

RAJCHANDRA CAPITAL SERVICES PVT LTD ('RAJCHANDRA')

RISK MANAGEMENT POLICY

INTRODUCTION:

This is a policy for guiding the stock broking operations of the Company. Risk management is an integral part of the "RAJCHANDRA CAPITAL SERVICES PVT LTD" (herein referred as "RAJCHANDRA") approach to decision-making and accountability. The objective of the Risk Management is to:

- a. manage the risk without adversely impacting the normal business and its growth.
- b. enable sustained business performance
- c. facilitate competitive advantage by being continuously low on debtors
- d. lesser stress on the Company's finances.
- e. be compliant to the relevant requirements of the Exchanges/ Regulators.

The underlying document outlines various policies and procedures the RAJCHANDRA has framed with respect to its dealing with its clients to ensure transparency and facilitate understanding on various aspects related to operational risk management. In RAJCHANDRA, it is believed that effectively managing the risks associated with business is a critical and important responsibility of the management. These policies are also to be continuously updated based on the market scenario, rules & regulations prescribed by SEBI & the exchanges from time to time as well as our own experience of the previous RMS parameters within the objective of keeping the risks managed or under reasonable control.

RMS Function includes:

To check capital adequacy for exposure and requirements of the client

Monitoring of Clients' Orders, Patterns of Trade, Order rejections, and increasing of Exposure/limits.

Monitoring MTM profit/loss incurred out of trades.

Benchmarking Margin v/s Exposure of client

Decision-making with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across

Risk management relating to the trading activities of Clients is handled by RMS & Surveillance Department.

Type of Risk associates dealing in financial instruments

- **Liquidity Risk:**

Liquidity in the context of stock markets means a market where large orders can be executed with minimum price difference.

Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities and vice versa, Liquidity Risk can summaries in one word "Higher the liquidity lower the risk and lower the liquidity higher the risk".

- **System Risk:**

Trading on exchanges is in electronic mode, based on combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of system problems or slowness or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full.

- **Market Risk:**

Any risk arise due to fluctuations of market variable is called market risk; Market risk is the day-to-day fluctuations in a stock's price. Sudden fall in prices of stocks due to fundamental or other reasons can cause loss in security values.

- **Settlement Risk/Auction Risk**

Currently settlement is done on T+1 for cash & derivative segment. In cash segment if client sell shares on T+1, before the actual receipt of shares from exchange there might be risk of auction of sold shares.

TRADING PLATFORM - ORDER TYPES

Market Order

A Market order is an order to buy or sell a security at the prevailing market price. This type of order is executed on the basis of the available best price while entering order in the system.

Limit Order

In a Limit order, you set the price at which you want to buy or sell a security- known as limit price. The order gets executed only at the limit price placed by client.

Stop-loss Order

A Stop-loss order helps you limit your losses by exiting a trade, if a specified trigger price (the specific price at which your buy/sell order becomes active for execution) is reached. price range.

GTD order

GTD - A Good Till Days/Date (GTD) order allows the Trading Member to specify the days/date up to which the order should stay in the system. At the end of this period the order will get flushed from the system. Each day/date counted is a calendar day and inclusive of holidays.

AMO order

AMO allows you to place an order during non-market hours i.e. either before or after the market hours. This order will be active in the next trading session. AMO orders are helpful to place an order at a certain price before the start of market hours

Delivery/Margin Orders

Clients may place order In DELIVERY for Delivery transactions in the cash segment. Limits are available to sell stocks in RAJCHANDRA's DP for POA/DDPI clients and can be placed in DELIVERY

Derivatives (Margin Orders & Carry Forward orders)

□ For derivative orders, futures and short options positions shall be charged margins as per exchange i.e. Initial Margin + delivery margin (if any) + exposure margins + additional margins, if any. In case of Currency Derivatives orders shall be charged margins as per exchange i.e. Initial Margin + extreme loss margin + additional margins, if any. Options

purchases require margin equivalent to the net buy premium amount. These margins need to be available before the order is placed i.e. on an upfront basis.

□ Any relaxation in margins as above offered to clients may be revoked dynamically by RMS based on market context and insufficiency of margins as per standard requirement above may trigger square off without reference to the dealer / client.

□ RAJCHANDRA may enhance margin requirements from time to time based on the prevailing market context.

□ Non-maintenance of adequate Collateral / Margin required at all times owing to erosion of margins may lead to square off by the RMS desk without any reference to the dealer / client

□ Margins required for derivatives trading need to be in form of Cash collaterals. However, clients can also provide approved stock collaterals valued at T-1-day close rate after applicable haircuts (being T-1 day VAR + ELM) for margins. Such client stocks may be pledged to exchange to avail margins as RMS deem required.

□ Risk team can square off any collaterals as margin in case of any losses/shortfalls as per their discretion without any reference to the client.

Please note that GTD (Good-Till-Date) and AMO (After Market Order) are available subject to exchange/system availability and risk checks.

