



Kantilal Chhaganlal Securities Pvt Ltd., (KCSPL)

Member: BSE, NSE, MCX, Depository Participant: CDSL.

Risk Management Policy

Roles and Responsibilities:

Role of Risk Management Department start from client registration like client categorization, daily limit setting, monitoring of daily transactions, margins etc. checking and monitoring of risk at various level and implementation of Risk Policy.

Client Categorisation:

Classification of both existing and new clients into difference risk categories in back office like Low, Medium, High or CSC depending on the various parameters like client identity, background, financial, transactions pattern etc.

Exposure / Limit Setting:

Daily limits will be set and updated in RMS software on the basis of available balance /eligible collateral (50:50).

Margins:

In derivative segment upfront margin will be collected as per Exchange requirements. Futures trading involve daily settlement of all positions. Every day the open positions are marked to market based on the closing level of the index / derivatives contract. If the contract has moved against you, you will be required to deposit the amount of loss (notional) which is generally in the range of average historic volatility. This is also called daily settlement price. This amount will have to be paid latest by the next day morning before the commencement of trading. (For E.g. a derivative contract worth Rs 100 requires Rs 20 as margin for carried forward trade. The price fluctuates daily, suppose the price rises to Rs 102 for a short position, then the trader has to deposit Rs 2 as margin money next day before the start of market hours) If you fail to deposit the additional amount by the deadline or if an outstanding debt occurs in your account, KCSPL may liquidate a part of or the whole position or can sell securities to recover the amount. In this case, you will be liable for any losses incurred due to such close-outs.

Penalty:

Penalty levied by Clearing Corporation of 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 clients:

1. Cheque issued by client to Member is dishonoured
2. Increase in margins on account of change in hedge position by client/expiry of some leg(s) of the hedge position of the clients.

With respect to point number 2 mentioned above, penalty will be levied to clients due to potential situations resulting in a hedge break / loss of cross margin benefits like square off by the clients / expiry of some legs of the hedge position of clients, leading to higher margin obligations on the open positions.

Quantum of Margins:

The client shall pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the stock broker or the Exchange or as may be directed by SEBI from time to time as applicable to the segment(s) in which the client trades. The stock broker is permitted in its sole and absolute discretion to collect additional margins (even though not required by the Exchange, Clearing House/Clearing Corporation or SEBI) and the client shall be obliged to pay such margins immediately failing which the position of the client is liable to be squared off at the sole discretion of KCSPL.

In case of commodity segment many contracts expiry results into delivery transactions/positions, KCSPL do not allow delivery transactions in commodity segment, therefore in case of tender period which starts before certain day of expiry date, client has to square off or roll over his/her positions prior to beginning of tender period, KCSPL does not allow to take fresh positions in tender periods of any security. If any trade is executed by client in this period and transaction results into delivery client has to pay required full amount and any loss incurred for whatsoever reason on this account shall be to the client's account.

Risk and Collateral Management:

KCSPL has an online real time basis risk monitoring system for each client. If on a real time basis, at any time during the day (including pre-opening gaps) the losses(mark to market) exceed more than 80% of the client's total deposits, KCSPL shall initiate the square off of the position of the client on a real time basis without even informing the client. (Eg. A derivative contract worth Rs 100 requires Rs 20 as margin for carried forward trade or lesser if the trade is for intraday, as the case may be, if at any point of time during the day, price fluctuates more than 16% or more, which means that 80% of the deposit amount is wiped out, (i.e. $20 * 80/100 = 16$) KCSPL RMS team in such cases will square off the position) Such eventuality may be rare but often happens in financial markets and therefore it is not feasible to inform the client about auto square off being undertaken by KCSPL's RMS team. Such huge volatility should not be construed as normal volatility and such losses have to be replenished immediately otherwise the position will be squared off subject to 80% condition. Clients should not wait for next day to settle such margin calls on the positions on the pretext that this falls under daily settlement process. There is a difference between daily settlement which is nothing but generally average historic volatility and extraordinary volatility which needs to be replenished immediately, daily settlement price can be paid next day morning but losses beyond average historic volatility or in other words extraordinary large loss has to be replenished on an immediate and real time basis otherwise KCSPL's RMS team will square off if losses exceed 80% of the deposits at any given time. Such losses shall be of the client and KCSPL in no way will be held responsible. The client therefore in general is advised to maintain more margins than is required by the Exchanges for his/her safety due to such black swan movement (means massive or abnormal volatility either intraday or due to overnight events) in the prices of the securities. KCSPL shall endeavour to close out the position once 80% losses of the deposits are triggered but, KCSPL in no way, guarantees that the losses will be squared off at such percentage, in reality, it can be more or less. (E.g. continuing from the above example if the price of derivative contract moves quickly by 20% without giving an opportunity to KCSPL's RMS team to square off at Rs 16 i.e. at 80% but eventually the square off happens at Rs 20, and then the client is liable to deposit Rs 4 as the loss amount due to adverse price movements)

