



MEHTA EQUITIES LIMITED

RMS POLICY

We have deployed resources in terms of technology, people and processes to manage our risk management function. We have established general risk management procedures for trading activities, including instruments and strategies, position and trading limits for trading desks, business units and/or individual traders, periodic stress testing and cash flow and "Value at Risk" analysis. We periodically review and modify such procedures, as necessary or appropriate. These procedures cover our internal control system, customer margin requirement and risk management of relationship members.

Further, Risk Management is taken seriously from account opening of clients. Our KYC Opening staff ensures that proper due diligence measures on a risk sensitive basis and adoption of an enhanced customer due diligence process for different categories of customers is followed at the time of Account Opening. We classify clients into high, medium or low risk category depending on parameters such as the customer's background, type of business relationship, transactions etc. We may also stop trading of clients where we have found any suspicious pattern of trading and clients who are debarred by regulatory authorities.

The main concepts of a Risk Management System are listed below:

- There should be a clear balance available in the client's ledger account in our books or adequate securities pledged to MEL. The clients' obligation towards M to M/ Margin requirement/ debit balance should be less than the combined balance of clear ledger balance and securities pledged.
- The clients are required to provide margins as per Rules and Regulations of the Exchanges.
- The aggregate exposure of the client's obligations should commensurate with their capital and net worth.
- Ideally, the client must square-up all the open positions that have been created under the intra-day basis before 3.20 p.m.
- The clients must settle the debits, if any, arising out of MTM settlements.
- In futures and options segment, the positions are allowed based on the margin available to satisfy initial & exposure margin requirements of the Exchange. The clients are expected to pay the MTM margin as and when required failing which the client or we may square off the position.

Margins:

Collection of Margin is very important in prudent Risk Management System. Since providing service in the financial market in instruments like Securities, Futures and Options etc. is carrying high risk to Intermediaries as well as clients. It is important to have proper guidelines with reference to this subject.

We are collecting margins as per Exchange circular, Byelaws, Rules and Regulations. We are giving utmost priority to comply with the said regulations which is the Core of the Risk Management System of any organization.

MARGIN

We receive margin from the clients either in cash (after realization of payment in our Bank) or approved securities (after haircut) given as margin pledge. Any obligation of client towards payin of funds (for securities purchased or m to m losses for derivatives market) are reduced from the margin, to arrive at such amount. Any margin obligation of client for his open position in derivatives & cash market are further reduced to arrive at **available margin**.

Margin Limit in Cash segment:

Mehta Equities Limited provides Margin based limit following the VAR and Extreme loss margin applies to scrip as defined by the Risk Management team time to time at its discretion. Hence Exposure for intraday and delivery transactions can be multiple (varying from scrip to scrip based on VAR (Margin rates) applies to scrip) of the ledger balance, value of collateral benefit after applying haircut on holding lying in the client account and credit for sales.

- The value of the “multiple” and the “haircut” shall be decided by Mehta Equities Limited based on market volatility and quality of collaterals. Limit on the basis of unsettled sales and uncleared cheques will be at discretion of Mehta Equities Limited.

For the purpose of client Margin collection and reporting, we shall compute the value of such securities as per the closing rate on T-1 day as reduced by the appropriate haircut at a rate not less than the VAR margin rate of the security on that day i.e. T-1 day.

- Cash Intraday trading is given on the basis of VAR + ELM of the stock and margin available {credit balance available + after haircut stock value} Intraday position gets squared-up by us @ 3.20 p.m of T day.

We allowed to carry-forward cash position on VAR margin basis, minimum margin set is 25% (in some cases VAR of few stocks is less than 25%, in that cases we assume margin to be 25%), which doesn't allow position be more than 4-times delivery of stock. {Credit balance available + after haircut stock value} and further its depend on risk parameter of stock to stock basis.

We also consider client relation, past history of trading and fulfilling obligations, financial strength, etc. apart from Exchange Norms of Margin. So it is overall combined decision of collecting margin based on above mentioned points.

