



symbol of trust

JK Securities Private Limited

RMS & Internal Control Policy of JK Securities

Introduction:

Preface Risk Management is an internal part of any organisation. We need to deal with various kind of risk like credit Risk, Market Risk, default Risk, liquidity Risk and other risk.

In Securities Market, customers have to be alerted with respect to their obligations, open positions, market conditions, Margin requirements, regulatory requirements and steps are initiated by the brokers in case of changing market situations.

With a view to enhance customer knowledge and safeguarding investor interests, JKSPPL have devised a comprehensive Risk Management & Surveillance (RMS) Policy to make sure that customers are aware of criteria based on which JKSPPL monitors risk and initiates actions to safeguard the interest.

Major parameters of RMS Policy are mentioned below:

Panic markets:

Panic markets are those days where:

- 1) Where base index (Sensex / Nifty) makes movement of 4% on either side.
- 2) Where base index (Sensex / Nifty) makes cumulative movement of 5% on either side.
- 3) Where markets are specifically declared as Panic Market by RMS Dept. of JKSPPL.

Such panic market will be declared as a normal when market starts making a movement of less than 2% on two consecutive days, or as declared by RMS Dept. of JKSPPL.

Stable Market:

Stable markets are those where markets do not fall in definition of Panic Markets.

For the purpose of Managing risk, maintaining healthy volumes and growing together, this system is intelligently designed to facilitate better business environment in various market conditions. To understand the system better, please study the terminology as used during practice.

Margin:

Ledger + Pool stock + DP Stock with POA — Shortages

Exposure:

Exposure is the amount aggregate of all the positions taken in market whether in cash or derivatives or commodity.

Ledger, stock and Shortages:

Ledger is the net balance after TODAY trading at the day end.

Stock includes all the stock bought till ledger day reduced by all the stocks sold till ledger day and any stock not received from exchange due to payout short.

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Shortages are short positions in cash market which are kept open for which pay — in are yet not done.

Hair Cut:

For the purpose of Haircut in any stocks we Consider it as 30 %(hair Cut) or Exchange VAR Margin % whichever is higher.

Free Margin:

Free margin is that amount of margin left after considering Hair cut on stock.

Free margin = Ledger + Pool stock + DP Stock with POA — Shortages

Limit Setting at Beginning of Day:

There will be a hierarchy base limit set where a combined limit will be set for all Cash segments. The consumption of the gross combined limit will be as per exposure taken in different segments.

Exposure Allowed in Cash Market:

Stable market:

Client Exposure	Offline	Online
Exposure in Multiple of Free margin	5 times	5 times

F & O & Currency & Commodity (MCX +NCDEX) Segment:

Exposure: Stable Market:

	Offline	Online
Span Margin only	(1 — 2 times) only for intraday	(1 — 2 times) only for intraday
(Margin Limit exceed only on request of franchisee, RM, Branch-Manager or Related Superior person.)	For carry forward (1) time of ledger balance.	For carry forward (1) time of ledger balance

Allowable positions at End of Day:

1) Stable Market:

Cash Segment: Allowable position at the end of the day in Cash Segment will be 4 times of net margin where all stocks are eligible, and 2 times of net margin where all stocks are non eligible. In case of combinations, free margin should be positive.

Derivative Segment: Allowable position in Derivative Segment is Equal to SPAN margin available. Span margin available in Cash Segment can be Consider and allow trading in F&O Segment.

Commodity Segment (MCX + NCDEX):

Allowable position in Commodity Segment is Equal to SPAN margin available only. We consider cash ledger balance in commodity segment as well as collateral given for commodity market after hair cut.

2) Panic Market:

Cash Segment: Allowable position at the end of the day in Cash Segment will be 4 times of net margin where all stocks are eligible, and 2 times of net margin where all stocks are non eligible. In case of combinations, free margin should be positive.

Derivative Segment: Allowable position in Derivative Segment is Equal to SPAN + EXPOSURE margin as per Exchange norms. Margin available in Cash Segment can be Consider and allow trading in F&O Segment.

