



## **Risk Management Policy:**

### **Setting up client's Exposure limits: Client-wise differential Limits:**

Bharathi Share Broking Private Limited (BSBPL) shall have the prerogative to allow differential purchase limits and sell limits varying from client to client, depending upon credit worthiness, integrity and track record of each client.

BSBPL shall have the prerogative to determine and prescribe rules for exposure limits for trading in "CM", "F&O" and other products. The client cannot claim any minimum level of exposure, as a matter of right.

**Purchase Limit:** BSBPL may provide a exposure limit for intraday and delivery based purchases by a client which would be a multiple (varying between one to four times) of the clear ledger balance in the account of the client plus value of paid up collaterals computed after appropriate haircut. The value of the "multiple" and the "haircut" is decided by BSBPL based on Market Volatility and quality of collaterals.

**Sell Limit:** BSBPL may provide a sell limit to the client equivalent to the value of securities held by the client in his POA enabled Demat account plus the collateral held by BSBPL on behalf of the client in its Beneficiary and Margin Pool account after making appropriate adjustments for the unsettled delivery positions of the client.

**Exposure for DERIVATIVE:** BSBPL may provide exposure for Derivative trading on availability of initial margin (SPAN + Exposure) in the form of cash and approved securities (with appropriate hair cut).

BSBPL has the discretion to decide the stocks which can be provided by client as margin/collateral. Where the client has authorized BSBPL through POA, BSBPL may transfer securities from client's DP account to its Margin account towards the exposure utilized in "Capital Market" and Derivative segment and to clear the Margin shortfall and other dues, if any.

BSBPL has the discretion to decide whether the margin will be taken in cash or in stocks and/or whether to consider uncleared cheques/ bank drafts / pay-orders deposited by the client with BSBPL as margin until BSBPL receives clear proceeds in its bank account. Even though the client might be having adequate margins in the form of stocks, BSBPL may demand the margins in cash, depending on market conditions and/or track record of the client.

**T+3 liquidation Policy:** As per BSBPL's internal guidelines a client is not allowed to carry forward debits beyond T+3 days. In the event debits are not paid, Risk Management Team at Head Office has the right, without any obligations, to liquidate securities of the client to the extent of the debit balance which is more than 2 days old. BSBPL may hold securities, even in cases where the client has debit balance beyond T+3 day, at the sole risk and responsibility of the client. Only the cheques received and updated in the client's ledger and trades executed up to 12:30 PM on T+3 are taken into account before liquidation.

**Payments of Margins:** The client is required to pay all the applicable margins within the stipulated time prescribed by Exchanges/ SEBI/BSBPL. Client is advised to monitor the adequacy of the collaterals and the market value of such securities given as collaterals on a continuous basis more particularly in volatile markets. If due to price fluctuations, there is erosion in the value of securities given as



margins, the client is required to replenish shortfall in the value of margins immediately, whether or not BSBPL intimates client of such shortfall.

**Automatic Square off for Intraday Transaction:** Where a client places an intraday online buy/sell order, which gets converted into a trade, and the client does not square off "open" intra-day position by 3:10 pm, then all outstanding intra-day positions are squared-off through an automated batch process. All square off orders may get executed at prevalent market rate anytime between 3:12 pm to 3:30 pm. In case the scrip goes for buy / sell freeze, square off trade may not get executed. It may result in "auction" loss or close out loss to the client. Where the client is short and may result in conversion of Intra-day purchase into delivery based purchase where client is long and the client agrees to pay for the same.

**Imposition of Penalty / delayed payment charges by either party, specifying the rate and the period  
Delayed Payment Penalty charges / Charges on Exposure against collaterals:**

Pursuant to Exchange Bye-laws, the Member broker is currently required to make pay-in of funds to the Exchange by T+2 morning and arrange delivery of securities to the Exchange latest by T+2 morning. Further Member broker is also required to maintain adequate upfront margins with the Exchange to avail exposure for trading. The Exchanges have also defined the ratios in which the cash and collaterals are to be deposited and maintained by the Member broker. In addition the Exchange requires the member broker to deposit some of the margins like MTM, in Cash only.

In order to enforce financial discipline, BSBPL charges Delayed Payment Penalty (DPP) charges not exceeding 2% per month, on account of delays/failure by the client in meeting the pay-in obligations on the scheduled date and also where the clients take exposure in "F&O" segment by depositing collaterals in a ratio which is disproportionate to the Cash versus collaterals ratios prescribed by the Exchanges.

While levying Delayed Payment Penalty (DPP) charges on the debit balance in the running account of a client, BSBPL does not consider any credit balance in other family or group account of the client.

**Penalties levied by Exchanges:**

Exchanges levy various penalties on the Trading Members on auction resulting from short deliveries, non adherence to client-wise exposure limits, client-wise shortfall in F&O Margin and for other reasons which may be defined by the Exchange and SEBI from time to time. BSBPL shall recover from the client any penalty imposed by the Exchange/SEBI and or any other regulatory authority on BSBPL, which arises on account of the violation by the client.

**Interest Free Margin/ Deposits:**

BSBPL provides exposure against the upfront margin received in the form of cash / collateral from the client and the client also has the prerogative to demand withdrawal of cash and collaterals at his discretion. BSBPL does not pay any interest or other benefit to the client for maintaining cash balances or paying advance deposit / subscription for concessional brokerage schemes or depositing collateral margins with BSBPL.

