



FAIR INTERMEDIATE INVESTMENT PVT LTD

RISK MANAGEMENT POLICY

BACKGROUND:

A Risk Management System is integral to an efficient Risk system. We have put in place a comprehensive risk management system, which is constantly upgraded as per the Exchange, SEBI & PMLA norm and also as per Market Movement.

The Model of RMS in FIPL consists of FIPL Owned Branches & Authorised Person.

All the staff, Branches, Branch Manager, and Authorised Person needs to understand and follow the policy as it is the integral part of company.

RMS Function includes:

- To check capital adequacy for exposure and requirements of the client.
- Monitoring of Clients Order, Patterns of Trade, Order rejections, increasing of Exposure / Limits.
- Monitoring MTM profit/loss incurred out of trades.
- Benchmarking Margin v/s Exposure of client.
- Decision taking with regard to squaring off positions on account of MTM loss or
- Margin shortfalls or any other reasons that may come across.

Risk management in relation to all the trading activities for Clients is handled by RMS & Surveillance Department.

Trading Member Operations:

We have a client level risk management system wherein the margins/collaterals of all the clients are uploaded to the front office software of the Company. The clients are allotted exposure based on the margin/collaterals available with us.

VaR / Initial margin is collected upfront from all the clients. Margins are collected either by cheques and other banking instruments through mapped bank accounts of the client/TM, by securities (Either Approved or Unapproved Securities by the exchange) and other eligible instruments prescribed by SEBI/Exchange other than illiquid securities prescribed by the exchange time to time. Different forms of margin/collaterals which may be collected are Funds (in running account and/or as fixed margin), Securities (Approved/unapproved), Mutual Fund Units, Government Securities / T-Bills, Bank Guarantee, Fixed Deposits etc. The collaterals given by the clients towards margin are accepted only after haircut called "VaR" which is never less than that fixed by the Exchange. An extra VaR (FIPL VaR) may be applied for haircut on collaterals to give extra cushion against volatility and exposure is allowed accordingly. FIPL VaR is calculated taking into consideration many factors such impact cost, VaR by Exchange(s), Market Capitalization, turnover etc.

The clients are allowed to execute transactions and the VaR / Initial margin is blocked based on the exposure availed by the client. In the Capital Market segment the clients are required to pay the balance amount within the stipulated time and regular follow-ups are ensured for recovery of debit balances. Further in addition to above as per SEBI circular no. CIR/HO/MRDSD/DOP/CIR/P/2019/75 dated June 20, 2019 related to Handling of Clients' Securities by Trading Members/Clearing Members, following important changes included w.e.f October 01, 2019:

In case of clear credit balance in client trading account (for Cash Segment), securities purchased by client will be transferred to client's demat account within one working day of the pay-out.

With regard to securities that have not been paid for in full by client (unpaid securities), full/partial securities shall be transferred to a separate client account titled – "client unpaid securities account".

The securities kept in the 'client unpaid securities account' will be transferred to client demat account upon fulfillment of funds obligation within five trading days from the pay-out date otherwise the same will be disposed off in the market by FIPL. However, FIPL may at its sole discretion, transfer all or part of the securities from Pool/Client unpaid Securities account to client's demat account even there may be a debit balance in client account subject to availability of sufficient collaterals.

If client unpaid securities are disposed off by FIIPL in accordance to SEBI circular, then the client will not be able to purchase the same securities on the same day unless the debit is cleared in his trading account. In case of Margin shortage in F&O / CDS segment the clients are called upon/intimated to make the payments promptly. Failure in making payments automatically results in blocking the client from increasing the position or squaring off his position.

Surveillance:

Apart from monitoring the availability of margins and recovery of Debit balance we also identify the incidents which in our opinion, require to be scrutinized.

We keep check on the list of securities provided by exchange as illiquid. No business center is allowed to transact in these securities. Further, we identify the securities that are having very few transactions on regular basis in the market and categorize them also as illiquid securities. The approval to execute transactions in such securities is given on a case to case basis and we charge 100% margin on these.

At the end of the day we process the transactions through our offline surveillance system. We monitor the concentration of volume in various securities executed through us. In case where it is identified that we have concentrated more of the market volume in any security, the instance is scrutinized in detail.

We also examine the incidents of trades which are executed in less liquid securities to identify whether the same are used as a mechanism to execute transactions like circular trading, profit transfer incidents etc.

RMS works on the following concepts:

1. **Cash:** The clear balance available in the customer's ledger account in our books.
2. **Margin:** The underlying stake provided by the customer in the form of cash, FDR and/or stock to mitigate market (price) or settlement (auction) risk
3. **Limit & Exposure:**

Margin/Deposit based limits are assigned to the customers for trading purpose. Limits are set at 1x of Margin received from the client. Margins are blocked at scrip level on the position taken by the clients as below.

For Cash segment – As per scrip category

For Derivative segment – Initial (SPAN) + Gross Margin (as per exchanges). Deposit is calculated at customer level after netting off ledger balance in all Segments and Collaterals pledge with FIIPL (after haircut).

