

# RMS Policy

## 1. Introduction

Adwealth Commodities & Derivatives Pvt. Ltd. is a member of the National Stock Exchange, Bombay Stock Exchange, MCX, NCDEX, MSEI and ICEX in the Equity, Equity Derivative Segment, Currency Derivative Segment and commodity segment having its registered office at “Diamond Heritage”, 16 Stand Road, 5<sup>th</sup> floor, Suit No. 507, Kolkata-700001.

For the purpose of this policy and procedure, wherever the context so mentions "Client", it shall mean any natural person or legal person who has agreed to open an account or initiated the process of opening an account with us by providing their information.

RMS stands for Risk Management System – To manage the risk of the company from the volatility of the market. Risk is inherent in all aspects of a commercial operation, however for a stock broker; risk is an essential factor that needs to be managed. Risk emerges from the ground that the client in spite of execution of trades/ due to market volatility, has failed to make payment of required margin / outstanding dues/ replenishment of collateral as stock on time.

## 2. Definitions & RMS Concepts

**Active Clients:** Includes those clients who are trading regularly / frequently with no trading gap for more than 12 (Twelve) months along with those who have opened their trading account within the given period.

**Inactive Clients:** Those clients with no trade for a consecutive period of 12 (Twelve) months shall be treated as inactive and are required to submit fresh documentation; due diligence and In Person Verification i.e. reactivation procedure for initiating further trades.

**Available Fund:** The clear credit balance available in the client's ledger as per our books.

**Available Margin:** Positive summation of Ledger balance + Margin pledge benefit + CUSA Stock

**How do we pledge stock for margin benefit?** Login to the mobile / web back office software of Adwealth i.e. “Sharepro” and click on STOCK MOVEMENT option to pledge the available free stock lying in the Demat Account maintained with us.

On the stock movement page, the available free stocks that can be pledged are visible. Client must confirm the quantity and click on submit button.

Once submitted, the Client will receive a link from the respective depository viz. CDSL/NSDL on the registered SMS and EMAIL ID.

Client must click on the link and select the stocks to confirm for pledge and generate OTP. On submission of the OTP, the stocks will be marked as pledged stock in BackOffice, and the margin benefit will be given immediately for trading.

**What is CUSA Stock?** As per the SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, every broker is required to transfer the client's securities received in pay-out (T+2) to client's Demat account within one working day.

In case the client does not pay for such securities received in pay-out, then Adwealth shall be entitled to retain those securities up to five trading days after pay-out in "CLIENT UNPAID SECURITIES ACCOUNT (CUSA)". Further, where the client fails to meet its funds pay-in obligation within five trading days from payout day, Adwealth shall liquidate the securities in the market to recover its dues. The unpaid stock lying with Adwealth in the above account is termed as CUSA stock.

Setting up Client Exposure Limit: The limit shall be provided as per the availability of the margin. In case of cheque, the limit shall only be given upon clearance only.

### **3. Categorization Of Client Orders**

For operational ease, all orders have been categorized into 6 (Six) different categories enabling clients to avail diversified exposure. For availing such benefit, the respective client must be precise with the given category while executing trade through a dealer. The categories are enumerated below:-

**MARGIN** – Normal Order - wherein a client is eligible to trade upon adequacy of applicable margin (EOD and Peak). Any stock bought under “Margin” must be paid on or before 11 A.M. on T+7th day either by transferring funds or by selling shares else RMS will square it off by 01:00 P.M.

Exclusion :- Clients will not be allowed to do short sell in MARGIN option.

**CNC** – Delivery stocks marked as CNC - This order type is used to sell delivery marked stock to avoid the usage of available margin. In addition, the client needs to use this option to buy/sell X/M/T/Z/BE/GSM/ASM series stocks as per the available fund. Holding/pledged margin stock (not MTF) to be sold marked as CNC only.

