Risk Management Policies And Procedures

The objective of this document is to effectively manage the various risks 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 Marketing Associates and all clients.

The Policy is subject to change according to risk perception of the market and SEBI/Exchange rules, regulations and circulars issued from time to time.

Funds:

Payin: Clients can transfer funds in to trading account only through banks which are registered with VNS. Any transfer other than registered bank accounts will not be considered and client does not get credit or limit in client ledger or trading terminal.

- There is a Rs. 8 + GST (Goods & service Tax) transfer fee charged for instant transfers.
- Fund transferred through NEFT/RTGS will be processed/credited as per RBI settlement timings and normally takes 3-5 hrs.
- Deposits on bank holidays will be processed on the next working day.

- In the case of payment by cheque, the payment will be credited in the account only after the cheque is encashed and credited in our bank account, after the proper authentication.

Payout: All payout requests will be accepted through BOX, and trading terminals offered by VNS and processed electronically and the credit shall come to the client's primary bank account only irrespective of bank selected by user in trading application during payout request. Equity/Commodity payouts placed from BOX back office before 7.00 am on any trading day, will be debited from your trading account on the same day in the morning around 9:00 am and you would get funds into your bank account as per **RBI** settlement timings.

- Payout request placed over the phone, chat or email will not be accepted.
- Payout request placed after Friday 7:00 am to Monday 7:00 am will be processed on Monday morning. Funds will get credited to your bank account as RBI timing.
- Payments shall not be processed on clearing holiday.

Margins:

Equity Segment:

VNS provides exposure up to 30 times to client on the basis of clear credit balance of the client in all segments **(excluding commodities)** for intraday products.

Clients can place orders in following products:

MIS – (Intraday-Margin Intraday Square off) 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. For daily margin benefit viewhere.

CO & BO – (Special intraday orders-Cover/Bracket Order product) 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 up to 30 times of the margin available, as applicable for individual scrips. VNS may allow higher exposure to the client depending upon the product/ plan chosen. For daily margin benefit view here.

CNC – (Delivery-Cash N Carry) For taking delivery, upfront amount needs to be kept in a trading account. 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 outside DP, he should first transfer the shares in his BO with VNS. Unsettled scripsi.e purchased on T-1 and T-2 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 (in case there are no bidders in auction) will be borne by the client.

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 (as per exchange approved list) after the haircut, transferred by him in VNS derivatives beneficiary account as collateral. Securities can be accepted upto a certain % of total margin applicable as decided by the company from time to time.

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

1. **MIS (Intraday)** – For intraday trading
2. **Cover Order & Bracket order** (Special Intraday orders) - For intraday trading (see note below given).
3. **NRML** (Overnight or 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 (Intraday) product or cover/bracket order product. Under MIS (Intraday), 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 1/7th of the SPAN + Exposure margin. It means that only 1/3rd or 1/7th margin will be blocked in above products.

Cover order is an order placed as market/limit order, compulsorily with stop loss order. In bracket order there are three legs of orders. First leg can also be placed as a limit order. Second leg is stop loss order and third leg is normal order for reverse/target order. 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. For daily margin benefit view here.

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. In the case of variation of portfolio, end of the day margin may change 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 upfront.

For buying options, total premium amount will be blocked from margin in intraday products (MISi.e Intraday/CO/BO) as well as NRML (Overnight) products. The client should be careful in choosing product, as intraday position will be squared off as per prescribed time. For selling options, the applicable span and exposure margin is required to be paid by the clients as per the relevant product type. The margin is blocked like future. Option premium received will not be considered as a deposit for the purpose of exposure.

Derivative Segment (Commodity)

The client's ledger balance in MCX is uploaded as deposit in the trading terminal. Intraday exposure available for trading differ as per product type like MIS (Intraday) two times, CO/BO 5-6 times in non agri products. Most of the provisions of the equity/currency derivatives are applicable for commodity derivatives also. For daily margin benefit view here.

Trading during tender period and staggered delivery period - During the tender/staggered delivery period, delivery can be marked at the instance of counterparty 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 without prior notice as clients are advised to close their positions well in advance before the tender period starts.

Trading in non-deliverable commodities – in the case of non- deliverable commodities like crude oil, the client is requested to square off the open interest at least 2 days before the expiry or transfer the position to the next period. In case the client does not square off or transfer to next month, he/she will be required to pay 200% addition margin for keeping the position till the expiry day. This additional margin will be applicable at the 2 days before the expiry date at End of the day.

Additional points relating to commodity derivatives are as under:

- GTD & GTC orders are not available.
- Physical delivery of commodities is not allowed.
- NRML (Overnight) product (carry forward buy/sell) will not be available for trading on expiry day and one day prior to tender period start day.
- For commodities, on the start of delivery intention period, no contracts will be available for trading.
- MIS (Intraday)/ CO/ BO products are not available for MCX options.

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 along with the margin used and MTM up to the time of conversion. Conversion of MIS (Intraday) to CNC (Delivery)/NRML (Overnight) is applicable before auto square off timings.

Cover /bracket order cannot be converted to CNC/NRML or MIS and vice versa.

