

RMS Policy and Procedure

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Sign off

Sr. No.	Name	Designation	Sign	Email Sign off
1	Mr. Arun Sheth	Chairman		
2	Mr. Dhiren Sheth	V.chairman & Non-Executive Director		
3	Mrs. Amisha Vora	Chairperson & MD		
4	Mr. Dilip Bhat	Jt. MD		

Policy Delivered to Vertical Head

Sr. No.	Names of the Vertical Head	Date Delivered
1	Mr. Sandip Raichura	
2		
3		

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1. Introduction

The primary purpose of this policy is to address credit risk; however, during the process of credit risk monitoring and surveillance, we also come across and mitigate Reputational, Liquidity and other operational risks. These are typical to broking industry and are being managed by Risk department across the industry.

Purpose & Scope

These Risk Policies embody the core principles for identifying, measuring, approving and managing credit risk in the organisation.

These policies are established by the Risk Department and are designed to meet the organisational requirements, as they exist today to provide flexibility for the future. They represent the minimum standards in the organisation and are not a substitute for experience and good judgment.

Interpretation

These policies must be implemented in a conservative manner, in accordance with their underlying purpose and spirit. In the event a clarification or interpretation is required, consultation must first be sought from Risk department. Such consultations are an important source of feedback on issues and aspects of these policies that may need adjustment in order to meet the needs of a changing business environment while maintaining a balance between risk taking and flexibility

Limitations of the document

The document is intended to be used only as an aid and is made after considering the current activities of the PLPL Risk Management Department.

Modification of the document

Any deviation, modification to this document will require the same to be duly checked and authorised by the Board.

The absence of policy statement does not, by itself, imply that an action is either permitted or forbidden, neither is policy established by precedence.

2. Policy and Process

Normal activation process of client code

1. On allotment of client code and after approval from the exchanges, UCC is created on front office Application ODIN through API on real time.
2. Client code is then mapped in the respective Branch/ AP CTCL / dealer IDs.
3. Prior approval from compliance is required for mapping the same client in more than one location.
4. Limits and general preferences for trading are cross checked by RMS.

Reactivation of client code process

1. Only suspended codes (Dormant) can be reactivated. (All the codes get suspended if there is no trading activity for more than 12 months). This is done auto through API, bulk upload of file on real time.
2. On receipt of a reactivation form from the branch/AP, CAT check the required details and update the status of UCC at Exchange and updated the same in database, clients get activated at EOD through file upload via API
3. Upon confirmation from the CAT team, Manual Reactivation is done in Trading Platform in Exceptional cases where client want to trade immediately.
4. Password is sent to the client's email ID (online clients)

Creation /Suspension of CTCL dealer ID

1. Request from branches given to the FTRMS department along with Branch name, Name of the person in whose name CTCL-ID will be allotted, PAN details, Branch address, E-Mail ID, Pin code and contact number. Approval by Regional/Branch Head is required.
2. If all the mandatory details are found appropriate, RMS may process further for creation of CTCL ID and uploads the information in the exchange.
3. After receiving confirmation from the exchange, RMS department creates CTCL
4. For suspension of CTCL IDs, a similar process is followed with subsequent intimation to Compliance.
5. Once the CTCL id is created the same is informed to trade process department for updation in back-office application.
6. Default order periodicity is set as Delivery in cash and Carry-Forward in Derivatives.

Limit to the new client

1. A limit will be given only on available margins upon clearance of Cheque or on confirmation of Stock pledging for margins.