**The right to sell clients' securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues**

BSBPL shall have right to sell client's securities, both unpaid securities as well as collaterals deposited towards margins, or close out client's open positions, without giving notice to the client where there is a delay/ failure of the client to meet the pay-in obligations and/ or there is a failure of the client to bring additional margins to cover the increase in risk in the dynamic market conditions.

**a. Unpaid Securities in Capital Market:**

(i) In case of unpaid obligation on T+3, BSBPL may sell the unpaid/ partially paid securities. In addition BSBPL may sell the collaterals deposited by the client towards margins and/ or paid securities purchased by the client in earlier settlements where the sale of proceeds of unpaid securities are inadequate to cover the pay-in obligations and/ where the unpaid securities appear to be comparatively illiquid and cannot be sold at reasonable rates to the extent required.



(ii) BSBPL may follow the LIFO method for liquidation of securities but it shall not be binding on BSBPL to follow this method in all cases where some of the unpaid positions are not liquid.

**b. The margin shortfall in F&O:**

(i) Positions of the client may be closed out to the extent of margin shortfall on the T+1 basis.

(ii) While computing margin shortfall, value of unapproved securities shall not be considered.

(iii) As per the current Exchange requirements, the Member Broker is required to maintain a specified ratio between cash component and collaterals margin deposited with the Exchange. BSBPL shall therefore have the prerogative to insist for 50% of margin in cash and may not consider the value of securities over and above the cash component for the purpose of calculating margins shortfall and close the "F&O" position where it finds the deviation. However, sales made in Capital Market segment are not considered while closing F&O positions on T+1 basis due to margin shortfall.

**c. Intra-day Positions:**

BSBPL shall have right, without any obligation on its part, to close any intra-day positions taken by the client after a defined "Cut-off" time (Presently 20 minutes before the close of the market).

**d. General Rules for closing Positions :**

(i) While selling the securities/ closing the clients positions, BSBPL may take into account the sales made by the client, positions closed by the client or collections received from the client till a cut-off time (presently 12.45pm).

(ii) If client has placed any limit orders, which are not executed by 12:45 pm, the client must cancel pending orders as otherwise it may lead to double sale of same securities leading to short sale and consequential loss due to auction or close out.

(iii) While selling the securities/ closing the client's positions, BSBPL may not take into consideration Cheques/Bank drafts/Pay orders deposited by the client with BSBPL until clear proceeds of such instruments are received by BSBPL in its bank account.

(iv) BSBPL has the right to sell client's securities or close out client's open positions but it shall not be under any obligations to undertake this exercise compulsorily. BSBPL is therefore under no obligation to compensate/ or provide reasons of any delay or omission on its part to sell client's securities or close open positions of the client.

**Shortages in obligations arising out of internal netting of trades**

BSBPL shall have the right to adopt a policy of its choice for internal auctions arising out of internal netting of trades and charge to the defaulter seller and compensate the impacted purchaser as per the said policy, which may be amended from time to time with prospective effect after publishing the same on the corporate website.

**Current Internal Auction Rules:** Shares delivered short by a client are auctioned at the Exchange, if BSBPL has net obligation to the Exchange. In case shares delivered short by a client are adjusted against the delivery to be received from the Exchange on behalf of another client of BSBPL, then the short delivery is closed as per internal auction rules. Internal auction price is calculated on the basis of Trading day weighted average price and auction day closing price, whichever is higher, which is further marked up by the following percentages

Scrip Value Rs. 0.00 to 20.00 : 10%

Scrip Value Rs. 20.05 to 250.00: 5%

Scrip Value Rs. 250.05 and above : 2%

Trading day weighted average price = Total Traded Volume / Total Traded Qty (NSE Bhav Copy)



### **Conditions under which a client may not be allowed to take further position or the broker may close the existing position of A client**

The following are the conditions, in which BSBPL may, not allow the client to take further position or may close client's existing positions.

#### **Capital Market:**

- (i) Where the client has not able to meet his pay-in obligation in cash by the schedule date of pay in irrespective of the value of collaterals available with BSBPL.
- (ii) Clear proceeds of the cheque deposited by the client to meet the pay-in obligations has not yet been received by BSBPL.
- (iii) Where the client is trading in "illiquid" scrips and volumes in his account exceed internal cut off limit fixed by BSBPL.
- (iv) Where BSBPL's exposure at "house level" in a specific scrip / contract exceeds the internal limits fixed by BSBPL.

#### **Derivative Segment**

- (i) Where the client has not met Market to Market loss in cash
- (ii) Where the "open" positions in a contract exceed or are close to market wide cut-off limits
- (iii) Where the client's position is close to client-wise permissible "open" positions
- (iv) Where there is shortfall in Clients margin.

#### **Intra-day:**

Clients will not be able to place intra-day orders after a cut-off time fixed by BSBPL. (Presently 20 minutes prior to close of market)

**Event Based:** Where based on happening of an event, BSBPL has the risk perception that further trading in a particular or group of securities/ contracts may not be interest of its clients and/or the market irrespective of the fact whether the clients have taken position in the given securities/contracts during earlier part of the day through BSBPL itself.