

# Risk Management System

## 1. Description :-

Risk Management is the identification of risks to an organization - including risks to its existence, profits and reputation - and the acceptance, elimination, controlling or mitigation of the risks and the effects of the risks.

Risk Management in financial field focuses on risks that can be managed using financial instrument. It is designed to reduce different risks related to a pre-selected domain to the level accepted by society.

## 2. Types of RMS

There are two type of Risk Management System (RMS) Policy:

- a) Normal market RMS policy which will be applicable in Normal Market Movement.
- b) Panic Market RMS policy which will be applicable in panic Market Movement considering below criteria's:
  - If Base index (Nifty) makes movement of 6% on either side
  - If base index (Nifty) makes cumulative movement of 10% on either side
  - Market is specifically declared as Panic RMS by dept.

Panic Market will be declared as normal when market-making movement of less than 3% on two consecutive days or as declared by Risk Management Department of GCL Securities Pvt Ltd.

## 3. Explanation :-

- Normal Market RMS Policy
  - a) Margin (cash + collateral stock)
  - b) Margin must be kept for minimum 3 month of time.
  - c) Minimum 25% cash margin is required.
  - d) Only F&O traded scripts will be accepted as margin after deducting 25% Haircut
  - e) Daily limit will be given on ledger + Margin (Cash + Collateral (after Hair Cut)
  - f) Delivery 1 time
  - g) Margin (Intra-day) 4time (Auto square up 03:10)
  - h) Margin plus (margin order with covered order)
  - i) F&O-span I Exposure margin will be calculate for intra-day position.
  - j) Square up position on 5!h day i.e. (Monday dr. will be square up on next Monday)
  - k) While squaring up the position, consider Cash Margin only.
- Panic Market RMS Policy
  - a) Margin (Cash + Collateral Stock)
  - b) Margin must be kept for minimum 3 month of lime.
  - c) Minimum 25% cash margin is required.
  - d) Only F&O traded scripts will be accepted as margin after deducting 50% Haircut.

Online fund transfer (pay-in/ payout) will be permitted up to 05:30pm. Daily limit will be given accordingly, (if cheque is deposited then credit will be consider after reconciliation from the bank)

#### 4. RMS Guidelines for Trades by Clients

The following are the broad guidelines for the purpose of risk Management to be followed in the case of different type of trades:

##### 1. In case of delivery based Trades

- A. General: transaction are allowed only in cash market of NSE and BSE Exchange.
- B. Setting of Limits:
  - i. in case of online transfer of funds by client the limit will be given as an add-on limit.
  - ii. Cheques shall be accepted from only those accounts which are linked with back office Software. If not mapped, the client is required to give the proof of his bank account for record of GCL Securities Pvt Ltd. from a current account where a client is the sole proprietor would not be acceptable. Non - MICR cheque, out-standing Cheque will not be accepted.
  - iii. Product Multiplier is 1 time.

##### 2. In case of margin (intra-day) trades

- A. General; Transaction to be allowed only in cash market of NSE Exchange.
- B. Setting of limits:
  - i. Purchase or sale position in intraday is allowed only against availability of adequate buying power.
  - ii. No check for stock at time to sell i.e. short position can be taken to the extent of availability of applicable margin.
  - iii. Intra-day booked profit / loss to be credited / debited to the buying power on reversal of intraday position, but not to be allowed for withdrawal.
  - iv. IV Intra-day accrued M2M loss to be debited from the buying power.
  - v. It is mandatory for a client that all position are reversed/squared off prior to specified time frame for square off by RMS team.
- C. Other restrictions:
  - i. Trades not allowed for BE series scrip in NSE (as exchange settles such trades on delivery basis)
- D. New listed scrips on the 1st day- Trade are not allowed on new listed scrip's on the 1st day of listing.

##### 3. In case of F&O (Future and Option) transactions

- A. Setting of limits;
  - i. Position to be restricted to the extent of margin amount of open position and additional clear cash available (if any).
  - ii. Intra-day Booked profit / loss to be credited / debited to the buying power but not to be allowed for withdrawal.
  - iii. Premium credit on square off trades to be given to buying power

- iv. If any existing position is reversed then applicable margin to be released and to be added to the buying power but not to be allowed for withdrawal.

B. Restrictions:

Trading not to be allowed in contract in ban period and in market wide position limits (as per Exchange Circular) and any guidelines set by exchange from time to time. RMS may block intra-day or new position in F&O Scrips, which are in ban period.

4. Forceful Square off by RMS

The RMS team may square off the client's position without notice to the client in the following cases:

1. In case of debit in ledger balance due to buying delivery against collateral, clients have to provide funds on T+1 day before such time as specified by RMS from time to time.
2. In case of debit in ledger balance due to creating position in F&O segment, client have to provide funds on T+1 day before such time as specified by RMS from time to time.
3. In case of debit in ledger balance due to M2M or booked loss of previous day, clients have to provide funds on T+1 day before such time as specified by RMS from time to time.
4. In case of conformation from back office for chq bounce / third party chq deposit.
5. In case, scrip is banned / not allowed for trading / withdrawal from F&O as per exchange.

Common Practices: -

1. BUYING POWER / Deposit = T + 2 ledger balance after adjusting (Latest span + Exposure margin applied on F&O position) + Pre pay in received.
2. WITHDRAWAL BALANCE = T ledger after adjusting (Latest Span + Exposure margin applied on E&O position) - Future debits.
3. Funds withdrawal request to be restricted to the extent of withdrawal balance.
4. If withdrawal request is greater than such balance, instruction to be rejected.
5. Z Group/Physical Securities are restricted.
6. For client/Dealer facility required transferring position across products to the extent of free availability of cash. margin requirement as per the respective products rules or full stock available.
7. For intra-day position, if M2M reach at 70% then no new position will be allowed, only square will be allowed. If M2M reach 80% then position will be square by system automatically.
8. Client will not be permitted to take position in single scrips for more than 70% of permitted limit. If at all cross 80% then position will be square up by system.