RMS Norms of Kisan Ratilal Choksey Shares And Securities Pvt. Ltd – Network Partners

Kisan Ratilal Choksey Shares And Securities Pvt. Ltd will be hereafter mentioned as KRC in this Policy document.

Exposure Norms :

Combined Limits across all Segments :

Clients are offered a Combined Limit across all segments against the total Collaterals available with KRC. Other rules stay constant for such exposure.

Please note that exposure is managed at Client level and not at Sub broker Level / Terminal level .

How much Exposure can one get in Cash Equity Segment ?

A: For Delivery based trades:

Suppose, the client X, holds a credit balance of Rs.100 in his ledger account + has Shares lying in KRC DP with POA , say of Rs 100 (Rs 66.67 after haircut of 33.33 % on value of NSE922 approved shares. In case of shares which are not in approved list , then the value of such non approved list will not be considered for giving limit against such shares . Considering the above example, he will get limit only on Rs. 100/- which is the credit ledger balance.)

a) **Purchase transactions**: The client would be allowed to execute delivery transactions up to a multiple of Rs.166/-(Rs. 100 in ledger + shares worth Rs 66/-) which is the default limit but the multiple cannot exceed 3 times.

b) **Sale transactions**: The client would be given 100 % credit for delivery based Sale transactions for free shares lying in his DP Account.

c) BTST Value is not considered in giving limits. These shares need to be sold with “Del” tag so as to release the limit blocked by the previous day’s purchase.

B: Rules for scrip in Trade to Trade Group

All orders in T, TS group have to be compulsorily marked with “Del” tag, i.e. they need to be compulsorily marked as delivery since no square off is allowed in T, TS group.

C : Rules for scrip in Z Group

Purchase of all scrips under Z group and Exchange List of illiquid scrips are completely blocked and only Sale of demat securities in KRC Demat Account (not physical) is allowed for under the trade to trade segment in CTCL for this group.

How much Intraday Trading Exposure is permitted at Client level ?

Trading Exposure both Buy & Sell shall be allowed ranging from 1 time upto 3 times (default is 3 times) on the aggregate of (available ledger balance + 66.67% of Stocks lying in DP) ** . Any extra multiple over 3 times is on a case to case basis with the option of auto sq off on MTM Loss of Collateral on open positions or timer based sq off (at 3.05 pm) whichever is earlier.

For instance, Client G has ledger balance of Rs.15000/- (Credit) & the client has shares worth Rs.30, 000 in his POA DP Account.

Buy & Sell trading exposure of Client G shall be = (15000 +(66.67% * 30000)= Rs 45,000)) * 3 = 135,000

**** Note:**

Limits against Stocks in DP : 66.67% of DP valuation shall be considered only for the Demat accounts for which POA has been signed by the customers and 922 approved scrips.

Auto Sq off : All trading transactions will be squared off compulsorily (who have been activated due to higher multiple than the default) from the admin through **Automated square off process**** from 3:05 pm onwards ; any position conversion (from trading to delivery to the extent of available collateral, if required should be done before the **Automated square off process**** commences, i.e. before 3:05 pm).

Limits against Cheques Deposit assurance : On the assurance of the Network Partner , additional limit is granted with a note made of the same in a separate Register which is scrutinized for verification at a later date.

What is the Automated Square off Process?

Automated auto square off is a software system driven process by which all open trading positions are squared off by the system by generating & placing opposite orders at the prevalent market rate.

Effects & Consequences

1) All pending trading orders (standing under Margin shall get cancelled automatically.
2) Open executed Trading transactions will be squared off at the market rate.
3) No fresh trading orders for trading can be placed after commencement of Auto Square-Off Process in the "Margin" Product type.

Note: It is important to mention here that the auto square off mechanism only places opposite orders at market rate but does not guarantee trades will be squared off. If for any reason (E.g. Non availability of opposite bid) the order remains open after the auto square off process, it is the responsibility of the respective dealer/ Network Partner to offset the clients position. Auto Square off does not apply to open Options Position.

Trade Conversion

It is possible to convert trading transactions into delivery & vice versa before the auto sq off is activated.