Additional Limits may be assigned on case to case basis post evaluation of the client profile which shall be solely at the discretion of RMS of FIIPL Ltd.

The limit for trading on pledge securities will be given to client on best effort basis only post confirmation of creation of pledge in favor of FIIPL.

FIIPL will not be responsible for any delay or non-receipt of link / OTP from depositors for creation of pledge or non-confirmation of pledge request by the client or due to technical or any other issue at depository as well as at FIIPL end.

Exposure: Client can take exposure based on Scrip margins.

Cash exposure: Ledger Debit or Stock value (whichever is lower) by paying upfront margin.

Category	Margin (%)	Exposure (Times)
Day Trading	As per exchange	5.0
Cash & Carry	As per exchange	4.0

Derivative Exposure: Client can take exposure in derivative segment by paying upfront margin. Exposure depends on Span Margin & Gross Margin.

Margins: Margins are collected upfront from the client before the actual trade.

Type of Margins:

Cash Component

Non-Cash Component

Cash Component:

Ledger Credit Fixed Deposits

Bank guarantee

Non-Cash Component:

Listed securities (after Haircut) in pledge form

Approved Mutual Funds (after Haircut)

Or any other securities accepted by the Stock Exchanges from time to time

Margins are blocked in each segment as tabulated below:

Segment	Margin %	Remarks
NSE/BSE Equity	Scrip wise fixed margin	As per scrip category
NSE Derivative	Span + Gross + Additional (if any)	As per Exchange / FIIPL
Currency Derivatives	Span + Gross + Additional (if any)	As per Exchange / FIIPL

- Margin Required = Margin on Equity & Derivative Positions
- Margin Available = Margin received from client in form of cash & non cash components
- Margin calls will be made to client in case of any margin shortfall
- **Margin Shortfall = Margin Required – Margin Available**

Derivatives Margin Reporting

Derivative Margin reporting is a report, whereby, we update clients margin lying with us against margin required on his derivative open positions to respective exchanges.

The reporting is done on daily basis to the exchange. Currently reporting is mandatory for Cash segment, Equity Derivative, Currency Derivative segment. Margin would also be collected from clients based on peak margin requirement for shortfall if any, as applicable from December 01, 2020 or thereafter from time to time as prescribed by the Regulator.

Liquidation:

Based on the risk, every client account shall be evaluated to ensure that, sufficient margin is available at all the times as per the Margins defined in FIIPL Collateral policy.

In case of Margin shortfall, following actions are initiated by Risk Team: Making margin calls, and requiring clients to provide additional margins. Liquidating clients position or collaterals to the extent of shortfall obligations.

- FIIPL may follow the Company Policy for liquidation of securities but it may not be binding on it to follow this method in all cases.

Risk square off process

- a) Auto liquidation of client positions or collateral will be carried by RISK department in case client margin Shortfall exceeds 50%,

FIIPL reserves the right to close/liquidate the open positions / sell securities to the extent of ledger debit and /or to the extent of margin obligations if clients does not clear margin shortfall within stipulated time.

Selection of position to be liquidated will be as per best possible combination, which would cover maximum margin shortfall.

Liquidation would be done by RMS in the following sequence:

1. Derivative position
2. Stock lying in client Demat (with POA)
3. Stock Pledged with FIIPL
4. Stock lying in Unpaid securities

The above mentioned liquidation will be on a best-effort basis and will be solely at discretion of FIIPL RMS.

Ageing Debit Square off:

- As per SEBI guidelines, clients account cannot be funded by broker.
- Only grace period of 5 working days from settlement day is given to the client to clear the dues. It is client's obligation to clear his/her outstanding dues by T+2 (T indicates Trading day). The client shall ensure that sufficient funds / securities are kept with FIIPL to meet exchange obligations.
- FIIPL reserves the right to close / liquidate the open 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 T+7 days for the ledger debit which is more than T+6 days on ageing basis. No further exposure is to be given clients having debit beyond 5 days.
- Further, as per SEBI circular on handling of clients' securities, in case of Debit balance (at consolidated level) in client ledger account, FIIPL reserves rights to transfer securities to Client unpaid securities Account (CUSA) from pool account. In case of non-payment, FIIPL reserves the right to sell securities from CUSA. Further, FIIPL also reserves the right to transfer unpaid Securities to client account directly from the pool / CUSA account. In case the client is providing collateral in the form of approved securities as margin, a margin pledge shall be initiated by the client in favour of FIIPL through physical or electronic instruction mechanism provided by the Depositories.
- In case of non-payment of purchased securities or towards margin obligation of client, where the client has given Power of Attorney in favour of FIIPL, the margin pledge shall be initiated by FIIPL on behalf of the client. The margin pledge will be initiated as per the process defined by the Depositories/ SEBI / Exchanges.

The client will receive a link on registered Email id / Mobile number mapped with CDSL depository for confirmation of pledge in favour of FIIPL. Client will have to enter an OTP received on Email id and /or Mobilenumbr within the prescribed timeline to confirm pledge in favour of FIIPL.