GENERAL TRADING POLICY:

□ Trading in scrips other than A, B series of BSE and EQ series of NSE segment is blocked in the system. Orders may be placed by the advisor / client / dealer after a request to RMS desk to unblock the same for a particular order. Such unblocking maybe done selectively at the discretion of the RMS desk for limited periods of time. Maximum order size in such stocks should not exceed 20% of DTV (Daily traded Value) at the time of order. Order to be placed strictly as delivery option ONLY to avoid timer based auto square off. Allowing of trades in illiquid scrips will be at the sole discretion of RMS team.

□ RM/Advisor/Dealers should not accept the orders from the client in scrips which form part of block scrips. List of such scrips shall be made available on a monthly basis unless there is change during the month.

The dealer / client shall not take any fresh positions in F&O scrips where incremental exposure is disallowed by the exchange. Only square off trades/rollover trades shall be permitted in such underlying. However, intraday orders can be placed and will be squared off by system 15 minutes prior to end of trading session.

Maximum single order transaction quantity, lots and value across cash and derivatives segment shall be set by RMS which is subset of exchange allowed permitted limits. The same varies between dealers as well as clients.

Additional leverage maybe allowed for orders placed under margin trade as maybe separately specified. Clients have to square off all outstanding positions / pending orders

under this order type before 3:10 PM or 20 minutes before end of the trading session (whichever is earlier). Alternatively, they may convert such trades / orders into Carry Forward orders subject to availability of sufficient margin. KSB shall reserve the option to liquidate all outstanding positions / pending orders under this order type starting 15 minutes before end of the trading session. Such leverage shall be offered only if clients are subject to square up from RMS desk based on time or M to M losses.

MARGIN COLLECTION POLICY:

Upfront Margins are collected across Cash and Derivatives segments as per exchange framework with the reporting is required to be uploaded.

- Free and clear ledger balance available on current day (T Day) with client in different segments (BSE/NSE/FO/CURR) of the Exchange will be considered for margin collection.
- Only exchange approved stocks in "Margin pledge" created in depository system with previous day's valuation will be considered for margin collection however, RAJCHANDRA in some situations shall take unapproved securities towards margin which are liquid securities and are actively traded on the exchange platform and the same shall be considered while reporting margin to the exchange. RAJCHANDRA shall be having additional surveillance and risk monitoring whenever such unapproved stocks are provided by the clients towards margin taking into consideration that RAJCHANDRA is adequately covered from the risk.
- Liquid securities, in dematerialized form, actively traded on the Exchanges, which are specifically not declared as illiquid securities by any Exchanges, can be considered while reporting margins to the Exchange
- Post valuation/calculation of the above, NSE F&O will be given first preference and in case of excess margin, the same will be considered for reporting of Currency Derivatives and Equity Segment.
- Realized profits (Intraday & B/F) cannot be used for Stock Purchases or Fresh F&O Positions on T Day, It will be counted as margins only after the settlement date.
- Credit of option premium can be used only for new long/buy option trades on the same trading day and only within the same segment. For other types of trade (Cash Buy/Sell / Future Buy Sell) you can use only from the next trading day T+1.
- Cheque dishonoured/reversed or not cleared up to T+4 working days should not be considered for Margin Money.

Equity Derivative Segment: -

- Total Margin levied by the exchange is to be given on upfront basis by Client.
- Mark to Market Losses are to be given as soon as margin calls are made by RAJCHANDRA and client will have time only till T+1 working day to provide such margins.

Currency Derivative Segment: -

- Total Margin levied by exchange is to be collected on an upfront basis.

➤ Mark to Market Loss is to be given as soon as margin calls are made by RAJCHANDRA, and the client will have time only till T+1 working day to provide such margins.

Cash Segment: -

➤ Total Margin (Minimum Margin) levied by exchange is to be collected on an upfront basis.

➤ Other Margin (Adhoc Margin) and Mark to Market Losses are to be given as soon as margin calls are made by RAJCHANDRA, and client will have time only till T+1 working day to provide such margins.

□ Securities which are sold in cash market and available in RAJCHANDRA's account i.e. POOL/EPI Account will not be considered as margin collected for any other trade/position.

SQUARE OFF POLICY:

□ Daily Ageing Square off

It is the customer's obligation to clear ledger debit balances in T+1 day (i.e. on settlement day) where in T is the transaction/trading day. If there is a failure on part of the customer to clear the ledger debit then RAJCHANDRA reserves the right to liquidate the stock upon ageing of the ledger debit beyond T+5 days. The stock will be sold from customers' accounts on T+6 days after the ledger debit. For e.g.: trades executed on Monday will be squared off on next Week Tuesday (T+6) where T indicates Trading Day

□ CUSPA Square off

As per SEBI regulation all the T+1 unpaid securities are transferred to client Demat account with auto pledge creation under the reason unpaid in CUSPA (Client Unpaid Securities Pledge Account). Customer need to fund their account to fulfill obligation or sell the securities within T+6 days, else RAJCHANDRA has the right to sell the unpaid securities.

