market hours.

Exposures / Limits will not be allowed across family / group accounts since all clients are separate legal unique entities. (This means that if margin is available in one client account then exposure cannot be given in the other family / relative / group account.)

Delayed Payment Charge (DPC) :-

At present DPC will be debited to client @ 18% p.a. from day after Pay-in day (i.e. from T + 3 in cash of Cash Segment and T + 2 in cash of F&O Segment) till the payment is received from the client and / or the clear credit is available in the client's account. However waiver of DPC can be done on specific case to case basis.

General :-

RMS dept. will prepare the relevant files with the set limits on daily basis on T day itself, (for the next trading day). These files will be made available online through the in-house software module. Branches and RM/dealers are to send any requests for any limit enhancement based on such files and their working by 08.30 hrs the following day along with the reason for which the limits are to be enhanced.

Depending on the market condition, the above policy may be reviewed / modified by the competent authority from time to time.