Trading Restrictions:

Restrictions in certain Securities shall be done periodically by RMS Team. KCSPL shall from time to time classify a list of securities which are illiquid as per the list of illiquid securities notified on a periodic basis by the Stock Exchanges concerned and / or based on such internal criteria as KCSPL may deem fit. KCSPL reserves the right to refuse execution of any transaction requests of the Client on such illiquid securities or to reduce the open market interests of the Client in such securities. KCSPL also reserves the right not to allow any trades or transactions in respect of certain securities or segments or orders/requests which may be below / above certain value / quantity as may be decided by KCSPL from time to time. Trading in Illiquid Scrip may be restricted as per management directives. RMS Team will closely monitor such type of transactions. Such list of illiquid stocks is updated on the website. In F&O segment no new position will be permitted in Ban Period securities. Penalties if any due to such transactions if initiated by the client shall be borne by the client solely.

Online Payment:

KCSPL shall give credit to client accounts when it receives the payment advice from IMPS, Payment Gateway, NEFT, RTGS and cheques. Credit limits will be given only on confirmation which generally takes time because KCSPL has no control over banks or payment gateways. Delays if any in receiving payments by KCSPL and thereby causing a consequential loss to the client either due to KCSPL's RMS auto square off policy or otherwise shall be sole responsibility of the client, KCSPL in no way shall be held responsible for the delay of any third party payment systems. KCSPL shall not process pay-outs on bank holidays although exchanges may remain open for trading. All ledger debits are liable for payment of interests to KCSPL in addition to any penalties that are levied by the exchanges.

KCSPL's Rights to Square Off:

Without prejudice to KCSPL's other rights (including the right to refer a matter to arbitration), in the event of the Client failing to maintain/supply applicable margin money required to sustain the outstanding market positions of the Client, KCSPL shall be entitled, at its option and liberty, to liquidate/ close out all outstanding market positions or any part thereof such that the outstanding market positions are either zeroed out or reduced to an extent where available margin covers the market positions remaining after such square off.

The Client understands and accepts that authority of KCSPL to square off outstanding market positions of the Client in the event of the Client failing to furnish margin money immediately on demand is carte blanche qua the entire outstanding position and the Client shall not, as a matter of right, be entitled to reduction of the outstanding positions in stages in order that positions to the extent of available margin are retained in the Client's account.

KCSPL may also sell off all or any securities of the Client lying with KCSPL as collateral or otherwise, for any amounts due by the Client and adjust the proceeds of such liquidation/close out against the client's liabilities/obligations to KCSPL. Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the client. Such liquidation/ close out may be without any prior reference or notice to the client. Client shall keep and hold KCSPL indemnified and harmless from any loss arising out of such closing out/squaring off. Such liquidation or close out of positions shall apply to any segment in which the Client does business with KCSPL. It shall be the duty of the client to be self-vigilant and adequately replenish/deposit the margins and mark to market losses on a immediately basis which are calculated on a real time basis by KCSPL

System / Network Congestion Risk:

Trading on the Exchange is in electronic mode, based on satellite/ leased line 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 including delayed or missed OTPs 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 you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions. The losses if any arising out of such systems/network risk shall be of the client alone.

The Client shall not have any claim against the Exchange or the Stock broker on account of any suspension, interruption, non-availability or malfunctioning of the KCSPL trading system or Service or the Exchange's service or systems or non-execution of his orders due to any link/system failure at the Client/Stock brokers/Exchange end for any reason beyond the control of the KCSPL/Exchanges

Charts are formed using limited tick data (multi cast data) whereas the number of ticks recorded on the exchange are tick by tick (unicast) which are far more higher thus there may arise a perceived difference on the price action observed on the chart and that of actual price action on the exchange. KCSPL has zero control on such data feeds and is totally dependent on external sources to receive such feeds. Therefore charts may not truly capture all the price actions transpiring on the exchanges.