**INTRADAY** – Applicable for clients intends to do intraday trades only. Limit will be provided as per margin availability of the client. In case the outstanding positions are not square up by the client, the "intraday" trades will automatically square off by RMS at 3.20 P.M. Moreover, system will automatically liquidate the positions in case the MTM triggers to 80% of the available Margin at any point of time.

Short sell is allowed in this product type for eligible stock groups.

**MTF** - This means “Margin Trading Facility” and can be used by the client to avail funding from the broker. Client will get limit on the available margin and as per stock wise margin requirement.\*\*\* MTF can be availed only on specified securities i.e. Category I shares as envisaged by SEBI. MTF funding on single stock is not propagated i.e. clients are required to have at least 3- 5 stock (category 1) in his basket.

**CO - Cover Order** - This order comes with “stop loss” and hence named as such. As the name suggests, keeping stop loss is mandatory for execution of trades under this category. For the comfort of the client, stop loss range can be viewed and fixed at his end. Under this product, limits would be granted upon the availability of the Margin as applicable on the scrip to be traded. Short sell is allowed in this product type only for eligible stocks.

All positions taken under “Cover Order” will be squared off at 3:20 pm by RMS if stop loss is not achieved or squared up by the client.

**BO – Bracket order** – applicable for intraday trades only - In this type of product, orders can be placed with “Target” and “Stop Loss” simultaneously. Upon execution of Initial order, system will auto generate two orders i.e. “Stop Loss” & “Target” simultaneously. Likewise, upon execution of any of those pending orders i.e. “Stop Loss” or “Target”, the other pending order will be auto cancelled. Hence the option of ascertainment of target along minimization of probable loss is the striking feature of this product. Short sell is allowed in this product type for only eligible stock groups.

Positions taken through Bracket orders cannot be converted and carried forward. The RMS team will square off all pending positions taken through Bracket Orders by 3:20 PM.

#### **4. T+7 Policy & Process**

Kindly refer to SEBI circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated 20.06.20219 - Accordingly, below mentioned is the process we follow for the T+7 debit codes:

##### **STEP 1 :-**

On T+5th day (beginning of trades) running debit will be intimated to client via email. Similarly, by EOD another intimation of the running debit will be given to clients. Running debit for the aforesaid purpose means running debit beginning from debit of “T” day.

##### **STEP 2 :-**

Trading code will be blocked for further trading (except sale of existing positions) on T+6th day till the clearance of running debit balance. Similarly, by EOD another intimation of the running debit will be given to clients.

##### **STEP**

**3**

**:-**

Trading code will continue to be blocked for further trading (except sell of existing positions) on T+7th day till the clearance of running debit balance. Additional option towards clearance of debit balance (through sell/payment) will be given till 11 am; else the position/shares will get liquidated by RMS team by 2 pm to the extent of the debit balance in the ledger.

**Note** - In case of sell on T+2+5 stock lying in CUSA a/c resulting credit in the client ledger, the same shall be eligible for further exposure to the extent of 80% of the excess sell/credit provided EPI has been done, excluding the scrip wherein the sell has taken place.

## **5. MTF Policy**

**MTF** - This means Margin Trading Facility and can be used by the client to avail funding from the broker. Client will get limit on the available margin and as per stock wise margin requirement. MTF is not available on all stocks, could be availed only on specified list of securities (Category 1 Shares only) as envisaged by SEBI. Client must have at least 3- 5 stock (category 1) in his basket, MTF funding on single stock is not propagated.

**Line of Caution** - If the client fails to maintain the requisite margin for consecutive T+4 days in sync with duly executed MTF rights and obligation, on T+5th day, RMS will dispose of the funded shares at 12.30 P.M to the extent of Margin Shortfall. The discretion to sell the shares i.e scrip and quantity rests with the RMS team. Stocks sold as above shall be compulsorily marked as MTF only.

