GILL BROKING

Trade With Pride Earn With Joy

RISK MANAGEMENT SYSTEM POLICY

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1. Definitions: in this Policy, unless the context requires otherwise,

RMS: RMS means Risk Management system. Risk management is to manage risk of company and clients from volatility of capital market/Currency/Commodity Market.

Adjusted Ledger Balance: Adjusted Ledger balance means clear balance in client's ledger account in company books. For example, proceeds of shares sold but not delivered will be reversed if credited in the ledger and debited Var Margin will be ignored.

All Exchange margin means those Scrip/Contracts which are approved for this purpose by the Exchange given by the Client to the Company. These are transferred by clients to the Company and may further be pledged by the Company to the Exchange towards the Company's margin obligations for the client.

Exposure of client: Exposure of Client means a client's obligation arising out of (i) Buy and Sale entered into on behalf of the client in cash segment which are yet to be settled and (ii) open position in F O segment.

Total Deposit: Total Deposit means aggregate of ledger balance, value of stock after hair cut in on behalf, value of stock after hair cut in margin and cash margin, if any, received from the client.

2. Transaction offered to clients:

Intraday trades: Intraday transactions are, sale & Purchase in any scrip which are reversed by contra transaction of Purchase- Sale in the same scrip and in the same quantity, so that net quantity carried is NIL on a particular trading day.

3. Risk Management:

We are having margin based Risk management system, In which total deposit of client is uploaded in system. Now client can take exposure in any scrip(s) and his deposit will be utilized (based on Gill Broking Var margin) on the particular scrip(s).

In this margin based risk management system, client has to make payment before the time fixed by the Exchange for Pay-In. Otherwise he will be liable for consequences of square off.

Example: A client intends to trade and Ledger balance Credit Rs. 50000 and he wants to buy all Scrip/Contracts on which Gill Broking Will square off his position at 70% plus applicable charges and taxes.

In case if there is a MTM call or shortage after the purchase of such XYZ Scrip/Contracts then he has to make payment of the remaining amount depending of MTM plus applicable Span margin before T+2 Days.

In case if MTM loss is 20% of the available margin in carry forward position, Gill Broking Private Limited has the right to square off his position.

Further if the client decides to buy ABC Scrip/Contracts on which Gill Broking will square off his intraday and as well as carry forward position and vice versa. On the MTM loss of 70% plus applicable charges and taxes.

Since the volatile nature of all exchanges, square off can take place above 70 % also in that case Client will be legally responsible for any debit due to Gill Broking Private Limited. Gill Broking has the right to square off any trade if client fails to provide additional margin on MTM loss or Span margin plus special margin. It is the responsibility of the client to maintain additional MTM margin and Span margin from time to time as Gill Broking will square off the client trades partially or whole depending on the risk of client.

OBJECTIVE: In Stock market risk management is one of the most important aspects to avoid any future financial crisis; it becomes important to manage risks effectively as it not only affects the organization but it also affects their clients. This can be achieved by placing robust system in place and implementation of the same. Especially in the derivatives market, the amount of margin is small relative to the value of the derivatives contract so the transactions are 'leveraged' or 'geared'. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the margin amount. But transactions in derivatives carry a high degree of risk. You should therefore completely understand the following statements before actually trading in derivatives and also trade with caution while taking into account one's circumstances, financial resources, etc. If the prices move against you, you may lose a part of or whole margin amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount. You must know and appreciate that trading in Equity shares, derivatives contracts or other instruments traded on the Stock Exchange, which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance.

You should therefore carefully consider whether such trading is suitable for you in the light of your financial condition. You should well verse yourself first about the systems, pay ins & pay outs of funds and securities, order types (intraday, carry forward and delivery trades) and other applicable rules and regulations. The client shall be solely responsible for the consequences and no contract can be rescinded on that account. You must acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a derivative contract being traded on Stock exchanges.

ROLES & 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.

EXPOSURE / LIMIT SETTING: Daily limits will be set and updated in RMS software on the basis of available balance / collateral.

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 Eg 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) If you fail to deposit the additional amount by the deadline or if an outstanding debt occurs in your account, **Gill Broking** 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. **Gill Broking** margin calculator available on the website is only indicative and for educational purposes, such calculator is in no way substitute to the actual margins required for initiating a position(s).