- In case of Margin calculation of cash segment (total margin which includes upfront margin)
 - We consider these for upfront margin collection as mentioned below Financial Ledger balance, Early- pay in (80% of t day), pledge value is considering after exchange hair cut for Remaining Total Margin 20% of remaining early payin of T day and ledger balance

Scripts allowed for Trading:

- Transaction in NSE & BSE is allowed in all group of Listed stocks.

Margin Limit for Derivatives segment (Equity, Currency & Commodities): Mehta Equities Limited provides margin limit in Derivatives segments based on availability of initial and exposure margin upfront available into the client account in the form Ledger, cash collateral and non-cash collateral.

Limits will also be available on those securities which are in the Exchange approved collateral securities list after haircut as specified by the exchange for the particular scrip.

The RMS will ensure that margin utilized by any client is less than available margin. Further, as Exchanges require 50% of margin obligation in Cash or Cash equivalents for all segments, RMS will ensure to collect sufficient margin from clients in form of cash, cash equivalents & pledge shares.) RMS has to ensure that in case of clients having margin exposure of INR 50 lacs & above, cash & cash equivalents allocation for such client is within the available limit available to MEL. Clients should be informed of short allocation on daily basis and informed about the charges for such short allocation.

Client-wise differential limits:

Mehta Equities Limited shall have the prerogative to allow differential limits in Cash, F&O and Currency segments varying from client to client, depending upon credit worthiness and past conduct of each client or any other criteria which Mehta Equities Limited may find suitable.

Refusal of orders for penny stocks

Although, the term 'Penny Stock' has not been defined by BSE / NSE or any stock exchanges, & SEBI. A penny stock generally refers to a stock which has following mentioned characteristics:

- Has small market capitalization;
- Trades at a price less than its face value;
- Has unsound fundamentals;
- An illiquid (A list of illiquid securities is jointly released by NSE / BSE from time to time.)

Mehta Equities Limited recognizes that it is client's privilege to choose shares in which he/she would like to trade. However, the company will pay special attention to dealing in 'Penny stocks'. To this end,

- Mehta Equities Limited shall have absolute discretion to accept, refuse or partially accept any buy or sell order for execution from a client in respect of penny stocks,

illiquid stocks, stocks having low liquidity, illiquid "options", far month "options", writing of "options", and any other contracts which as per the perception of the company are extremely volatile or subject to Market manipulation without assigning any reason for the same and if its allowed then only against the clear fund balance of client lying with us on receipt of specific client request & management consent.

- GSM scrip's are blocked by us and clients are not allowed to buy the any stage of GSM scrip's unless receipt of client request and agreed on exchange terms & condition as funds are blocked by exchange as 2 & 3 times accordingly & release after completion of quarter & review of same, whichever is earlier and its depend upon exchange circular updated by exchange from time to time.
- Mehta Equities Limited may permit restrictive acceptance of orders in such scrips/contracts in controlled environments like orders received from clients being forwarded by branches to a centralized desk at HO instead of allowing trading in such scrips/contracts at branch level or through online trading platform. Mehta Equities Limited shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the client.
- Clients must ensure that trading in 'Penny stock' doesn't result in creation of artificial volume or false or misleading appearance of trading. Further, clients should ensure that trading in 'Penny stock' doesn't operate as a device to inflate or depress or cause fluctuations in the price of such stock.
- Mehta Equities Limited may take appropriate declarations from the clients before accepting such orders.

Mehta Equities Limited shall have the prerogative to place such restrictions, notwithstanding the fact that the client has adequate credit balance or margin available in his account and/or the client had previously purchased or sold such securities/contracts through Mehta Equities Limited itself.

- Clients are expected not to place orders in penny stocks at prices which are substantially different from the prevailing market prices. Any such order is liable to be rejected at the sole discretion of Mehta Equities Limited.
- In case of sale of penny stocks, client should ensure delivery of shares to Mehta Equities Limited before the pay-in date.