Limit on Cheque in Transit

1. Client bank details are mapped in the back-office software.
2. All clients must issue cheques from the bank details mapped & updated with PLPL.
3. Ledger credit and Exposure for the client codes will be given only on receipt of funds in our PLPL bank accounts.
4. By default limit will not be given on uncleared instruments; it will be done on exceptional basis only on request received as per the Approval matrix.
5. RMS department will increase the exposure based on the cheque value which is mentioned in the approval mail as per the Approval Matrix.
6. To mitigate the risk
 - i. If the cheques are reversed 3 times, the client will be 'flagged' as risky and will be categorised as "unreliable branch/client".
 - ii. If the cheque is bounced/stop payment, the client will be 'flagged' as risky and will be categorised as "unreliable branch/client".
 - iii. If any client is categorised as "unreliable branch/client" then such client gets credit/exposure only on realisation of funds in future.
 - iv. No additional exposure will be given to such clients.
 - v. The client may be shifted to regular list, if 3 continuous cheques are realised subsequently and recommended by the business head.

Limit Calculation

For limits only PLPL approved stocks are to be considered with different haircuts based on stock category policy.

1. Margin Deposit = Ledger balance + approved stocks with haircut -150% of Short sell value
2. Haircut: it is specified as per STOCK Categorisation Policy (25%, 30%, 50% and 100%)
3. Short sell value = shares which were sold and not lying with us on T Day valued at LCP.

Limit will be calculated based on margin deposit available; Client will be having different limits based on his trading preference on our different products as well as stocks.

STOCK CATEGORY	PLPL HAIRCUT
A Group	25%
B Group	30%
C Group	50%
D Group	100%
E Group	100%

Illustration of deposit calculation:

- PLPL Approved Pledged Stock Gross Value = 1,00,000, value after haircut= 75,000
- Ledger = -25,000 (EQUITY, FAO, CDS)
- Short sell value= 10,000 150% of short sell = 15,000
- Deposit = 75,000 + (-25,000) - 15,000 = 35,000, in cash Delivery limit will be 35,000*4 times as per our STOCK categorisation Policy; In FAO/Currency it will be 35,000 Margin.

Stock holding Considered for Limits:

Particulars	Margin Benefit	Sell Allowed	Credit For Sale	MTM Benefit	CFS Haircut %
DP-POA Unpledged	NO	YES	YES	NO	20% Haircut
BTST (T-1 Holding)	YES	YES	YES	YES	25% Haircut
Pledged	YES	YES	YES	YES	20% + Exchange Margin
CUSA	YES	YES	YES	YES	20% + Exchange Margin
T-2 Holding	YES	YES	YES	YES	20% + Exchange Margin

1. Limits will be given to clients based only on upfront margins
2. Additional limits will be given based on confirmation on collection of funds (by Cheque / Transfer details) and /or on confirmation of pledge of shares by CDSL
3. Limit calculation will be as follows,
 - a. Collateral Haircut will be as per Exchange Haircut
 - b. Pledged stocks, CUSA holding, Unsettled Purchase and Ledger balances are considered for margins
 - c. In Options, carry forward options Credit For Sale (CFS) is available only for Carry forward option Log position, benefit of Options CFS is not allowed in any other product or segment.
 - d. Booked Profits for the day will not be allowed to take fresh positions in Carryforward product
4. BTST is allowed only for clients who have sufficient margins to sell. (25% flat Haircut on holding)

Intraday Time based Auto square off:

- In cash segment, orders placed in Margin periodicity will be for Intraday
- In Derivatives Segment, Orders placed in Intraday periodicity will be for intraday

Timer Based auto square off will be enabled for all clients for the order periodicity (Margin & Intraday) and the same will be squared off as per the timings defined.

NOTE: If client wants to take delivery then order should be placed in DELIVERY / CARRY-FORWARD periodicity

Intraday, Delivery scrip Restrictions

1. Please refer to our Stock Category Policy.

Illiquid, T group, ASM, GSM & Penny stock restrictions

ASM, GSM and Z group stocks are restricted for delivery buying from branch end. If any buy order is to be placed in such stocks, then the branch need to call RMS. RMS will place orders when there is a clear balance in clients a/c or against online fund transfer. There will be no restriction on selling actual stock which is lying in the client's portfolio with PL.

Illiquid, T and Penny stocks are allowed only on Clear funds available with clients on 1:1 basis.