Intraday products (MIS/CO/BO) auto square offtimings

Product type	Equity/Cash	NSE Futures & options	NSE Currency Futures & options/ Cross Currency	Commodity
Intraday products MIS/CO/BO	**3:10 pm onwards**	**3:10 pm onwards**	**4:45 pm onwards/ 7:15 pm onwards**	**30 minutes before market closing**

- Call N trade charges @ 20+18% GST per executed order will be applicable for all orders/positions squared off by RMS desk, including auto square off.
- Intraday products auto square off timings can we changed based on instruction fromthe

day prior to start of tender period or shift the same to next month. Trading during such period

risk management department.

- If any intraday position/trade (MIS/CO/BO) is not square off on the same day due to any system failure or any other reason, it will be carry forward as positional or delivery trade NRML/CNC to the next trading day. In such a situation the onus of squaring ofpositions will be on client. RMS dept. shall off any such position without requirement of margin call, if sufficient cash balance is not available in client's account.

Client Margin requirement and square off in case of funds shortfall or debit

Initial margin will have to be deposited upfront on the trading day i.e. in advance. Further, unsettled amounts will not be considered for initial margin requirements. The unsettled amounts may be due to:-

- Realised profits made on intraday trades (Equity derivatives and Currency derivatives)or carry forward Futures position
- Net sell premium (The amount released after the Option contract is sold in case of carry forward bought position)
- The Amount received from selling stock
- Realised profits made on intraday trades in Cash, etc.

With the unsettled amount, however, the intraday derivatives position with exposure could be created only in case of point (1) and (2).

In case of M-T-M loss, the loss amount has to be deposited on T+1 day and in case of initial margin shortfall the shortfall amount has to be deposited on the same trading day to avoid margin shortfall and exchange penalty.

Collateral (approved securities) amount after hair cut will be considered for exchange margin reporting. This is available only for Equity derivatives and currency derivatives.

Margin display on margin calculator are only for information purposes and may vary with actual margin requirements on exchange platforms. Clients should maintain some extra margin in their account to meet margin obligation and MTM losses if any. VNS reserve right to square off clients positions/ trades whether intraday or carry forward in case of margin shortfall or erosion of 80% or more than 80% of balance available due to mark to market losses without prior notice. In case of more than 80% of the available balance erosion VNS reserve rights to restrict additional exposure and can place client account only on square off mode.

In case there is margin shortfall of 50% or more than 50% due to MTM losses or increase in margin amount for carry forward positions/ trades (NRML), VNS reserve rights to square off such positions/trades to avoid further losses or exchange penalty on shortfall amount.

In the case of debit in cash segment (BSE+NSE) only due to any reason the payment can be made latest on T+2 basis. In the case of nonpayment, delayed payment charges of 0.05% per day (considering pay-in and pay-out days) will be payable to the client. In no case client’s debit balance should exceed 80% of value of securities less hair cut) then the securities purchased can be sold or open position can be squared off by VNS in the case of debit or margin shortfall without prior intimation.

Physical Settlement in Equity Derivatives

With reference to SEBI Circular number.SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018Specified 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 Physical SettlementScripslist 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 The client should also signify his/her intention to take delivery in writing through email 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 @2% (Two percent) of the value of securities, in case the client opts to take physical delivery instead of square up or roll over.

All positions resulting into give delivery of shares will require to have obligation quantity in client demat account with VNS only at least two days before expiry.

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 2 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.

In case VNS is unable to square off such positions/trades due to any reason, then such contracts will be physically settled and client will be liable for the obligations resulting out of the same.

Derivatives Expiries

ITM (In The Money)

On the day of Expiry, option traders will end up paying much lesser tax for derivative ITM options when it is exercised by the exchange. STT @ 0.125% will be levied on the difference between the strike price and the settlement price. Please click hereto know more.

CTM (Close to the Money)

Exchange given Do not Exercise choice for the Close-To-Money (CTM) options. Three strike prices above and below the settlement price are called as CTM contracts. If STT charge is higher than the premium then it will be marked as "Do-not-exercise". If STT levied is less than the premium then RMS will give intimation to the exchange to exercise the option and respective amount will be credited to the client account.

OTM (Out of the Money)

All OTM options will expire worthless. There will be no cash/delivery obligations arising out of this.

Trading in illiquid securities and Unusual trading pattern

The clients are advised to not trade in illiquid securities/contracts. The Exchanges specifies a list of Illiquid securities where higher due diligence is to be exercised by the Brokers. The unusual trading pattern in such scrips by our clients is monitored. In case of high volume in any scrip compared to Exchange volume, the client is asked to submit written clarification.

VNS blocks illiquid futures contracts, and option strike prices which are too far from LTP of underlying on a daily basis.

Trade for trade

Trade for Trade orders in BT/BZ/BE/T/Z/XT/MT/ZP/ST or any other falls under trade for trade series 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 mentioned series to avoid short delivery and loss to client.

General

- Client can sell their holdings (to the extent in Demat account with VNS) in CNC.
- Filter is applied on maximum quantity / maximum value for all individual segments.
- Higher exposure is given in intraday products like MIS/ cover/ bracket order in the normal market conditions. Depending upon the market perception, forthcoming events, volatility etc., VNS may reduce the exposure.
- CO and BO is not allowed in pre-open for Equities.
- Cash and DD payins will not be accepted.
- Illiquid contracts are blocked in commodity derivatives and options.
- Client is solely responsible for losses incurred from order cancellation by exchange saying resulted in self trade, price is out of current execution range or any other reason.

All policies and procedures mentioned are subject to change at discretions of VNS risk management team based on SEBI and exchange requirements.

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