**OTP Confirmation for Pledge of MTF stocks:** In case of MTF Trades, Client will be sent a link for Advance Pledge Confirmation for the trades done in MTF product same day in the evening. Validity of the link will be T+1. In this case, client must compulsorily confirm the MTF pledge request or else the shares bought under MTF product will move to CUSA account and will be liquidated on T+3 day upon non-payment of the debit balance if any. This process will be followed on daily basis.

## **6. Our take on Client Demat Holding**

DP Stock means the stocks that are lying in the respective Client Demat Account maintained with us. No limit shall be given unless the same are marked as “Margin Pledge”.

## **7. Inactive/Dormant Account Policy**

If the client trading code is marked as Inactive/Dormant for non execution of any trades irrespective of Exchange and Segment in preceding one year, the client code can be activated for trading only after obtaining requisite application and updated information related to KYC along with the proper conduct of IPV (In-Person Verification) as mandated by the exchanges.

For operational ease and with a view to promote the usage of technology, Client can submit Online reactivation request by completing the IPV along with the submission of requisite details using the REKYC option available on our website by using link: <https://115.240.2.217:9090/OnBoarding/> or using the [Adwealth Mobile App](#).

## **8. Limit & Square Up Policy**

**Cash Segment** - Limit will be provided on the available margin and on the applicable margin (VAR+ELM) of the respective stock. Upfront margin is required for all types of trades.

- Exposure would be granted only on cleared funds. In case of receipt of cheque, limit would be granted only upon clearance.
- No limit will be provided on the shares lying in the respective client DP a/c and also on trade to trades stock.
- No limit will be provided on shortage of margin.
- No further exposure/ limit will be given if overall margin is below 30%. I.e., no fresh buying will be allowed
- No fresh buying limit shall be given on the same day upon the sell of shares lying in the respective Client Demat holding. Limit shall be provided only on next working day.

**Derivative Segment (F&O, Currency and Commodity) – 100% of the total applicable margin will be required as upfront margin including intraday trades.**

- No limit will be given in case of shortfall of margin.
- At any point of time if the MTM on the open position exceeds 80% of the available margin, then the open position will get liquidated by the system automatically.
- Any Intraday FO position will be auto square off at 3.20 pm by the system.
- Any intraday Currency Position will be auto square off at 4.45 pm by the system.
- Any intraday Commodity Position will be auto square off at 11.15 pm by the system.
- M2M credit benefit will be provided for next day trades only.
- In case of liquidation of the long open call/put option, the limit will be given for the proceeds on the next day.
- No limit in case of 100% pledged share as collateral, there has to have cash margin available with us.

## **9. Additional Points To Note**

- As per company's RMS policy, we maintain global margining reporting to the exchanges. Computation of any surplus/shortfall in the margin rests on the same.
- We would be considering the running debit (all segments & other charges) rather than the settlement debit for blocking further trades on T+6 & T+7.
- It is always advisable to make immediate payment on receipt of due intimation of T+2+5 debit or any margin shortfall sent on the registered mobile no and email id of the client. In case of any dues pending, irrespective of the segment for T+2+5, the given code would be blocked for further exposure. Further delayed payment charges to the maximum of 24% p.a. would be charged from T+2 till the recovery of dues.
- Risk is an inherit part of Market. In case of extreme market turmoil, RMS will have an absolute discretion to deal with the situation in the interest of the Market at large.
- No further exposure or limit will be given if overall margin is below 30%. I.e., no fresh buying will be allowed.
- The client can only sell X, T and Z category of shares in CNC mode only provided the same is available in his DP under POA provided to us.
- No short sell shall be allowed for new listing.
- In F&O, Currency and Commodity- Collaterals are required to be maintained strictly in equal proportion i.e. 50:50 (Cash : Securities). Not applicable where in only cash collateral is provided.

- DPC / Interest will be levied from date of settlement i.e. T+2 in cash segment and T+1 in derivative, till the recovery of the same.