SHARE INDIA SECURITIES LIMITED

POLICY ON RISK MANAGEMENT & SURVEILLANCE SYSTEM

RISK MANAGEMENT & SURVEILLANCE SYSTEM

Introduction

Risk Management is an integral part of any organisation. We need to deal with various kinds of risks like Credit Risk, Market Risk, Default Risk, Liquidity Risk and other Risks.

In Commodity/ Securities Market, customers have to be alerted with respect to their obligations, open positions, market conditions, margin requirements, regulatory requirements and steps initiated by brokers in case of changing market situations.

With a view to enhance customer knowledge and safeguarding investor interests, SISL has adopted devised a comprehensive Risk Management & Surveillance (RMS) Policy to make sure that customers are aware of criteria based on which SISL monitors risk and initiates actions to safeguard the interest.

RMS stands for Risk Management System - To manage the risk of the company/client from the volatility of the market.

RMS works on the following concepts:

Cash: The clear balance available in the customer's ledger account in our books. Grant of trading limits on the basis of unsettled sale transactions and uncleared cheques will be at discretion of SISL

Margin Deposit: The collaterals provided by the clients in the form of Cash, FDR, BG, Securities and/or Commodities are counted as Margin Deposit. In case of Securities / Commodities, Margin Limit will be provided after appropriate hair cut as may be applicable from time to time.

Stocks qualifying for margin: Securities in the approved list of Stock Exchanges as per SEBI's guidelines.

Commodities qualifying for margin: Commodities in the approved list of Commodity Exchange as per SEBI's guidelines. Commodities will be pledged only in MCX & NCDEX.

Setting up client's exposure limit:

As per SEBI circular ref. no. SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021, regarding Segregation and Monitoring of Collateral at the client level, the trading limit will be provided to client once the funds are allocated to the respective client at the exchange.

-In Derivatives& Commodity segment, exposure limit of each client is set based on Margin money given by the client, as per the Exchange Regulations. Margin will be collected as per the requirement of the exchange for Cash and Derivatives Segment

As per the Exchange requirements, SISL is required to maintain a prescribed ratio between cash and non-cash collaterals deposited with the Exchange. SISL shall therefore have the prerogative to insist for at least 50% margin in cash and may not consider the value of securities over and above the cash component for the purpose of calculating margins shortfall and may close the F&O and Currency segment position where it finds deviation.

Hence if at any time, client doesn't maintain enough margins in cash, i.e. 50%, then the client's account will be in debit balance and applicable delayed payment (interest) charges will be applicable on the shortfall in cash margin.

Commodity Market (MCX, NCDEX):

- Initial Margin
- Exposure Margin
- Additional Margin
- Tender Margin/ Delivery Margin
- Span Margin
- ELM Margin

- Peak Margin

Handling of Clients Securities by SISL - Right to Sell Clients Securities (RMS Selling) or Close Clients Positions on Account of Nonpayment of Clients Dues within T+1+5 days

As per the Exchange guidelines, the following points would be applicable:

- It is client's obligation to clear his obligations on T+1 days (T indicates Trading day). If the client clears his obligation within T+1 days, the securities will be transferred to the client Demat Account.

- If the client is unable to clear his obligation within T+1 days, then those unpaid securities of the client shall be transferred to respective client's demat account followed by creation of an auto-pledge (i.e., without any specific instruction from the client) with the reason "unpaid", in favor of a separate account titled – "client unpaid securities pledgee account SISL will retain those securities up to five trading days after pay-out. Further, where the client fails to meet its funds pay-in obligation within five trading days from pay-out day, SISL shall liquidate the securities in the market to recover the dues on 5th day from payout day. The unpaid securities shall be sold from the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.

- In case of receipt of part payment from the client, we may retain full value of securities till the 5^{th} trading day from the pay-out date in our "client unpaid securities pledgee account". We shall however, within such 5 days, release the unpaid client's securities to client's demat account or dispose-off the securities on T+6^{th} day in proportion to the amount not received.