Note: There has to be adequate credit balance to convert a buy trading (Margin) transaction in to delivery (Delivery) & adequate holding in the DP to convert a sell trading (Margin) transaction to delivery (Delivery).

It is important to mention here that usage of delivery buy exposure will have the effect of reducing the trading exposure & vice versa.

When are the Clients expected to pay ?

Client having a payment of settlement or margin liability have to compulsorily deposit the cheque at our office or in the bank stipulated for the respective exchange through our CMS Facility/self deposit with intimation through Email to the ID payout@krchoksey.com giving full details of the payment through a special/normal slip before the exchange payin Date which is normally on the third day after the trade date (T + 2).

Non Fulfillment of Pay in / Margin Liability

Penalty

All unsettled balance amount in the clients account after T+2 trading days (Pay in Date) will attract penalty in the form of delayed payment charges till the balances are settled. Delayed payment charges shall be levied at the rate prescribed by KRC.v KRC reserves the right to revise the rate without prior intimation.

Blocking

RMS department blocks the clients for fresh buying where the debit balance in the ledger /margin account touches 80 % of the value of his shares lying in DP/ Lien account. The clients can however sell the holdings/reduce the open position during such blocks. The Trading system does not allow Short-Selling when such clients are blocked as explained above. Only open trading positions and stocks lying in DP are allowed to be sold.

Liquidation/ sale of Shares .

RMS department shall liquidate the shares lying in lien or in their own DP accounts in case debits are not cleared in **T+5 working days** to the extent as may be deemed fit without issuing any further intimation. Though an E Mail intimation of all clients whose payments are outstanding are given to the Network Partners through two different Email notifications at periodic intervals, non receipt of such communication should not be construed as an excuse of not collecting the payments or reducing the positions of respective clients. It is the primary responsibility of Network Partners to ensure that all payments come within the stipulated time as decided by the Organisation. The Liquidation of Stocks or open positions will take place as per the dates mentioned in the Email notification. These shares are sold by the RMS software and selection of scrips for sale is done by the software itself and the RMS

Department has no role or discretion in the selection of the stocks to be sold.

RMS also reserves the right to liquidate position **before T+5** working days without any further intimation to the extent as may be deemed fit to cover the risk associated with the outstanding. The exercise of power to square off in such circumstances shall be at sole discretion of KRC.

The Risk Team will sell the shares of the clients whose outstanding in cash segment remain overdue for more than 5 working days excluding the trade date. Giving a practical example, if client buys shares on Monday and dues remain unpaid till Monday (on Tuesday morning , ledger balance will be taken) and shares will be sold on Tuesday at any time during the day by Risk Team . The Risk Team will not entertain any request thereafter of any manner (i.e. on Tuesday) and will proceed to sell the shares . The shares to be sold will be from the DP and will not necessarily be those for which overdues has resulted.

Exposure for Derivative Segment

All F&O orders are to be compulsorily marked as Margin in ODIN Application.

FNO segment exposure is strictly granted on the basis of the amount available in Cash MTM ledger of the client plus the value of the eligible securities (after haircut) deposited by the client as collateral or lying in DP with POA (after haircut of 33.33 %). The value of Securities treated as Collaterals for margin are taken to the extent of Cash Balance available in the Combined Client Ledger. KRC considers Non Cash Collaterals in the ratio of 50 % cash & 50 % securities for margin purpose. The value of the shares lying in DP or as pledged / free Collaterals to the extent of them being above the Cash balance will be valued as zero for the purpose of margin, allowable in FNO segment.

Example 1- Client D has a combined credit ledger balance of Rs. 100000. In addition to the same, client has also pledged/ lying in his DP account, eligible securities as collateral, the value of which after haircut (say 25%) is 65000.

Hence the total available amount as Margin for FO trades is = 135000 Combined Cash Ledger
+ 65000 Value of Securities
200 000

How much position can the client take in FO?

Situation A – Client D wants to deal in nifty the margin of which is say around 29000

Hence the client will be allowed to hold open position of Rs .200000(calculation given above) / 29000 = 6 nifty (maximum) contracts at any point of time.

Situation B – Client D wants to deal in scrip Maruti Ltd. the margin of which is around 24000

Hence the client will be allowed to hold open position of Rs. 200000 / 24000 = 8 Maruti (maximum) contracts at any point of time.

