



RISK MANAGEMENT SYSTEM (RMS) POLICY

The objective of this document is to effectively manage the various risk involved in the business operations like credit Risk, Market Risk, default Risk, liquidity Risk etc. and thereby providing a shield to clients against losses. Below given Risk Management & Surveillance (RMS) Policy has been devised to make sure that customers are aware of criteria based on which VNS monitors risk. This Risk Management System is applicable for all clients, branch, sub broker & HNI clients.

The names of the products given below are the options provided in the trading software. Client may choose any product he wants to trade. The Policy is subject to change according to risk perception of the market and SEBI/Exchange rules, regulations and circulars issued time to time.

Cash Segment BSE/NSE:-

VNS provides exposure limit to client on the basis of clear credit balance of the client IN ALL SEGMENTS (**excluding commodities**) + value of approved holdings with VNS (after hair cut) in cash segment less debit balance in all segments. Hereinafter called the “deposit”. The Client’s deposit so calculated is uploaded in terminal and exposure will be allowed on that basis.

Clients can place orders in two products:

1. **MIS** – For intraday trading, subject to mandatory square off. The margin will be blocked as per VaR & ELM margin of the exchange. In terms of value it comes to approx 7 to 10 times of the margin available, as applicable for individual scrips. VNS may allow higher exposure to the client depending upon the product/ plan chosen. However the branch himself should square up the MIS transactions at 15.10 hrs every day failing which the same may be squared up at 15.15 hrs by VNS.
2. **CNC** – For taking delivery - two times of deposit as referred above, uploaded . The margin will be blocked to the extent of 50% of value of securities. In the case of sale transaction, the trading software checks the delivery in VNS DP and only then the transaction is allowed in CNC. If a client wants to sell the delivery lying in outside DP, he should first transfer the shares in his BO with VNS. Scrips purchased on T-1 and T-2 pending payout can also be sold in CNC by the client but in case the same is not received

in pay-out, the loss due to exchange auction or square off will be borne by the client. It may please be noted that stock benefit is limited to Rs. Eight lacs only.

If a client wishes to trade intraday, he/she should place orders in the MIS product code. **In such cases the client needs to square off his/her position by 3:10 p.m.** In case the client does not square off the intraday position, the same may be squared off by the VNS after 3.15pm. (*may not be Squared off in some cases e.g. circuit etc., in which case the Exchange square off cost will be borne by the client).

In case client wants to shift his MIS position to CNC, he/she can do so as per option given in trading software e.g. trade book (F8).

Derivative Segment (Equity & Currency)

Exposure limits for each client is based on clear credit balance of the client + End of previous day margin carried forward + value of securities after hair cut, transferred by him in VNS derivatives beneficiary account as collateral.

Clients can place orders in three products in the F&O segment:

1. **MIS** – For intraday trading
2. **Cover Order & Bracket order** (Intraday) - For intraday trading (see note below given).
3. **NRML** (Normal) – client may carry forward the position to the next day

If a client wishes to trade intraday in F&O segment, he/she should place orders in the MIS product code or cover /bracket order product. Under MIS, the client is given higher exposure considering upto 1/3rd of the SPAN + Exposure margin. In the case of Cover/Bracket order further higher exposure is allowed upto 1/5th of the SPAN + Exposure margin. It means that only 1/3rd or 1/5th margin will be blocked in above products **but client needs to square off his position by 3:10 p.m.** In case the client does not square off the intraday position, the same may be squared off by branch or by the VNS after 3.15pm to avoid the short margin penalty of the exchange.

SPAN margin file is uploaded four times on the trading terminal as required by the exchange; therefore the final SPAN margin may vary. It is a portfolio based margin and may vary depending upon the portfolio structure. The Exchange penalty for short margin will be borne by the client.

