**RMS Policy**

**Margins Shortage & Exposure to Customer**

As perSEBI guidelines upfront margin is compulsory in F&O segment and in case of Cash segment it is desirable to collect from Customers. As far as possible, the margins should be collected at the time of opening of account. The exposure will be given on the basis of collateral and / or will depend on customer to customer. All trades shall be monitored by the RMS / Surveillance Team. Limits shall be defined automatically by taking into consideration ledger balances / stock available including demat account, in margin beneficiary in the back office software across all exchanges / segments & limits shall be set at Customer level and not at Branch Level. The procedure of defining limits should be completed before start of trading. At the end of day once the process is run, the cheques shall be collected towards shortages and will get deposited.

**Margin Shortage**

In Currency / F&O, margin shortage is not allowed and strict adherence is required to be complied with the margins. In case of sudden shortages in margin which may happen due to sudden fall in market or increase in margins / positions, at the day end, customer shall be requested to deposit the short margin and to comply with the margin requirement. If Customer fails to comply with the margin requirements, the customer shall be penalized & cases where margin shortage can result into any type of risk / loss, after giving the adequate information / opportunity, position shall be squared off. In Cash segment also, margin shortages in cases where it can result into risk / loss, after giving the adequate information / opportunity, position shall be squared off.

**Restricted Scrip Policy**

We shall have the absolute discretion, from time to time, to refuse/partially refuse/accept orders in one or more securities due to various reasons including trading in penny stocks, market liquidity, value of security(ies),illiquid options, far month options, writing of options, market capitalization of the stock and such stock not in demat form, suspicious stocks, restricted stock, securities which are not in the permitted list of the Stock Broker / exchange(s) / SEBI and/or appear under illiquid securities declared by the exchange(s). It is also provided further that Stock Broker may ask for compulsory settlement / advance payment of expected settlement value/delivery of securities for settlement prior to acceptance / placement of order(s) as well. Losses, if any, on account of such refusal by the Stock Broker or due to delay caused by such limits, shall be borne exclusively by the client alone. The Stock Broker shall not be responsible for any financial or other implications due to such execution, delay in execution or non-execution of any such orders.

The Stock Broker shall have the prerogative to place such restrictions, notwithstanding that the client has sufficient credit or margin available in his account.

The Stock Broker, may however, allow for acceptance of such orders, for certain securities on its own discretion, through its specific internal process, instead of allowing such orders through the standard process like online trading platform or its branches

**Restricted Scrip**

In order to exercise additional due diligence while trading in these securities **SGL** shall from time to time classify and publish a list of securities which are illiquid as per the list of illiquid securities on a periodic basis by the Stock Exchanges concerned and/or based on such internal criteria as **SGL** may deem fit. Together it would be termed as “Restricted Scrip”

**SGL** reserves the right to refuse execution of any transaction requests of the client on such restricted securities or to reduce the open market interests of the client in such securities **SGL** also reserves the right not to allow any trades or transactions in respect of certain securities or segments or orders/requests which may be below/above certain value/quantity as may be decided by **SGL** from time to time.

Criteria have been decided based on the Investment Limit at a client level in allowing trading in restricted scrip:

Investments less than or equal to Rs. 0.50 lac per scrip per day **SGL** may allow the dealing in restricted scrip, subject to following:

1. The trading turnover (buying and selling) in restricted scrips shall not exceed Rs. 0.50 lac per scrip on a single day.
2. At any given point of time the holding of any client in restricted scrip shall not be more than Rs. 2 lacs.
3. The client should not trade in single restricted scrip for more than 2 days in a month
4. To allow dealing in such stocks (buying or selling), 100% ledger credits will be required.
5. Selling in restricted scrip’s is permissible only if they are lying in the client’s BO with SGL DP account since 1year and more.

**Restricted futures/options contracts**

We are restricting/ blocking certain Future and Options contracts on trading platform to avoid malpractices or erroneous trading. The Parameters on which we are restricting/ blocking such contracts are as under:-

Open interest Value in the contract is less than 25 Lacs. For future contract Open interest x closing prices < 25 lacs, in case of option open interest quantity x (strike price + closing premium price) < 25 lacs.

Or

In case of Option contracts, if strike price falls (+,-) 20 % of previous day closing price of that particular scrip in cash market.

Any contract which falls under the above parameters will be not allowed for trading on trading terminals. Such orders can be placed after due diligence.