- The Net available balance received during working hours will be considered till the 5^{th} trading day while releasing the shares payout in client account from CUSPA.

- Further after the sale of the securities of the clients, if there still remains debit of the client, such debit will recovered from the securities pledged by the client with SISL.

- In F&O segment under physical settlement criteria, securities shall be transferred by SISL to the respective client. In case of non-receipt of payment, the securities shall be transferred to the CUSPA and dealt with accordingly.

Other Surveillance Actions:

Refusal of Order for Penny Stocks/ Illiquid Contract

SISL may refuse or restrict a client in placing the order in certain securities depending on various conditions like volume/ value/ part of illiquid scrip's / Z group of securities irrespective of the clients' credit balance or sufficient margin in the trading account. List of such scrips will be reviewed on a periodical basis.

Conditions under which a client may not be allowed to take further position:

Under the following conditions, a client may not be allowed to take further position:

1. The client has a due / debit balance – Such clients are allowed to close out his open position but is not allowed to take any new position.

2. The client has not able to meet his pay-in obligation in cash by the schedule date of pay-in.

3. The "open" positions in a contract exceed or are close to market wide cut-off limits.

4. If the exchange is not allowing any further position in that contract.

5. The "open" positions in a contract exceeded or are close to market wide cut off limits or client wise permissible positions by exchange

6. The client has not made payment for Market to Market loss in Ledger

7. Due to any other reasons as per regulatory/exchange's directives

Conditions under which client open position may be squared off by RMS

Under the following conditions client open position may be squared off by RMS,

1. Any client with MTM loss of over 70% of the capital; or
2. In case market is extremely volatile, RMS may square off partial position if client's MTM loss breaches 50% limit.

MANAGEMENT OF RISK (Online)

Share India Securities Ltd Risk Management System will monitor the risks at client level. We have margin based automated RMS system. Total deposits of the clients are uploaded in the system and client may take exposure on the basis of margin applicable for respective security/commodity as per VAR based margining system of the Commodity Exchange and / or margin defined by the RMS team based on their risk perception.

As a part of our risk management system, we observe the position of respective client as well as his credit balance available with us, securities lying with us etc. and depending upon the same, we allow them to transact or create the position or to extend / reduce their respective positions.

TECHNOLOGICAL RISKS :-

SISL provides Trading on exchanges in Mobile/Web based platform, based on leased line/Internet based communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow 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 the control of and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that, although these problems may be temporary in nature, but when clients have outstanding open positions or unexecuted orders, these represent a risk because of their obligations to settle all executed transactions.

Impact of the Technological/System failure which may be faced by the client: -

- Revenue loss - due to technical issue, the trading is on halt
- Opportunity loss for Clients, since clients won't be able to place orders on time
- Reputational Risk

- Financial risk due to not squaring the open/risky position at the right time and price

Penalty levied by clearing corporations on short/non-collection of upfront margins

As per the Circular NSE/INSP/64315, penalty levied by clearing corporations on short/non-collection of upfront margins will be passed on to client if short/non-collection of upfront margin is on account of following reasons attributable to client (Implemented w.e.f.01-Nov-2024 onwards):

i. Cheque issued by client to member is dishonoured.
ii. Increase in margins on account of change in hedge position by client/ expiry of some leg(s) of the hedge positions of the clients

For point no (ii) above, any offsetting position created to safeguard losses in the portfolio during market volatility is a hedge position. Margin may Increase due to change/close in hedge position (s) of the client or Expiry of some leg(s) of the hedge position of the client. In case client does not have sufficient reportable balance (Collateral pledge +Ledger) then there will be Peak/EOD Margin Shortfall and penalty of peak /EOD margin shortfall will be levied to client. In a broader framework, some of the potential reason where margin gets increased are given below. Below list is not exhaustive

- Increase in Margin due to change in client's hedge position
- Increase in margin due to close of some leg(s) of client's position.
- Increase in margin due to expiry of some leg(s) of client's hedge position
- Increase in Margin due to loss of cross margin benefits like square off by the clients etc.

