



Risk Management System Policy

Dear Patron,

We are glad to have you in our association and are working with heart and soul to deliver you the best and seamless system of operations. In our endeavor for the same, we have hereunder laid down our **Risk Management System (RMS) Policy**. You are requested to understand each and every aspect before commencing your trading.

S. NO.	PROCEDURES	EXPLANATION
1	EXPOSURE – INTRA DAY	As per NSE- VAR margin rates.
2	EXPOSURE – DELIVERY	2 times of Deposit.
3	DERIVATIVES EXPOSURE	As per SPAN + G.E. margin rates.
4	LIMITS BEYOND WHICH POSITION CARRY-OVER NOT PERMITTED	If MTM loss reaches 30% to 50% of Deposit during the day, then: 1. Account would be marked in square off mode, i.e. only existing open positions would be allowed to close and fresh bids would not be accepted. 2. (If time is > 3:00 PM) Open/leveraged positions would be squared off commensurate with the available deposit in account.
5	INTRA-DAY SQUARE OFF	All trades executed in MIS product would be squared off daily at 3:25 PM. After this time, no trades will be permitted under MIS product.
6	MTM SQUARE OFF	If MTM loss reaches 80% of Deposit, all outstanding positions including client's deliveries in our Beneficiary A/c will be squared off.
7	*CONVERSION OF Intra-day/MIS -- to --- Delivery/CNC or Carry-over/NRML	Before daily square off of Intra-day/MIS trades at 3:25 PM, intra-day/MIS positions can be converted into delivery/CNC or Carry-over/NRML positions by a user based option. It is convertible to the extent of Deposit available in client's account.
8	T+3 BASED DELIVERY SQUARE OFF	If the payment for deliveries bought, is not received within 3 days, then deliveries (by random choice) to the extent of shortfall in payment would be squared off and further buying would be blocked till additional payment is received.

Please note the following points carefully:

1. If any security(s) is/are not available in our Beneficiary Account, it has to be **transferred to our DP A/c first** only then limit to sell those would be granted.
2. Extra Leverage (for both intra-day and T+3) would only be allowed in **approved securities** as per our specified list updated from time to time.
3. If any deliveries bought on one day, are sold on next days (before the delivery actually comes from the Exchange), consequence of such **shortage of delivery(s)**, if any, will be at sole risk of the client.
4. Trading in **far-month contracts** would be blocked by default. Special permission would have to be attained to permit it.
5. Trading in **banned securities** would be blocked by default.
6. Intra-day trading in **'trade to trade segment'** would be blocked by default as per NSE rules.
7. **Request for adjustment** in exposures or other RMS permissions would be accepted through Branch-in-charge only.
8. *Clients are advised to conduct their **product conversions before 3:10 PM** to avoid last minute hassles.

Please feel free to enquire anything you have not been able to understand. You may contact your branch-in-charge for best information.

Assuring you of best services.

Sincerely,

Merits Capital Market Services Pvt. Ltd.

Terms used in explanation

1. **EXPOSURE** It is the maximum permissible value of trades and bids (buy + sell) at any point of time.
2. **BENEFICIARY A/C** It is broker's DP A/c where all the clients' securities (which are not transferred to clients' DP) are kept.
3. **HAIR-CUT** It is the measure of risk margin (decided by NSE's mechanism) applied upon or deducted from a security's value to consider it for allowing exposure.
4. **DEPOSIT** It is the Financial ledger balance (excluding F & O margin debited in account, if any) + Value of client holding in our Beneficiary A/c (after adjusting for hair-cut).
5. **INTRA-DAY** It is the trading done with the intention of closing out the position built within the same day.
6. **DELIVERY** It is the trading done with the intention of carrying over the securities purchased for future days and/or selling the securities already in holding.
7. **PRODUCT TYPE** It is the selection box in trading window from where bids are placed.
8. **MIS** It is the product type selected while executing intra-day bids/trades in **both Cash and Derivatives segments**.
9. **CNC** It is the product type selected while executing intended delivery based bids/trades in **Cash Market segment**.
10. **NRML** It is the product type selected while executing intended carry-over bids/trades in **Derivatives segment**.

- 11. T+3** It is depicted as trading day plus three days, i.e. third day from the day of trade.
- 12. MTM LOSS** It is the loss accrued on all open positions including deliveries in Beneficiary A/c at any point of time.
- 13. INTRA-DAY SQUARE OFF** It means closing out of all intra-day open positions (whether bought or sold) executed in MIS product, at best market rates.
- 14. MTM SQUARE OFF** It means closing out of all open positions (whether bought or sold) including deliveries, at that time when available margin in account has exhausted.
- 15. VAR MARGIN** It is the margin (decided by NSE's mechanism) calculated after considering the risk involved in trading in a particular security belonging to the **Cash Market segment**.
- 16. SPAN MARGIN** It is the margin (decided by NSE's mechanism) calculated after considering the risk involved in trading in a particular security belonging to the **Derivatives segment**.
- 17. GROSS EXPOSURE (G.E.) MARGIN** It is the margin (decided by NSE's mechanism) calculated after considering the **additional risk** involved (over and above the SPAN margin) in trading in a particular security belonging to the **Derivatives segment**.
- 18. APPROVED SECURITIES** It is the list of securities that have been approved to be liquid enough as per NSE's mechanism.
- 19. BANNED SECURITIES** It is the list of securities in Derivatives segment that have been banned for trading for a particular day, as per NSE's mechanism.

Points to remember

1. All Intra-day trade squared off at 3:25 PM.
2. All accounts that reach a loss level of 80% of their Deposit are squared off.
3. If loss level reaches more than 30% to 50% of Deposit, either exposures are reduced or account is squared off.
4. If debits are not cleared within three days of buying securities, those would be squared off.