If a client wishes to hold his F&O position overnight he/she needs to place the order under the NRML product code. This will require 100% of the applicable span and exposure margin. In case clients want to shift his MIS position to NRML, he/she can do so as per option given in trading software e.g. trade book (F8). **Cover /bracket order cannot be shifted to NRML or MIS.**

For buying options, full premium amount will be blocked from margin in MIS as well as NRML products. The client should be careful in choosing product, as MIS position will be squared off. Only in the case of cover/bracket order higher exposure for option buying is given but it is subject to square off at end of the day. For selling options, the applicable span and exposure margin is required to be paid by the clients as per the relevant product code. The margin is blocked like future. Option premium received will not be considered as deposit for the purpose of exposure.

Cover /Bracket Orders: Cover order is an order placed as market order compulsorily with stop loss order. In bracket order there are three legs of orders. First leg can also be placed as limit order. Second leg is stop loss order and third leg is normal order for reverse trade. In case the stop loss is executed, normal reverse order is cancelled by the system. In case Normal reverse order is executed, stop loss order is cancelled. Cover Order facility is currently available for Nifty & Bank Nifty in NOW Software and for all F&O contracts in NEST software. Bracket order is currently available in NEST only.

Position Conversion:-

If a client wants to convert his position from MIS (Intraday) to CNC/ NRML (Delivery/ Carry forward) then for converting position he/she will be required to have 100% credit balance in his account which will include MTM upto the time of conversion. Conversion of MIS/to CNC/NRML is applicable till 3:10PM. Position Conversion will not be available in cover / bracket order.

Carry forward, MTM and Square off in the case of Debit

In NRML product, MTM for the day should be paid next day latest by 1 pm (13.00 hrs) unless adjusted with credit balance in cash segment. MTM short of Trade day is considered as margin short on T+1 day for the purpose of exchange reporting. In the case of continuous margin short by 2 days the Exchange penalty goes very high and hence the client should be careful.

The debit in all segments combined (excluding commodities) should be paid next day before 1 pm. In the case of debit in cash segment (BSE+NSE) only the payment can be made latest on T+2 basis so as to have the credit of the payment on T+2. In the case of nonpayment delayed payment charges @ 18% pm computed on daily basis (considering pay-in and pay-out days) will be payable by the client. In no case client's debit balance should exceed 80% of value of securities less hair cut). The securities purchased can be sold or open position can be squared off by VNS in the case of debit or margin short fall without prior intimation.

Trading in illiquid securities:- VNS blocks illiquid futures and sale side of illiquid option contracts. The blocked contracts are updated daily on trading terminal. The trading pattern in such scripts is monitored to identify illiquid contracts.

Unusual trading pattern - In the case of high volume by client in any script compared to Exchange volume, the client is asked to submit clarification. In the case of unusual trading pattern of buying and selling just to create the volume, the client is asked to give clarification. These are required by the exchanges and SEBI.

BT/BZ Group:- Trade for Trade orders or orders in BT/BZ group can be placed only in CNC. Intraday square off results in delivery purchase as well as Delivery sales simultaneously, therefore to avoid mistake VNS has blocked intraday **sell square off** in BT/BZ group to avoid short delivery and loss to client due to square off by exchanges. In sale transactions, only delivery-based transactions are available in CNC.

Derivative Expiry :-

On the day of Expiry, equity delivery STT will be levied on In-the-Money expiring options. To avoid delivery STT, NRML product (Delivery Buying) will be blocked on last trading day of contract expiry in every month. No fresh buying position will be allowed in NRML on last trading day, clients will only be allowed to square off their existing positions. Client can do intraday trading in MIS for the same which is subject to square off @ 3:10 if position is open. The list of such securities is updated on the Exchange's website accordingly.