Square off to be done from HO:

Stable Market:

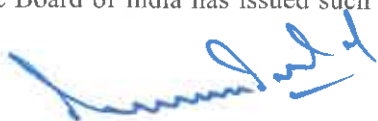
- 1) **Aging Base Square off:** Aging base Square off will be done on 5th Trading Day. Such aging base square off may be considered as Penalized square off and not a facility. Such days may be reduced according to market conditions, with or without prior notice.
- 2) **DP Square off:** On last Trading day of particular Month debit amount standing in the client account is been squared off from HO including DP Stock. For considering debit in such code, aged debits more than 5 days will be considered. Such aging base square off may be considered as Penalized square off and not a facility. Such days may be reduced according to market conditions, with or without prior notice.
- 3) **No Margin Client Square off:** New clients and delivery base clients may purchase stock by the way of demand of limits from RMS Dept. routed through Branch Manager / Franchisee Holder. Such clients have to pay margin till end of the day to the extent required. In case of non receipt of margin till 12:00PM next working day, stock is to be squared off by RMS. In any case if the loss hits the amount of RS. 10,000/- the stock may be squared off from system.
- 4) **M2M Square off:** Over ruling all above conditions other than no margin client, during market if any client's M2M hits 70% net margin, a warning call is issued from RMS Dept. and if M2M hits 85% of net margin, Square off process is initiated.

Forced Major Conditions:

- 1) Due to any technical reasons aging days may be postponed. Any claims against such postponed of square off, may not be addressed.
- 2) Claims against any technical error in ageing based square off may not be considered as aging Base Square off is a penalized square off and not a product or facility.

Scrip Wise Limits in Online as well as Offline:

Due to Compliance requirement to restrict unhealthy trade practices and secure the higher interest of investors, Securities and Exchange Board of India has issued such guidelines and defined such scrip as illiquid scrip where



trading is to be specifically monitored. Such list of scrip time to time updated by market regulatory authorities are been published on their website Please visit www.Nseindia.com or www.Bseindia.com for further clarifications. In lieu to comply with such norms and restrict unhealthy trade practices scrip limits available on trading terminals will be:

Sr. No.	Scrip type	Across all trading terminals.	
		Buy	Sell
1	Illiquid Scrip (GSM Category)	Block	Block
2	Z,XC,XT,S,OTHER ILLIQUID Group	Block	Block
3	Physical and odd lots	Block	Block
4	Other than 5 series in BSE	Block	Block
5	Other than EQ series in NSE	Block	Block
6	F&O Contracts in F&O Segment for BAN Period.	Open, subject to intraday, if position kept open, client will have to bear penalty	

Factors of Risk Perception having regard to

Client's Location (Registered / Correspondence/ other address), Nature of Business Activity and Trading Turnover etc.

Low Risk

- 1) Clients whom we know personally
- 2) Client Introduced by our existing clients
- 3) Retail clients (average daily turnover < Rs 10 Lakh or net settlement obligation < Rs 3 Lakh)

Medium Risk

- 1) Direct Walk In Clients registered at our Corporate office
- 2) Client Introduced by someone other than our Existing Clients
- 3) Retail clients (average daily turnover Rs.10- 25 Lakhs or net settlement obligation Rs.3 to 10

High Risk

- 1) Clients registered without reference at any place other than Corporate office
- 2) Nonresident Clients
- 3) Retail Clients (average daily turnover > Rs 25 Lakhs or net settlement obligation (Without Holding) > Rs 10 Lakhs)

Manner of Making Payment

- 1) Regular payment through A/c payee cheque from the Bank A/c already mapped with us for Low Risk client
- 2) Payment through A/c payee cheque from the Bank A/c other than one already mapped with us for Medium Risk client.

3) Payment through Banker's Cheque / Demand Draft / for High Risk client.

Review and update

This policy shall be reviewed and updated on an annual basis or on any special event or circumstance.



PRANAV PATEL
EXECUTIVE DIRECTOR