□ Margin Shortage Square off

Margin is collected upfront from all clients in derivatives segment. Daily Mark to Market losses shall have to be paid latest by T+1 day and any shortages in respect of Margin shall be payable forthwith. In case of default to provide Mark to Market losses or Margins accordingly, RAJCHANDRA shall be entitled to square off the open positions. In case of extreme market volatility, margins may be demanded on intra-day basis and Clients should be able to fulfill margin obligation on immediate basis to avoid square off. pg. 9

□ MTM Square off

RAJCHANDRA reserves the right to square-off all intraday positions (cash as well as derivatives) and carry forward derivatives trades, where-in MTM crosses 80% and above. The customers will be alerted by notifications at 60%, 70% on a best effort basis, however, given the market volatility, sending an alert should not be mis-construed as an obligation for RAJCHANDRA. The position will be reduced on the best effort basis and the customer will be liable for any losses arise due to square-off. All pending orders of the customer will

be cancelled. Customer needs to Maintain Coverage of 20% against buying in cash segment. If coverage goes below, RMS has the right to sell client holdings up to required coverage.

a) First Call = 60 %, b) Second Call =70 %, c) Final call/Square off =80%

Note : Once the MTM loss of the intra-day positions reach 80% of the margin available, the positions should be cleared from the branch concerned, failing which the positions taken for the intra-day will be cleared off from RMS & Surveillance dept, therein after only DD, or Fund Transfer is allowed to increase the exposure or limit.

- In case client MTM loss reaches to 60-70% at the end of the day, client will have to reduce the position upto the level of 50% or need to enhance the limit by additional margin.

- 5 Days Sq-Off :

- All 5 days or more debits has to be cleared by 2:30 PM.

- If the open position clearance not been initiated from branch, then same would be cleared from RMS department -Head office. In this regard, company shall not be responsible for any loss that incur to the client on individual basis

- Any NEFT/IMPS/RTGS is to be done, then it should be before 2:30 pm.

Any probability or guarantee of client cheque receipt/fund transfer request will not be considered on 5th day.

- At time of selling stocks, below method is followed:
 - o Stock from Beneficiary Account
 - o Stock from Margin Account (If sufficient stocks are not found in Beneficiary A/c)
 - o Stock from POA Account (If sufficient stocks are not found in Beneficiary A/c & Margin A

- In case total stock valuation (after haircut) falls below 80% of the total ledger debit, square off can be done even before T+4 days.

- In case at any point of time, if the client ledger arrived to debit due to whatever market volatile or higher position Values in Less margin or dishonour of Pay in. Client will be responsible to pay the Dues to clear the outstanding in his/her ledger.

- In any Circumstances client fails to pay the due amount, Company will switch to Legal activities to recover such amount from client.

- In case client carries Derivatives position more than 1 times, then he needs to pay shortfall tomorrow before 1:30 p.m. or before MTM hits 80% of the total credit available. in case the same is not done, position will be squared off after 1:30 p.m. i. *Note: T+1 day consideration shall not be given to any client, if any instances of cheque bouncing or cheque reversal have taken place in the account. ii. If intraday positions carried without margin on two occasions, then intraday limits will be permanently disable

- The MTM loss arising in F&O positions need to be paid on the same day (T day) so that MTM settlement can be performed properly, failing which the positions will be reduced to the available margin level

- RMS will Sq-off the position in case of :

- a. Script highly volatile

- b. Margin /MTM Shortfall

- c. chq bounce / third party chq deposit

- d. scrip is banned / not allowed for trading / withdrawal from F&O/ as per exchange

- e. Suspicious trade or transaction under PMLA Act

- f. Synchronized trading

g. Regulatory body Prohibits or suspended the client

□ **Derivative - Physical Settlement Square off**

All Contracts in derivatives segment are physically settled. Open position in all Futures & Option contracts need to be squared off before 2 pm on Expiry Day to avoid Physical Delivery. Incase client wish to take physical delivery ledger credit need to be maintained in case of Buy Position & Stock should be made available for pay-in in case of Short Position.

Upstreaming of Clients' Funds – Controls

- All client receipts credited to USCNBA are upstreamed to CC end-of-day; no inter-client adjustments are permitted.
- Withdrawals from CC are strictly for the respective client's settlement/margin obligations and permitted pay-outs.
- Funds received post settlement of running account are retained in USCNBA and it shall not be used for other clients' obligations.
- Internal reconciliations needs to be maintained to ensure end-of-day client balances tally with CC collateral (cash/MFOS/FD) and bank balances.

REVIEW OF THE POLICY

The Board of Directors of the Company shall review the policy at least once in a year or as and when required.

For & on behalf of
Rajchandra Capital Services Pvt Ltd

Director

Place: Mumbai
Date: 31st Dec 2024