

## RMS & Surveillance Policy

### **Purpose to define Risk Management policy**

- Open /unsettled Position of the client in market faces Risk. This policy therefore lays down Risk Management Policy of the company which must be strictly adhered to by all Dealers, Branches, Sub-brokers, franchisees, Authorized Persons, Remeisers and further all departments must note and follow the policy.
- This policy is an attempt to manage all kinds of Risks, however as markets are dynamic TRADEBULLS may need to alter some policies and reserves absolute right to change the same without advance intimation to entities mentioned above and its clients.

Following parameters are defined for better control on client Risk and have a risk free environment in business

- ✓ Intraday Risk policy
- ✓ Margin of safety (MOS)
- ✓ Credible Risk
- ✓ Inactive Ageing debit
- ✓ Initial Margin shortage
- ✓ Single scrip funding
- ✓ Limit Exposure setting
- ✓ Low MOS sq off policy
- ✓ Cash & Carry policy
- ✓ Scrip block policy

### INTRADAY RISK POLICY

- All intraday positions should be covered 15 minutes prior to market closure, on contrary to same positions will be covered by CSO
- Any client incurring loss of 70% positions will be covered by CSO
- No extra leverage in non approved shares

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## LOW MOS DEBITS

- Margin of safety (MOS) is percentage of client investment against its open position

$$\text{MOS} = ((\text{Total Holdings} + \text{Collaterals} +/- \text{Ledger Balance}) / (\text{Open position} + \text{Holdings} + \text{collaterals})) \times 100$$

**Credible Risk** – Clients falling in credible risk category are high probable client who may fall in pure risk client category unless payments are not collected

$$\text{Credible Risk} = ((\text{Approved Holdings} + \text{Collaterals} +/- \text{Ledger Balance}) / (\text{Open position} + \text{Approved Holdings} + \text{collaterals})) \times 100$$

- Square off in open positions of all credible risk clients reflecting under 25% should be initiated by branch on contrary to same square off will be initiated by CSO

### Weekly Credible Risk square off process:

- Every Thursday CSO will provide list of client codes reflecting under 20% Credible risk category
- SMS alert will be forwarded to client on Thursday/Friday/Saturday specifying cut off time to clear debit
- Map-in of client codes reflecting in square off list will be removed from CSO and remap-in will not be allowed for trading day, same will be done next trading day
- Final SMS alert will be forwarded on Monday to client intimating about square off initiation
- Square off will be initiated in client account up to the extent of Net debit value

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- Sequence of square off
  - Derivative position
  - Non approved holding
  - Approved holding
- Square off will be initiated by CSO before 10:00 am
- Exception will not be entertained by CSO on final day
- Branches need to update clients collection status latest by Saturday
- Branches are required to make sure that collection calls are made to client through recorded line specifying debit value and square off intimation in case of non receipt of payment

**INACTIVE AGEING DEBIT:** This report provides list of client codes maintaining debit in their account and there is no trading activity from 7days and more

**INITIAL MARGIN SHORTAGE (Charged by Exchange):** As per SEBI guidelines while trading in derivative segment clients are required to maintain upfront initial margin, on contrary to this wherever margin shortage is reported, Penalty is levied to client account.

**Initial Margin shortage calculation** = Ledger Balance + Deposits if any with TRADEBULLS + Collateral holding + Approved Holding after haircut in TRADEBULLS Client Beneficiary account belonging to the relevant client + Approved Holding after haircut in Client Demat Account where POA in favor of Tradebulls - F&O Initial Margin F&O Option Premium (Received on account of Option Open Position).

**Initial Margin shortage slab**

Penalty Percentage %	Formula
0.5 % Slab	If margin Shortage for a particular client is < 1 Lac & is < 10% of Initial margin then per day 0.5% penalty is charged
1.0 % Slab	If margin Shortage for a particular client is ≥ 1 Lac Or is ≥ 10% of Initial margin then per day 1.0 % penalty is charged
5.0 % Slab	If margin shortfall continues for more than 3 consecutive days hen 5.0% penalty is charged from T+3 OR if margin shortfall takes place for more than 5 days in a month then 5.0% penalty is charged for each day during the month.

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**Single Scrip Funding:** Funding in single scrip is restricted, below table helps us to understand Requirement

Scrip Category	VaR slab	Funding allowed
Approved – FO scrips	7.5% to 20%	1 Cr.
Approved	20% to 30%	50 Lakhs
Approved	30% to 40%	25 Lakhs
Non Approved	NA	No Funding

Note: Subject to approval from CSO RMS

**Limit Upload Process:** It is process where client limits are defined and same will be uploaded in surveillance system. Following is the process of limit Updation

➤ **Calculation of Deposit**

**Deposit** = All ledger Balance + Collateral + Approved Holding after 20% Haircut

- Client will be provided limits based on VaR margin in equities and Total Margin and premium in case of derivative segment
- Extreme market conditions: Limits are assigned based on credit in the client ledger and clients will be allowed to buy only to the extent of ledger credit available.

**Restricted Scrip Policy:**

- Tradebulls may, from time to time, classify and provide a list of restricted securities in which Tradebulls may refuse any transactions of the customers. Further Tradebulls shall adopt such criteria for the classification as it may deem proper from time to time.

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- Tradebulls also reserves the right of not allowing or restricting any transactions in certain securities or segments or orders/requests which may be below/above certain value/quantity as may be decided by Tradebulls from time to time.
- Trading in such scrips will be allowed subject to the following conditions:
  - The trading turnover (buying and selling) in restricted scrips shall not exceed 10% of daily Turnover
  - Purchase of restricted scrips will be allowed only against 100% ledger credits
  - Dealing in restricted scrips shall be through centralized dealing desk at the Central Support Office in Ahmedabad (CSO) in Dealing Department.
- Restriction in Future & Options: Tradebulls restricts/ blocks certain Future and Options contracts on trading platform to avoid manipulations or erroneous trading. The Parameters on which such restrictions/ blocking of contracts are done are as under
  - Open interest Value in the contract is < 25 Lacs.

**Calculation of Future contract Restriction** = Open interest x closing price < 25 lacs

**Calculation of Options contract Restriction** = Open interest quantity x (strike price + closing premium price) < 25 lacs and If strike price is (+,-) 20 % more than previous day closing price of that particular scrip in cash market.

- Any contract, which falls into the above parameters, will not be allowed for trading on terminals. Such orders can be placed from the centralized desk CSO Ahmedabad after due diligence

**Surveillance Policy for Haircut on Securities:** Surveillance team to keep a close watch on the limits/exposure granted to clients after taking into consideration the client funds and collateral balance available, his trading history, market conditions and the scrip being traded in.

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For margin reporting to the exchange, the haircut to be considered shall be as per exchange VAR, while for all other matters or requirements where the value of securities is required to be taken/considered, applicable haircut shall be as prescribed by the Exchanges under Margin Trade Facility i.e after considering ELM. The said applicable haircut shall be reviewed on monthly basis.

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