RISK AND COLLATERAL MANAGEMENT: Gill Broking 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 70% of the client’s total deposits, **Gill Broking** 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 70% of the deposit amount is wiped out, (i.e. 20 *70/100= 14) **Gill Broking** 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 **Gill Broking** 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 70% 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 **Gill Broking** RMS team will square off if losses exceed 70% of the deposits at any given time. Such losses shall be of the client and **Gill Broking** 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 stocks. **Gill Broking** shall endeavor to close out the position once 70% losses of the deposits are triggered but, **Gill Broking** in no way, guarantees that the losses will be squared off at such percentage, in reality, it can be more or less. (Eg. Continuing from the above example if the price of derivative contract moves quickly by 20% without giving an opportunity to **Gill Broking** RMS team to square off at Rs 14 i.e. at 70% 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 Scripts shall be done periodically by RMS Team. **Gill Broking** shall from time to time classify a list of securities which are illiquid as per the list of illiquid Scripts notified on a periodic basis by the Stock Exchanges concerned and / or based on such internal criteria as **Gill Broking** may deem fit. **Gill Broking** reserves the right to refuse execution of any transaction requests of the Client on such illiquid scripts or to reduce the open market interests of the Client in such securities. **Gill Broking** 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 **Gill Broking** from time to time. Trading in Illiquid Scrip may be restricted as per management directives. RMS Team will closely monitor such type of transactions. In F&O segment no new position will be permitted in Ban Period scripts. Penalties if any due to such transactions if initiated by the client shall be borne by the client solely.

ONLINE PAYMENT: Gill Broking 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 **Gill Broking** has no control over banks or payment gateways. Delays if any in receiving payments by **Gill Broking** and thereby causing a consequential loss to the client either due to **Gill Broking** RMS auto square off policy or otherwise shall be sole responsibility of the client, **Gill Broking** in no way shall be held responsible for the delay of any third party payment systems. **Gill Broking** shall not process payouts on bank holidays although exchanges may remain open for trading. All ledger debits are liable for payment of interests to **Gill Broking** in addition to any penalties that are levied by the exchanges.

GILLBROKING RIGHT TO SQUARE OFF: Without prejudice to **Gill Broking** 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, **Gill Broking** 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 **Gill Broking** 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 balance 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. **Gill Broking** may also sell off all or any securities of the Client lying with **Gill Broking** 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 **Gill Broking**. 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 **Gill Broking** 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 **Gill Broking**. 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 **Gill Broking.**

POWER OF ATTORNEY: Clients who have opened their trading accounts online are expected to send the POA in hard copy for demat account within 20 days to **Gill Broking** office otherwise **Gill Broking** shall at its discretion stop OTP facility for selling the shares on delivery basis and the client in that case will have to then manually (or courier) come to **Gill Broking** office to deposit DIS (delivery instruction slip)

DORMANT CLIENTS RMS: Team will update the dormant client list (inactive from more than 6 months) & restrict their trading rights. Activation of such clients will be done as per Dormant Client policy.

Detailed Explanation about Margin Policies and Limits

Broadly, the entire risk management policy is designed for 2 types of trading patterns and segments
Equities
Derivatives –
Futures Derivatives
– Options

1. For Intra-day Trades

Intraday trades can trade using 2 product types

i. MIS – (Margin Intraday Square-off)

In this MIS product type, additional leverage is available for intraday trades since there is lower risk to positions especially since positions are not carried forward and therefore there is no overnight market risk. Clients will be required to choose MIS as a product type while placing their orders in the **Gill Broking** Trader. By selecting MIS as a product type, leverage from 3x will be available depending on the liquidity of the stock.

However, one thing to remember is that all orders in the MIS product type should be compulsorily squared off before 3.08 pm failing to do which will require the **Gill Broking** RMS to square-off positions at 3.10 pm.

ii. CO – (Cover Orders)

For traders requiring even more intraday leverage than provided by the MIS product, a unique feature available with the **Gill Broking** Trader is Cover Orders. When you select the Cover Orders as a product, you will be compulsorily required to enter a stop loss for your trade. In simple terms, a cover order is an order with a stop loss. This enables us to calculate the maximum risk to your positions and accordingly charge lower margins for intraday trades. More often than not, the margin levied in cover orders shall be [(Trade Price – Stop Loss Price) * Quantity]. A point to remember is that these orders too will be required to be squared up before 3.10 pm failing which they will be squared up by the **Gill Broking** RMS Team.

The stipulated cut-off time for the different exchange segments are as follows:
Equity Cash (NSE) – 3.10 pm
Equity Derivatives (NSE-F&O) – 3.10
pm Currency Derivatives (NSE-CDS) –
4.40 pm
Commodity Derivatives (MCX) – 30 Minutes prior to market close
We hope this Section clearly solves all your questions on Gill Broking RMS policies. In case you still have any questions, you can call us at +91 – 011 – 40345555.