

### Risk management policy (RMS)

Risk Management function is a centralized operation. It is the sole responsibility of the RMS team to measure and manage the risk. The RMS Process flow comprises following important stages.

#### **End of Day processes:**

- The end of day processes of Transaction processing system at Prudent is centralized.
- The EOD process updates the positions of clients using the trade and position files received from the exchanges.
- Funds received from clients are updated based on actual entry in back office systems.
- Mark to Market of all Stock and Derivative positions is carried out and SPAN plus EXPOSURE based margins are applied to derivatives positions based on the latest risk margin file received from exchange.

#### **Intraday RMS Processes:**

- Under Intraday facility trade will be placed as per exchange VAR+ELM and or 25 % whichever is higher.
- Intraday position will square-off if client MTM hits its 70-80% based on his set margin(including clear ledger + eligible stock given as margin pledge after respective haircut).
- Positions created under Intraday Product would be subject to either client himself squaring off (if done online ) OR dealer based square off OR MTM Loss @ 80% of Total Deposit (Clear Ledger + margin pledge stock on BOD after Haircut ) - Risk Square off OR Time Based Square off.
- Client cannot Carry Forward any positions in Intraday Product, and if want to carry forward same will be subject margin (Clear ledger balance +margin pledge stock on BOD after haircut).
- All pending orders unexecuted / partial orders will be cancelled as per intraday product features.
- No fresh orders will be accepted in Intraday after Time based square off.
- Square off Times will be as under for the following exchanges  
(Cash & FO: 3.15 PM)

At MTM loss the position will be reduced on best effort basis and customer will be liable for such losses.

- Client confirms that he is aware of the Intraday Product and its features and has clearly understood the risks associated with Intraday Trading.
- Client understands that he/she is allowed a higher leverage in the Intraday Trading Facility as compared to trades in the regular market positions and, therefore, while the opportunity for making profits on the investment is magnified, the risk of loss would also be enlarged Correspondingly.

- Client agree and accept that he/she will not hold Prudent Broking Services Pvt. Ltd , their directors, officers or employees liable for any loss that may sustain as a consequence of availing of this facility. All terms and conditions of the agreement that are executed shall remain effective and in force in all respect until terminated in terms thereof.

**Limits Parameter:**

Particulars	Parameter
Default Limit	Zero
Intraday Limit Cash segment Derivatives Segment	In CASH segment Upfront margin is applicable 25% (based on clear ledger & margin pledge stock after Hair cut defined by Prudent and / or Exchange whichever is higher.) and in FUTURE & OPTION segment one time based on clear ledger or margin pledge stock after Hair cut defined by Prudent and / or Exchange whichever is higher.)
Carry Over Limit Cash segment Derivatives Segment	In CASH segment minimum 50% or VAR+ELM whichever is higher (based on clear ledger & margin pledge stock after Hair cut defined by Prudent and / or Exchange whichever is higher.) and in FUTURE & OPTION segment one time based on clear ledger or margin pledge stock after Hair cut defined by Prudent and / or Exchange whichever is higher.)
Limits in case of Margin Funding clients	No MTF is available

Further exception limit approval will be bases on management decision.

**Requirement of Margin (Cash Segment):**

- Eligible securities given as a pledge will be accepted as margin after exchange VAR+ELM or 50% which is higher. Stock list will change from time to time.
- A client has to provide upfront margin (VAR+ELM) or 50% which is higher in the form of either cash or stocks as a margin pledge and is valued after appropriate haircut.
- For every fresh position that the client wish to take, the client has to have sufficient upfront

margin (VAR+ELM) or 50% which is higher available in his account. The margin requirement for any trade depends upon margin available (clear ledger plus margin pledge stock after hair-cut) in beginning of day

- Intraday additional margin levy, profit or loss incurred during the day, running loss / notional loss, is also accounted for by the system for the purpose of margin availability calculations.
- The margin requirement imposed by the Exchange is subject to change as may be decided by Exchange from time to time. Client is required to maintain minimum margin to the extent of MG13 report for every segment. Further based on the assessment of market volatility, member reserves the right to levy additional margin which is over and above the exchange defined margins.

**Ageing Debit Square off (T5):**

- It is client's obligation to clear his/her outstanding dues by T+1 (T indicates Trading day). The client shall ensure timely provision of funds / securities to Prudent Broking Ltd so as to meet exchange obligations. Prudent reserves the right to close the positions / sell securities to the extent of ledger debit and /or to the extent of margin obligations.
- Selling will be done in clients account on T5 days for the ledger debit which is more than T4 days on ageing basis. For e.g.: All trades executed on Monday will be squared off on next Monday (T5) where "T" indicates Trading day. In other words, if funds are not received or stock not sold on T4, Prudent shall liquidate securities to the extent of ledger debit.
- Intimation SMS/email will go on T4 day across debit & selling will executed on T5 day for client having debit amount Rs. 1000 & above.
- In case of market volatility RMS has rights to liquidate stock as per requirement without prior notice to client.
- If client does not clear debit by 4th day by giving funds or selling off securities, then RMS will not allow further exposure on T5 day. Stock selling slab will be for debit of Rs. 1000 & above.

**Release of Fund payout logic:**

Client's fund payout will be release as per settlement cycle, say for example client has sold stock worth Rs 1.00Lakh on Monday then he is eligible for same on Tuesday, so after calculating margin utilize, provisional DPC, CDSL charges if any, provisional penalty if any system will release payout of same amount .

**Liquidation cut off time:**

Particulars	Parameter
Intraday (cash and derivatives)	At 3.15 time base square-off
Margin Shortfall of previous day	Email and SMS intimation on next day morning before market gets open.
Liquidation on T5	Will square-off from 10.00 am to 11.00 am

**Dealing in restricted scripts:**

- Scripts as mentioned below category will have restrictions as under:

<b>Particulars</b>
Trade to Trade
ASM stage-1 & above / GSM stage-1 & above are blocked
Illiquid Script
SME stocks
NRI restrictions
Scripts in circuit filter
New listed stock for 1st month with 100% upfront margin
Derivatives stock reaching market wide open interest limits.
Trading in Minor a/c restricted except IPO selling.

**Margin statement:**

The daily margin statement offers a comprehensive view of the margin status including the amount deposited towards margin, amount utilized, etc.

This is a password-protected statement and you can access it by entering your PAN as the password. Further, every trade has a margin requirement. So, if you trade on multiple exchanges, then we will send you a combined daily margin statement.

**Prudent Broking Services Private Limited  
Risk Management Team**