Physical Settlement in Equity Derivatives :

With reference to SEBI Circular number. [SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018](#) Specified securities contracts of futures as well as in the money options are required to be settled by physical settlement instead of cash settlement on expiry. As per the circular, all open contracts of specified securities in futures segment and in option segment, in the money options/close to money options will be compulsorily settled in physical mode on expiry. The list of securities specified may be revised from time to time by the exchange. The settlement process will happen in the equity segment and customers have to provide additional funds for buy obligation or securities for delivery obligation as per delivery marking. Additionally, according to the guideline, stocks which do not meet the enhanced eligibility criteria for introduction in derivative segment shall move from cash settlement to physical settlement and hence will not be available for roll over.

Hence, it is advisable for a client to square off or roll over all positions in futures and options on or before 2 working days before expiry. In case the client wants to take delivery then he should pay additional margin equivalent to 100% value of underlying (after reducing the margin paid for derivative position in that scrip) at least two days before expiry. In the event the client does not fulfill the margin obligations on time and does not roll over, the client's positions are liable to be squared off. Any loss arising out of such square off would be the sole responsibility of the client. This policy may be changed at any time at the discretion of the VNS. There will be additional delivery brokerage/charges @.50% (half percent) of the value of securities, in case the client opts to take physical delivery instead of square up or roll over.

For example, for delivery client needs to fulfill the margin obligation on time, or rollover or square off July 2018 expiry contracts on or before July 24, 2018 where the expiry date is July 26, 2018. However, if the margin obligation is not fulfilled or rolled over or squared off or the July 2018 contracts are open beyond July 24, 2018, the same shall be squared off by VNS Finance & Capital Ltd. And any loss arising out of such square off would be the sole responsibility of the client.

Moreover fresh positions in current month expiry contracts will not be allowed from the 2nd working day prior to the expiry for stocks that are to be physically settled. For example fresh position in these securities for July 26th, 2018 expiry will be blocked from July 24th, 2018

Derivative Segment (Commodity)

The client's ledger combined ledger balance in MCX & NCDEX is uploaded as deposit in the trading terminal. Most of the provisions of the equity/currency derivatives are applicable for commodity derivatives also. Additional points relating to commodity derivatives are as under:

1. Bracket order is not currently available in commodity derivatives.
2. GTD & GTC orders are not available.
3. Physical delivery of commodities is not allowed.
4. In MIS, product margin is blocked half of the exchange margin
5. **In MIS, client needs to square off his position 45 minutes before the close of the market (closing time = 11.30 p.m. or 11.55 p.m. as the case may be for agri commodities the closing time is 5 pm).** In case the client does not square off the intraday position, the same may be squared off by the VNS half an hour before the market close.

General:-

1. Client can sell their holdings (to the extent in Demat account with VNS) in CNC, by which his/her margin availability will increase correspondingly, for cash/ Derivatives segments.
2. Filter is applied on maximum quantity / maximum value for all individual segments. We have kept enough quantity and value of order and unless the order is very large, this filter is not applied. In the case of exceptionally large orders, client may have to split the orders, alternatively the branch/ sub broker may phone for setting the increased limit
3. Higher exposure is given in MIS and cover/ bracket order in the normal market conditions. Depending upon the market perception, forthcoming events, volatility etc., VNS may reduce the exposure to normal exposure as applicable on the basis of margin available.
4. Client should make the payment from his bank account declared in KYC form only. Payment from other accounts including family members' account is not accepted as per exchange and SEBI guidelines.
5. Illiquid contracts are blocked in commodity derivatives also. In NCDEX the negative list is long and therefore to be more specific, trading is allowed in limited products like Goldhedge, Chana2MT, Sybean2MT only.
6. **Trading during tender period and staggered delivery period** - During the tender/staggered delivery period, delivery can be marked at the instance of counter party and such delivery will have to be effected compulsorily. Hence the client is required to square off the position one day prior to start of tender period or shift the same to next month. Trading during such period in expiring contract is blocked to avoid

any loss to client. In case the client does not square off the position, the same may be squared off by VNS.

For VNS Finance & Capital Services Limited/
VNS Commodities Private Limited
Sd/-