**Surveillance & Risk Management**

**UCC parameters:**

Clients Information: SGL has followed all KYC parameters as prescribed by SEBI. SGL ensure that key KYC parameters are updated on a periodic basis as prescribed by SEBI and latest information of the clients in UCC database of the exchange. SGL verity all clients PAN details with SEI banned client list prescribed time to time. Basis on the information SGL shall establish groups / association amongst clients to identify multiple accounts / common accounts / group of clients. In-Person verification is a major part of KYC verification followed by SGL.

**Analyze the trading activity:**

In order to analyze the trading activity of the clients / group of clients or scrips identified basis on alert as mentioned as Table A.

1. SGL seek explanation from such identified clients for entering into such transaction
2. SGL seek documentary evidence such as bank statement / Demat transaction statement or any other documents i.e. IT returns to satisfy itself.
3. After analyzing the documentary evidences, including the bank / demat statement, SGL shall record its observation for such identified transaction or clients. In case adverse observations are recorded,SGL shall report all such instances to the respective exchange within 45 days of the alert generation. SGL may seek extension of the time period from exchange, wherever required.

**Table A-Transactional Alerts to be provided by the Exchange:**

|  |  |  |
| --- | --- | --- |
| **Sr. No.** | **Transaction Alert** | **Alerts Segment** |
| 1 | Significantly increase in client activity | Cash |
| 2 | Sudden trading activity in dormant account | Cash |
| 3 | Clients/Group of Client(s), deal in common scrips | Cash |
| 4 | Client(s)/Group of Client(s) is concentrated in a few  illiquid scrips | Cash |
| 5 | Client(s)/Group of Client(s) dealing in scrip in minimum lot size | Cash |
| 6 | Client / Group of Client(s) Concentration in a scrip | Cash |
| 7 | Circular Trading | Cash |
| 8 | Pump and Dump | Cash |
| 9 | Wash Sales | Cash & Derivatives |
| 10 | Reversal of Trades | Cash & Derivatives |
| 11 | Front Running | Cash |
| 12 | Concentrated position in the Open Interest / High  Turnover concentration | Derivatives |
| 13 | Order book spoofing i.e. large orders away from market | Cash |

**Monitoring and reporting Order/Trade Surveillance:**

Order / Trade surveillance shall be managed independently by RMS Team. To ascertain suspicious transactions in form of Intraday volume status, Inter client trades, Trade executed at exceptionally higher or lower rates or trade executed in illiquid scrip’s / contracts, RMS software is being used other than alert services provided by NSE & BSE.

**Analysis to find unfair trades:**

Our surveillance mechanism continuously keeps watch on order/trade execution. The following steps are taken care.

1. **Intraday Volume Status** – Surveillance is kept on trade executed and hit Exchange volume by 10% or more.
2. **Inter Client Trades –** Surveillance is kept on trade executed for inter client trade execution.
3. **Trades at High/ Low** – Surveillance is kept on trade executed at day’s high or low.
4. **Trades - Illiquid Scrips / Contracts** – Surveillance is kept on trade executed in illiquid scrip’s (as are provided by exchanges) in Futures/ options.

**Process of disposal**

In case of generation of alert, RMS shall investigate it further by verification of trade with customer and / or trader or by any other mean it deem fit. In case, if RMS finds any suspicious transaction, the same is reported to the Principal Officer/Compliance officer. Principal Officer/Compliance officer also investigate it further and upon his satisfaction, the same is disposed. Any alert which requires to be reported shall be intimated to the designated director.

**Surveillance Compliances:**

RMS team to ensure the following.

1. Order Management System and Internal Controls.
   1. Client-wise and Security-wise limits on exposure, open position etc. to be set up.
   2. Review, define and maintain logs of the limits placed on execution of orders in cash/derivatives segment: quantity limit for each order, value limit for each order, user value limit for each user ID/CTCL. Branch value limit for each branch ID. Spread order quantity value limits.
   3. Ensure that adequate systems are in places that capture IP details of traded done using the IBT / other connectivity platform.
   4. RMS ensure to block trade modification for any client. No transfer of traded from one client to another.
   5. RMS ensure to collect upfront margin in clients account before accepting order or updating limits.
   6. 100 % of collection of margin shortage.
   7. No cash transaction / third party cheques / third party DD or pay orders are allowed in any case.
   8. SGL ensure to orders placed only by authorized dealers.