FIIPL reserves the right to re-pledge the securities to the Clearing Corporations/Clearing Member. In case the client defaults FIIPL and/or the Clearing Corporations/Clearing Member shall be entitled to invoke securities pledged by the client.

FIIPL reserves right to sell the collaterals pledge by the client towards margins and/or paid securities purchased by the client in earlier settlements where the sale proceeds of unpaid securities are inadequate to cover the pay-in obligations and/where the unpaid securities appear to be comparatively illiquid and cannot be sold at reasonable rates to the extent required.

Intimation:

On best effort basis, clients will be notified of their trades/Risk-square off in case of margin shortfall through SMS & E-mail.

4. **Stock qualifying for margin in Equity/Derivative/Currency segment transactions:** Securities in the approved list of FIIPL.

NATURE OF CUSTOMER TRANSACTIONS

Intraday - Cash segment: The amounts of purchase (or sale) in a scrip on any trading day that is reversed by the end of the day by making a contra sale (or purchase) of the exact same quantity, thereby nullifying the original position.

Delivery Trades: The net purchase or sale of a scrip in a client account that is settled by way of a delivery on T+2 (or as per settlement schedule). Delivery in respect of sale transactions in the cash segment has to be settled by the client by tendering securities in demat form before the pay-in deadline. Else the client faces the risk of auction.

Sell against Buying: A purchase order executed on the Exchange today and the (undelivered) purchased stock sold in its entirety on the next trading day. In this case the first transaction would be settled on T+2 while the sale would be settled on the third business day after the purchase transaction.

Note – FIIPL will not be responsible for any Short payout of security from Clearing Corporation.

Temporarily suspending or closing a client's account at the client's request:

On the request of the client in writing, the client account can be suspended temporarily and same can be activated on the written request of the client only. During the period client account is suspended, the market transaction in the client account will be prohibited. However client shares/ledger balance settlement can take place.

On the request of the client in writing, the client account can be closed provided the client account is settled. If the client wants to reopen the account in the case client has to again complete the KYC requirement.

Deregistering a client: Notwithstanding anything to the contrary stated in the agreement, the stock broker shall be entitled to terminate the agreement with immediate effect in any of the following circumstances:

- If the action of the client are prima facie illegal/improper or such as to manipulate the prices of any securities or disturb the normal/proper functioning of securities or disturb the normal/proper functioning of the marketing, either alone or in conjunction with others.
- If there is any commencement of a legal process against the client under any law in force;
- On the death/lunacy or other disability of the Client;
- If the client being a partnership firm, has any steps taken by the Client and/or its partners for dissolution of the partnership;
- If the Client suffers any adverse material change in his/her/its financial position or default in any other agreement with the Stock broker;
- If there is reasonable apprehension that the Client unable to pay its debts or the Client has admitted its inability to pay its debts, as they become payable;
- If the Client is in breach of any term, condition or covenant of this Agreement;
- If the Client has made any material misrepresentation of facts, including (without limitation) in relation to the Security
- If a receiver, administrator or liquidator has been appointed or allowed to be appointed of all or any part of the

undertaking of the Client:

- If the Client have taken or suffered to be taken any action for its reorganization, liquidation or dissolution;
- If the Client has voluntarily or compulsorily become the subject of proceedings under any bankruptcy or insolvency law or being a company, goes into liquidation or has a receiver appointed in respect of its assets or refers itself to the Board for Industrial and Financial Reconstruction or under any other law providing protection as a relief undertaking;
- If any covenant or warranty of the Client is incorrect or untrue in any material respect

Inactive Client Account: - Client account will be considered as inactive if the client does not trade for period of one year. Calculation will be done at the beginning of every month and those clients who have not traded even a single time will be considered as inactive, the shares/credit ledger balance if any will be transferred to the client within one week of the identifying the client as inactive. The client has to make written request for reactivation of their account.

Trading in Exchange is in Electronic Mode, based on VSAT, leased line, ISDN, Modern and VPN, combination of the technologies and computer systems to place and route orders. I/We understand that there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt or any break down in our back office/front end system, or any such other problems/glitch whereby not being able to establish access to the trading system/network, which may be beyond your control and may result in delay in processing or not processing buy or sell Orders either in part or in full. I/We shall be fully liable and responsible for any such problem/fault.

Client Acceptance of Policies and Procedures stated here in above: I/We have fully understood the same and do hereby sign the same and agree not to call into question the validity, enforceability and applicability of any provision/clauses this documents any circumstances what so ever. These Policies and Procedures may be amended/changed unilaterally by the broker, provided the change is informed to me/us with through any one or more means or methods, I/we agree never to challenge the same on any grounds including delayed receipt/non receipt or any other reasons whatsoever.

These Policies and Procedures shall always be read along with the agreement and shall be compulsorily referred to while deciding any dispute/difference or claim between me/us and stock broker before any court of law/judicial/adjudicating authority including arbitrator/mediator