Trading in illiquid Futures and Options Contracts

- Index and Stock Futures & Options trading will not be allowed in far month (3rd month) contracts (Excluding Nifty and Bank Nifty).
- No fresh positions (Carry-Forward or Intraday) will be allowed in banned securities
- Following options contracts will be available for trading
 - Current Month Index Options:
 - 20% ITM (In the Money) both CE and PE
 - 30% OTM (Out of Money) both CE and PE
 - Next Month Index Options:
 - 10% ITM both CE and PE
 - 20% OTM both CE and PE
 - Stock Options:
 - Current & Next month CE and PE Only
 - Far Month Stock Futures & options will be opened one week before Expiry of current month

Physical Delivery Trading in Current Month Expiry Stock Futures and Options Contracts

Process to be followed by branch/ PP/ clients on Expiry Day in stock derivatives;

1. On Expiry Day in Intraday, clients are allowed to trade in Current Month Stock Futures with Timer based square off but in Carry-Forward product clients can only square off existing positions in Current month Stock Futures and Options contracts.
2. Branch / PP/ Clients will have to square off the existing positions if they are not intending to take physical delivery of the stock.
3. RMS will not square off / Rollover the positions of the clients.

Approval Matrix

Role	Margin Without cheque	Limit on Cheque per client	Holding MTM Loss position
Relationship Manager	25,000	-	-
Branch Manager	1,00,000	5,00,000	-
Zonal head	5,00,000	25,00,000	-
National Head	10,00,000	5 cr cumulative, above 25 lakh and upto 1 cr	120% margin or 5 lakh whichever is less
MD / Director	Above 10,00,000	Above 1 cr	Above National head

For buying above 1 crore in stocks other than A, B, C Category Stocks, approval should be of minimum two directors.

Limit Enhancement Process. (Intraday- Cash & Derivatives)

Limit request is basically made either for Buy or Sell. Based on the holdings and available Ledger balance of clients

1. If a client is in margin call, they can get the exposure benefit for intraday only after the margin call is cleared either by depositing cheque or by reducing the excess margin.
2. Ledger credit balance with less than INR 25,000/-: no extra intraday limit
3. Spread position limits are managed by the software.
4. All exceptions must be approved by Manager– RMS, who in turn shall obtain the necessary approvals from their reporting officers.
5. Deposit and Commission credit of the franchisee/authorised person cannot be considered for providing exposure to their clients.

Sell from Outside DP:

On exceptional basis the stock lying with other Depository participant will be allowed to sell through PLPL on fulfillment of the below criteria:

- Client to have Cash / Non Cash margin to meet the Upfront margin requirement of 20% of Sale Value
- Recent DP statement
- Receipt of duly acknowledged Delivery Instruction Slip (DIs)

Invocation of Pledge:

Clients who have pledged shares from outside DP / Non-POA DP account for margin purpose and such clients are in debit for more than 30 days then to clear the debits such pledged shares will be Invoked by PL.

Note: Fresh trading will not be allowed if a client is in debit for more than 7 days.

Margin Call CASH

1. Any client above 75% of cash to stock ratio at EOD will not be given any fresh limit and such clients will be put in sell mode so that they can sell their stock and no fresh purchases will be allowed to such clients for next day.
2. The list of clients in margin call is sent to branches in the evening itself for the next day.
3. All clients in margin call below 85% and above 75% should be closed at branch/ AP end.
4. SMS intimation will be sent to clients w.r.t Margin call cash above 75% at EOD
5. The clients who are above 85% of margins will not be intimated to branch and the same will be liquidated between 10:00 and 10:30 am, status of fund transfer or collection of cheque should be received from branch end before 10:00am.
6. Total Debit balance of the client will be cleared by RMS where comfort margin is above 85%.

Note: If margin call is cleared by way of squaring up total position or by providing additional deposits within the day, RMS gives intraday exposure if requested by the branches.