Conditions under which a client may not be allowed to further position or the broker may close the existing position of the client

Mehta Equities Limited shall have absolute discretion and authority to limit client's volume of business or to close any existing position of a client without giving any prior notice to the client under following mentioned conditions:

- Extreme volatility in the market or in particular scrip or in the F&O segment.
- Unconcealed credit entries are not considered to allow futures & options trading.
- The client has not been able to meet his pay-in obligations in cash by the schedule date of pay-in irrespective of the value of collaterals available with Mehta Equities Limited.
- Clear proceeds of the cheque deposited by the client to meet the pay-in

- obligations have not yet been received by Mehta Equities Limited.
- The client has not made payment for Market to Market loss in Ledger
- If there is shortfall in the margin deposited by client with Mehta Equities Limited
- If there is insider trading restrictions on the client.
- If there are any unforeseen adverse market conditions or any natural calamities affecting the operation of market.
- If there are any restrictions imposed by Exchange or Regulator on the volume of trading on positions outstanding contracts.
- If the client is undertaking any illegal trading practice or the client is suspected to be indulging in money laundering activities.
- If Mehta Equities Limited has reached its limit in that scrip as per Exchange prescribed regulations.
- If the client has breached the client-wise limit as per the exchange regulations.
- If the client has taken or intends to take new position in a security which is in the ban period.
- If due to abnormal movement in the market, if market is closed.
- Clients will not be able to place intra-day orders after a cut-off time fixed by Mehta Equities Limited. (15 minutes prior to close of market)

Deregistering a Client

Mehta Equities Limited may in its absolute discretion, decide to deregister a particular client. The illustrative circumstances under which MEHTA EQUITIES may deregister a client are given below:

- SEBI or any other regulatory body has passed an order against such client, prohibiting or suspending such client from participating in the securities market.
- Such client has been found & investigated by a regulatory body or any government enforcement agency in case of market manipulation or insider trading or any other case involving violation of any law, rule, regulation, guideline or circular governing securities market.
- Such client is suspected of indulging in illegal or criminal activities including fraud or money laundering.
- Such client's name appears in the UN list of prohibiting entities or SEBI debarred list.
- Such client's amount has been lying dormant for a long time or and the client is not traceable.
- Physical contract notes are received back undelivered due to reasons like “no such person”,
- “Addressee” left, refusal to accept mails, signature mismatch on POD’s or other reasons which may create suspicion.
- DCN failed (bounced email) on more than 3 instances until client submits and registers new email id.
- Non-delivery of the Statement of Account sent on periodic basis.

- Non-Update of communication details viz., email id, mobile no., landline details or it is found to be belonging to a third person.
- Client lodges a complaint either directly with MEHTA EQUITIES or through Exchange relating alleged
- Unauthorized Trades being executed in the account.
- Based on the recommendations made by the branch manager due to excessive speculations, unclear balances.
- Any suspicious clients as address not found, email id bounce, no i
- Such client has been declared insolvent by any legal proceedings to declare him/her.
- Such client has been irregular in fulfilling obligations towards margin or settlement dues.
- Such client has a tainted reputation and any business relationship with such clients is likely to tarnish the reputation of MEHTA EQUITIES or may act as detriment to MEHTA EQUITIES's prospects.
- Client is reported as written request to or known to have expired.

Suspicious Transactions

RMS Department is authorized to take appropriate steps to identify suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. A list of circumstances which may be in the nature of suspicious transactions is given below.

This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

- Client's whose identity verification seems difficult or client appears not to or reluctant to co-operate
- Assets of clients where the source of the funds is not clear or is not in accordance with client's apparent standing /business activity.
- Substantial increases in business without apparent cause;
- Unusually large cash deposits made by an individual or business;
- Clients transferring large sums of money to or from overseas locations with instructions for payment in cash.
- Transfer of investment proceeds to apparently unrelated third parties.
- Off market transactions in the DP account of the clients in large number of share & various transaction.
- High exposures taken by client as compared to income levels informed by clients.
- Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.

Any Suspicious transaction should be immediately notified to the Money Laundering Control Officer or any other designated officer within the organization. The notification may be done in the form of a detailed report with specific reference to the client's transactions and the nature /reason of suspicion. However, it should be ensured that there is continuity in dealing with the client as normal until told otherwise and the client should not be told of the report/suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.