Demat Debit and Pledge Instruction:

Clients who have opened their trading accounts online are expected to sign Demat Debit and Pledge Instruction'(DDPI)(Annexure-A), under which the clients shall explicitly agree to authorize the stock broker and depository participant to access their BO account for the limited purpose of meeting pay-in obligations for settlement of trades executed by them. The DDPI shall serve the same purpose of PoA and significantly mitigate the misuse of PoA. The use of DDPI shall be limited only for the four purposes

For transfer of securities held in the beneficial owner account of the client towards Stock Exchange related deliveries / settlement obligations arising out of trades executed by such a client on the Stock Exchange through the same stock broker.

For pledging / re-pledging of securities in favour of the trading member (TM) / clearing member (CM) for the purpose of meeting margin requirements of the client in connection with the trades executed by such a client on the Stock Exchange.

Mutual Fund transactions being executed on Stock Exchange order entry platform.

Tendering Shares in open offers through Stock Exchange Platforms.

Dormant Clients RMS:

Team will update the dormant client list (inactive from more than 12 months) & restrict their trading rights. Activation of such clients will be done as per Dormant Client policy.

Pay – in and Pay - outs of Funds and Securities:

Third party pay-in of funds & securities will not be accepted. Same way pay-out of shares and fund will be directly done to client account only. No securities belonging to one client be used/transferred for other client or for Own purpose. Securities sold by client on intraday basis which for whatsoever reasons are not squared off, then such losses, on account of price difference between the selling price and auction purchase price shall be on the account of the client alone and KCSPL shall not, in any way, be responsible for such losses. Client initiating buy today and sell tomorrow strategy is prone to security shortage risks which eventually, if any, will result into losses on account of difference in auction price and client's original trade price, the losses arising on such transactions shall be of the client's account and KCSPL in no way is responsible for any such losses.

Internal Shortage Management and Closeout Policy.

The policy for managing internal shortages and ensuring a smooth settlement process for our clients is as under:

Failure of the seller to deliver securities shall result in buy-in auction for the shares by Clearing Corporation as per auction schedule declared periodically. Auction shall be conducted on T+1 day.

In case of multiple settlements conducted on the same day, as specified by SEBI, the auction session for the first settlement shall be conducted on the same day and settled on the next day. The auction for the second settlement shall be conducted on the next day along with the shortages/auction of that day. The settlement of the same shall happen on the subsequent day.

Auction shall not be conducted where shortages are directly closed-out, where the securities are under corporate actions and for securities under T+0 settlement.

Clearing Corporation shall provide Self auction facility where its clearing member shall report their internal shortages in the auction conducted by the Clearing Corporation.

Auction shall be conducted in respect of internal shortages in capital market segment, physical settlement of equity derivatives. Clearing members shall provide a list of securities to be auctioned along with trading member and shortage quantity to Clearing Corporation through a file upload.

Closing out where securities cannot be bought-in

When securities cannot be bought in auction, obligation in such security shall be deemed to be closed out at following procedure, or as declared from time to time.

Closing out in the case of failure to give delivery for Normal Market

Any shortages in Normal Market that cannot be bought in the Auction Market shall be closed out as specified by SEBI.

Close out shall be at the highest price prevailing across the Exchanges from the day of trading till the auction day or 20% above the settlement price on the auction day, whichever is higher.

RMS Policy on Haircut on Collateral Margin (Part of RMS Policy)

1. Objective

The objective of this policy is to ensure prudent risk management by applying appropriate haircuts on client collateral, thereby mitigating market, liquidity, and settlement risks in accordance with SEBI and NSE / Clearing Corporation guidelines.

2. Regulatory Framework

This policy is framed in compliance with:

SEBI Circulars on Margin & Risk Management

NSE / Clearing Corporation directives issued from time to time

The Trading Member (TM) shall ensure strict adherence without deviation.

3. Eligible Collateral

The TM shall accept only Exchange / Clearing Corporation approved collateral, including:
Cash

Approved Fixed Deposits / Bank Guarantees

Approved Equity Shares

Approved Mutual Fund units

Government securities (where permitted)

All non-cash collateral shall be pledged through the approved depository mechanism.