Margin Call FAO and Currency

1. Clients who are in margin shortfall will not be given any fresh limit. Any shortfall should be made good by T+1 day by Squaring off the position or by providing additional funds, shortfall extending for 2 days will be compulsorily closed on T+2 days by RMS
2. Clients who are in Margin shortfall on T Day and are coming in MTM square off on T+1 day on their available margins, such client's positions will not be held based on uncleared cheque or cheque in hand. We request you to kindly inform the same to your clients to avoid any inconvenience. Any exception in this regard must be approved by the appropriate authority over mail.
3. The margin in front office will be enhanced real time based on clearance of the cheque/ upon receipt of fund transfer.

Cash Ageing Debits –Settlement / Debit + 4 Days (POA Clients)

On D+4 day overdue of the client, the code will be in square off mode for the day. However, as per new regulation, no further limits can be assigned in case of overdue above D+4 on any exchange. In a scenario where there is overdue on any exchanges then the client status remains in square off mode on all the exchanges.

1. No client should ever be in continuous debit for more than 3 days or else RMS will liquidate the stock as per FIFO basis to the extent of debit on D+4 day. The buying limit of such client's will be blocked on D+4.
Example: Client Purchased TCS for INR 1 lakh on 02 March 2020, on 03 March he has purchased Infosys for INR 50,000 and on 04 March client has purchased Reliance for INR 50,000 and has not paid the full settlement amount, upon completion of D+4 (09 March 2020) RMS will Sell TCS worth of INR 1 lakh to clear the Ageing debit of Stocks and Funds.
2. Details of clients with SB action and HO action are informed to Branch/ AP on daily basis.
3. SMS intimation will be sent to clients w.r.t debit above D+3 days at EOD
4. Branches and AP are requested to keep track of such clients and keep your clients informed of the same to avoid any inconvenience or dispute later.
5. Clients are supposed to transfer funds or reduce their positions before 12.00 pm on the day when they are in ageing debit for more than 4 days (D+4 day).

Example: With INR 1 lakh credit on 02 March 2020 (T Day) client has purchased A group stock worth INR 4 lakh, on 09 March 2020 (D+4 day) if client has not paid for the balance amount of INR 3 lakh, RMS will Liquidate the stock to clear the ageing debit.

Ageing Debits – Settlement / Debit + 2 Days (Non-POA Clients)

On D+2 day overdue of the client, the code will be in square off mode for the day. However as per new regulation no further limits can be assigned in case of overdue on any exchange. In a scenario where there is overdue on any exchanges then the client status remains in square off mode on all the exchanges.

1. No client should ever be in continuous debit for more than 2 days else RMS will liquidate the stock to the extent of debit on D+2 day. Buying limit of such client's will be blocked on D+2.
2. Details of clients with SB action and HO action are informed to Branch/ AP on daily basis.
3. SMS intimation will be sent to clients w.r.t debit above D+2 days at EOD
4. Branches and AP are requested to keep track of such clients and keep your clients informed of the same to avoid any inconvenience or dispute later.
5. Clients are supposed to transfer funds or reduce their positions before 12.00pm on the day when they are in ageing debit for more than 2 days (D+2 day).

Example: With INR 1 lakh credit on 02 March 2020 (T Day) client has purchased A group stock worth INR 4 lakh, on 05 March 2020 (D+2 day) if client has not paid for the balance amount of INR 3 lakh, RMS will Liquidate the stock to clear the ageing debit.