Square-up policy

As per SEBI guidelines "Stock brokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in."

Hence MEHTA EQUITIES would not allow any limits for fresh buying to the clients if debit balance of clients beyond 5th trading day of earlier position.

Further any family credit balance will not be considered against the debit accounts of client and further no intercompany funds adjustment is allowed. i.e. fund transfer between equity & commodity.

Margin Trading Facility (MTF)

We have provided margin trading facility (MTF) for our clients, who want continuous trading beyond debit balance of T+5 days and having excess approved collateral value lying with us. Wherein client can hold his/her position up to 90 days with applicable interest rate on agreed value by client.

1. Allowed MTF trade in NSE Exchange only.
2. Share Purchase in MTF Should be Pledged up to T+1 .
3. No. Intraday allowed in MTF
4. Normal Ledger will be separated from MTF ledger.
5. Separate pledge account for MTF collateral and MTF funded.
6. Margin requirement – Allowed two times of Collateral value after considering haircut, Var etc.

Square –up procedure for Debit settlement will be as follows: (Ageing Square-up)

{Ageing square-up includes: BSECASH, NSECASH, NSEFO, CDMCX, CDNSE segments}

Client's obligation to clear his/her outstanding dues by T+1 day (T indicates Trading day). The client shall ensure timely provision of funds / securities to (MEHTA EQUITIES) so as to meet exchange obligations. Mehta Equities reserves the right to close the client positions / sell securities to the extent of ledger debit balance and /or to the extent of margin obligations. Selling will be done in clients account on T+6 days for the clear client ledger debit balance, which is more than T+5 days on ageing basis.

For e.g.: All trades executed on Monday will be squared off on next Tuesday(T+6) where T indicates Trading day. In other words, if funds are not received for scrip's purchased on Monday by next Monday i.e. T+5, Mehta Equities shall liquidate securities/collateral to the extent of ledger debit of client. (If T+6 day is holiday then next trading day will be considered for square off.

Sequence of Square Off:

Square off will be done on random basis to the extent of clearing ageing debit. Square off Time: Auto Square-Up of ageing debit client will be done at 9.30 am on 6th day.

Please note that, square off will not be done on T+6 day, if client has deposited a cheque on or before 4.00 pm of T+5 day with intimation to the member, further if any cheque Entry has been made after prescribe time limit than it will not be considered and auto square off will done on T+6 day at 9.30 am.

Intimation:

Pay out of Shares –

- A. If client having clear credit balance, shares will transfer to client account on same day.
- B. the Client carries debit balance with MEL & pledge value of shares is greater than the debit amount, MEL will release the shares only up to the value, which is over and above the debit amount.
- C. If client having debit balance, shares will automatically transfer in its account under CUSPA holding and client will clear the debit amount or sale the shares on or before T+5 day.

We will intimate to client one day prior to auto square off for clear his/her/their debit balance lying with us beyond T+4 day through SMS & email up to 04:30 pm. After square off on T+5 day, client will immediately get the trade confirmation about the square off position. Member will not be liable for any losses arising out of such square off process.

Intraday Trading (Timer Square-off)-Cash Segment/FO segment

Clients will not be able to place intra-day orders after a cut-off time fixed by MEHTA EQUITIES. (10 minutes prior to close of market) and any open intra- day position selected by client under head of Margin/intraday (product type) across exchanges will be squared-off by us at 3.20 p.m of T day at prevailing market price in all our trading platforms i.e. Odin Dealer, Odin Diet, Internet trading & Mobile Application.

Further client can convert/carry their open margin/intraday position to delivery/normal base Position on client request against his/her/their adequate fund lying with us before 3.00 p.m of T day.

Mark to Market Square-up:

All Clients are settled under M to M auto-square-up.

At any point of time, client total position hits a loss of more than 75% of margin available then RMS may take appropriate decision and act on it. RMS reserves the right of square-off all positions without intimations in such cases to avoid further risk.

.....