Now let us continue with the situation A where client D has carried forward 6 nifty positions and at the end of the day he has the following MTM position

- MTM loss of 25000

  In that scenario clients available margin becomes for T+1 day becomes 200000 -25000 = 175000. Hence Client D has either to deposit 25000 MTM loss to continue the position or to square off 1 nifty position. Since Cash balance is now Rs. 110,000/- , shares only to the extent of Rs. 75000 will be added to the Collateral value.

OR

- MTM profit of 25000

  In that scenario client's available margin for T+1 day becomes 200000 + 25000 = 225000. Hence Client D can add 1 more nifty position if he so desires. The value of shares which will be considered for the non cash collateral will also increase by Rs. 25000 in such case.

<u>MTM Rule</u>

CTCL system calculates Mark to market on real time basis and constantly adjusts it against the available basic limit of the customer on which trade exposure multiplier is applied. Hence clients incurring MTM Loss may be denied trading exposure & buy delivery exposure as a result of the same even though at the beginning of the day, a higher exposure would have been permitted by the system .The same rule applies in Cash segment too.

Example 1 – Client G has ledger balance of 15000 (Credit) & the client has also got 30000 in his DP holding.

Buy & Sell trading exposure of Client G shall be = (15000 + 60% X 30000) X 2 (multiple) = 66000 or alternatively client shall enjoy a Delivery buy exposure of (15000 + 60% X 30000) = 33000

Now the client has incurred MTM Loss of Rs.5000 during the day

In this case client G's trading exposure shall be restricted to (15000(credit) – 5000(loss) + 66.67% of 30000(shares)) X 2 = 56000 or alternatively Buy Delivery Exposure of (15000 – 5000 + 60% of 30000) = 28000.

<u>Pay in Liability</u>

Client dealing in FO shall have upfront margin in account before entering in any FNO contract.

All MTM shortfalls have to be compulsory settled on T+1 day before the close of banks regular / normal clearing time.

<u>Non Fulfillment of Margin / MTM liability</u>

Margin shortfall if any shall attract delayed payment charges from the trade day.

Option premium has to be compulsorily settled through cash margin. Option position taken out of margin exposure available out of pledged securities shall be considered as margin shortfall for the purpose of delayed payment charges and the same shall be charged from Trade day.

MTM shortfall will attract delayed payment charges if not settled on T+1 day through bank deposit. MTM shortfall of Trade day shall not be set off against MTM profit of T+1 day for the purpose of calculation of delayed payment charges or for considering as payment made.

Delayed payment charges shall be levied at the rate prescribed by KRC. KRC reserves the right to revise the rate without prior intimation.

Liquidation

RMS department shall liquidate Clients position in case the Margin / MTM shortfall is not settled in T+2 days before 11.30 AM or as such time which will be decided by KRC . The client / Dealer has to ensure that the RMS department is in receipt of the scanned copy /fax of the chq / cms stamped slip before 11.30 failing which RMS department shall start liquidating open position to the extent of shortfall without any further intimation. The RMS department shall also liquidate the pledged securities at market rate without any further intimation incase shortfall is found after squaring up of open positions. The choice of securities to be sold shall be at sole discretion of KRC.

In addition to the same if at any point of time the client limit falls below the Margin required to maintain clients open position, KRC reserves the right to liquidate the clients position without any further intimation to the extent as may be deemed fit to cover the risk associated The exercise of power to square off in such circumstances shall be at sole discretion of KRC.

Process for Realisation of outstanding dues on account of Settlement Obligation or Derivative Segment Margins.

In instances of recovery of outstanding amounts, the following process is observed.

a. SMS intimation is done to the client directly (for clients whose updated mobile numbers are available with KRC) by KRC every evening on the day of trade.
b. In addition to (a) above, the Network Partner is also intimated by RMS Team who otherwise also is given the facility to view the same in the back office application.
c. If there is still no reply or action from the clients/Network Partner, the withheld securities/ collaterals of the client are sold off or the open position is squared off.
d. There is likelihood that some clients who are having an outstanding debit balance may not pay up which will lead to the amount being recovered from the concerned Network Partner’s Deposit or balance funds lying with us.