MTM Loss monitoring

1. All the branches are expected to monitor MTM loss of the clients on a continuous basis and square-off the positions if MTM loss reaches above 70% of the ledger balance.
2. The RMS department also monitors the MTM loss of all the clients on real time basis for all Intraday and Carry-forward positions in Cash, FAO & CDS. (Delivery based Cash transactions are monitored on EOD basis)
3. Clients who are in MTM loss of 50% and above will be intimated to branches on every 10% interval and will be closed from H.O RMS at 85%.
4. Clients who are enabled for high leveraged products (A,B,C) will have relevant MTM square off %.
5. In case any client touches 70% MTM loss of available balance and branch has neither updated further payment nor squared-off the position, RMS will square-off the position at 85%.
6. If the volatility in the market is high and INDIA VIX is above 25, RMS shall start squaring of the position when MTM loss crosses 80%.
7. RMS sends message confirmation of square-off of the positions to respective branches/franchisee on their Trading terminals.
8. RMS sends square off mails to the branches giving details of the price at which the position is squared off. These mails are generally sent immediately after square-off of the positions. If the market is very volatile these mails are sent after closure of the market.
9. Branches are advised to monitor the MTM loss, Margins and net position of the client's real time.

MTM and Timer based Auto square off.

1. In FAO clients are required to square up their Margin (intraday) positions before **3:17 pm**, from **3:17 pm to 3:20 pm** the system will be in square off mode in this client can square off his position and can't take any fresh position and after **3:20 pm** positions will be closed by the system automatically.
2. In Cash clients are required to square up their Margin (intraday) positions before **3:17 pm**, from **3:17 pm to 3:20 pm** the system will be in square off mode in this client can square off his position and can't take any fresh position and after **3:20 pm** positions will be closed by the system automatically.
3. In Currency clients are required to square up their Margin (intraday) positions before **4:42 pm**, from **4:42 pm to 4:45 pm** the system will be in square off mode in this client can square off his position and can't take any fresh position and after **4:45 pm** positions will be closed by the system automatically.
4. Any client who is coming in MTM square off on his clear available balance, such client's positions will not be held based on uncleared cheque or cheque in hand.

Client wise/member wise position limit (MWPL)

1. Exchange specifies member and client wise open positions limits on daily basis (MWPL files), Branches must ensure that no client breaches the exchange set limit.
2. There is a penalty for any breach in open position limits.
3. Please refer www.nseindia.com or www.bseindia.com or www.sebi.gov.in for further details

Password reset/Mapping request/Trade modification request

1. For password reset client can do it online.
2. Upon request by client, system will send the password to the client's email ID and a SMS will be sent to the clients registered mobile no.
3. For offline Mapping- Branches must send the mapping request to RMS. Normally, Branches will face this problem when computer systems are changed or when clients are moved from one branch to another.
4. For Trade modification - Branches must send the request to Head of Risk & Operations / Compliance for approval marking a copy to RMS. Modification will be done only after approval from the authority.
5. There is a penalty of 1% on traded value for trade modification.
6. For cash trade modification, the cut off time is till 4:00 pm. For FAO positions cutoff time is 4:15pm. For Currency modifications cutoff time is 5:15pm.

Action during connectivity failure

1. We will have Direct TWSs (Trade Work Station) at RMS in Mumbai we shall ensure that the TWS is switched on every day.
2. Branches can place emergency order through dealing rooms in Mumbai.
3. Alternatively, they can place orders through RMS TWS which is used during emergency.

Do's and Don'ts

1. Place orders within DPR (Daily Price Range) only, else those orders will be frozen by the Exchange System; such orders will block the Margin i.e. if free ledger balance is INR 1,00,000 and margin applicable in such order is INR 5,000, free margin will be reduced by INR 5,000.
2. In case of any Connection lost, Rates not being updated please Contact Technology Department at Mumbai. Also inform RMS for better coordination.
3. In case of any problem in Client Positions displayed, please contact RMS immediately.
4. Any delay in fund update or any difference in the ledger value, preferably Branch can get clarified from CR department. In case the problem is not resolved, they can approach RMS for availing limit faster.
5. Mail needs to be sent only after cheque is deposited along with deposit slip scan.
6. Each CTCL Id should be logged into dedicated system only.
7. Branch/ AP should check for the validity of the CTCL dealer certificates and should replace/renew the same before expiry date.