4. Haircut Application

Haircuts shall be applied at rates prescribed by the Exchange / Clearing Corporation.

The TM shall not apply haircuts lower than exchange-prescribed levels under any circumstances.

RMS reserves the right to apply higher haircuts based on:

Volatility and liquidity of securities

Surveillance measures (ASM / GSM / T2T)

Concentration or credit risk

Illiquid or high-risk securities may attract up to 100% haircut.

5. Collateral Valuation

Collateral shall be valued daily based on Exchange-provided prices.

Only the net realizable value after haircut shall be considered for margin purposes.

No double counting of collateral shall be permitted across segments or clients.

6. Margin Shortfall & Risk Controls

In case of margin shortfall due to price movement, haircut revision, or MTM losses:

Clients shall be required to immediately replenish margins.

RMS may restrict further trading and/or square-off positions without prior notice to protect the TM.



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Kantilal Chhaganlal Securities Pvt Ltd

Facility of voluntary freezing/ blocking the online access of the trading account on account of suspicious activities

Introduction:

(As per requirements of SEBI Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024)

The policy framework for providing the facility of voluntary freezing/ blocking the online access of the trading account to their clients on account of suspicious activities as finalised by the Brokers' Industry Standards Forum in consultation with the Exchanges is as follows:

1. Clients using internet based trading / mobile trading / other online access for trading shall have following two modes of the communications through which the client may request for voluntary freezing/ blocking the online access of trading account if any suspicious activity is observed in the trading account: -

Mode of Communication:

- a) Email from Clients registered e-mail ID to stoptrade@kcsecurities.com
- b) IVR / Tele calling Call on 022 67236045.

1. The e-mail ID and/or telephone number provided for this purpose is dedicated for receipt of communication for voluntary freezing/ blocking of the online access of the clients' trading account.

Process to be followed:

Following actions on the receipt of request for freezing/blocking of the online access of the trading account from the client

- a) Validation that the request is received from the client.
- b) Acknowledgement of the receipt / rejection of request.
- c) Reject in case of validation unsuccessful and complete the authentication procedure (2 Factor Authentication).
- d) Freeze/block the online access of the client's trading account if validation is successful.
- e) Simultaneously cancel all the pending orders of the said client.
- f) The Client will continue to place orders through the Authorised person / Dealer / Call & Trade.

The timelines for freezing/ blocking of the online access of the clients' 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 ¹ and within 15 minutes before the start of trading.	Within 15 minutes ²
Request received after the trading hours and 15 minutes before the start of trading.	Before the start of next trading session

1. Trading hours shall be as follows: Capital Market Segment: 9.15 a.m. to 3.30 p.m., Equity Derivatives Segment: 9.15 a.m. to 3.30 p.m., Currency Derivatives Segment: 09.00 a.m. to 05.00 p.m., Commodity Derivatives Segment: 09.00 a.m. to 11:30 p.m.
2. To begin with, the time limit of 15 minutes is being specified for the purpose of issuing acknowledgement as well as freezing/blocking of the online access of the trading account. This time limit shall be contracted after a review in next six months after the date of its applicability to enhance protection of investors from suspicious activities.

Post freezing/blocking the client's trading account: -

Post freezing/blocking the client's trading account, Client will receive a communication on the registered mobile number and registered e-mail ID, 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 re-enablement for getting the online access to the trading account.

Details of open positions (if any) would also be communicated 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.

Risk Management: -

It is clarified that:

- i. 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 KCSPL
- ii. The request for freezing/ blocking does not constitute request for marking client Unique Client Code (UCC) as inactive in the Exchange records.

Process for re-enablement: -

KCSPL shall re-enable trading in the client's account after carrying out necessary due diligence including verifying the client using Two Factor Authentication and validating the client request and unfreezing / the account.

For unfreezing of the trading account, the client will have to get in touch on the dedicated phone number 022 67236045 Once such request has been received and authenticated, account will be unfrozen within 1 working day.

Maintenance of records/logs: -

KCSPL shall maintain 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.

The Compliance Officer is authorized to provide any suitable advice/clarification/exception on the said policy.

Prepared by: -

VP - Compliance

Reviewed and Approved by: -

CEO, Chief Risk Officer, Head IT Officer.

Policy on the above guidelines, is part of Risk Management Policy