REPORTING TO THE EXCHANGE(S)

In case the client is found indulging in suspicious activities, SISL may report such transactions to the exchange(s). The company is not responsible for any loss incurred by the client if he/she is found guilty of unethical practices. The company will share all the required information to the regulator, exchange, or any other recognized regulatory body when a client specific details is asked for. The company reserves the right to inform the client based on the directions received by the fore mentioned regulatory body.

The Company reserves right to amend/modify any of the policies/procedures mentioned above from time to time depending upon regulatory, market, external conditions and our internal risk management framework, and the customers can obtain such change/ modification from the Company's website.

This policy was taken note of and approved by Board of Directors of the Company in their meeting held on 18th April, 2024.

Policy for Voluntary Freezing or Blocking the Online Access of Trading Account

1. Introduction

As per SEBI vide its Circular SEBI/HO/MIRSD/POD-1/P/CIR/2024 dated January 12, 2024, a facility of freezing/ blocking the online access of investors trading accounts is essential to avoid any unwanted suspicious activities which is an integral part of an efficient risk management system for the investors. We have put in place a comprehensive policy which provides the facility of voluntary freezing/ blocking the online access of the trading account for our clients.

2. Scope and Review of Policy

This policy is applicable to Broking Business of Share India Securities Limited.

The model of this policy consists of all employees who are directly, indirectly dealing with clients needs to understand and follow the policy to avoid unwanted suspicious activities in client's trading account.

3. Framework for Voluntary Freezing/ Blocking of Trading Account

a) Following are the options from which clients can apply for the voluntary freezing/ blocking the trading account if any suspicious activity is observed in the trading account.

i. SMS from Registered Mobile Number to "8377983476" in the below format:
STOPTRADE_UCC_PANNO_MOBILE NO.

ii. IVR/Telecalling at 1800 203 0303

b) We shall validate the authenticity of the request raised by the client through:

"Verification of request received from the registered phone number of the client"

c) After validation, we issue the acknowledgement as well as freeze/ block the online access of the client's trading account and simultaneously cancel all the pending orders of the said client. The timelines for freezing/ blocking of the online access of the client's trading account is as under:

Scenario	Timelines for issuing acknowledgement as well as freezing / blocking of the online access of the trading account.
Request received during the trading hours and within 15 minutes before the start of trading. *	Within 15 minutes*
Request received after the trading hours and 15 minutes before the start of trading.	Before the start of next trading Session

d) Post freezing/blocking the client's trading account, we send a communication on the registered mobile number and registered email ID of the client, stating that **"The online access to the trading account has been frozen/blocked and all the pending orders in the client's trading account, if any, have been cancelled along with the process of enablement for getting the online access to the trading account".**

e) Details of open positions (if any) also be communicated to the client along with contract expiry information within one hour from the freezing/blocking of the trading account. This will eliminate the risk of unwanted delivery settlement. This time limit shall be contracted after a review in the next six months after the date of its applicability to enhance protection of investors from suspicious activities.

f) The appropriate records/ logs including but not limited to request received to freeze/ block the online access of trading account, confirmation given for freezing/ blocking of the online access of the trading account and cancellation of pending orders, if any, sent to the clients shall be maintained.

4. Re-enabling the Client for Online Access of the Trading Account

We shall re-enable the online access of trading account after carrying out necessary due diligence including validating the client request and unfreezing/unblocking the online access of the trading account.

5. Further, it is clarified that:

a) Freezing/ blocking is only for the online access to the client's trading account, and there shall be no restrictions on the Risk Management activities of Share India Securities Limited.

b) The request for freezing/ blocking does not constitute request for making Unique Client Code (UCC) as inactive in the Exchange records.

Note: In case of statutory/ regulatory amendments from time to time, the policy can be internally reviewed and updated to comply with the new amendments.