



POLICY ON
RISK MANAGEMENT SYSTEM

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RISK MANAGEMENT SYSTEM (RMS) POLICY

A Risk Management System is an integral part of an efficient Organization. GEPL Capital Pvt. Ltd (GEPL) has put in place a comprehensive risk management system, which is continuously upgraded as per the Exchange, SEBI, and PMLA norms, and also as per Market Movement.

The policy has been framed to identify the key events/risks impacting the business objectives of the Company and attempts to develop risk policies and strategies to ensure timely evaluation, reporting, and monitoring of key business risks. Through this Risk Policy document, our approach has been to further simplify the understanding of various Risks involved in the Securities market so customers will understand and be clear while dealing to minimize the risk of loss.

RMS Function includes:

- To check capital adequacy for exposure and requirements of the client
- Monitoring of Clients' Orders, Patterns of Trade, Order rejections, and increasing of Exposure/limits.
- Monitoring MTM profit/loss incurred out of trades.
- Benchmarking Margin v/s Exposure of client
- Decision-making with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across

Risk management relating to the trading activities of Clients is handled by RMS & Surveillance Department. GEPL has a centralized RMS & Surveillance monitoring system.

1. Limit Setting

Particular	Equity (BSE/NSE)	Derivative (NSE FO)	Currency (NSE CD)
Limit Setting	<ul style="list-style-type: none"> • Limit is set on combined basis for Cash, F&O & Currency Segment. [Ledger balance] + [Pledge App. Stock*] –[Unclear chq]-[O/S Sell] 		
	<ul style="list-style-type: none"> • Margin Calculation – VaR System in Cash and Span & Exposure in F&O/CD 		
	<ul style="list-style-type: none"> • Un cleared funds will not be considered for calculating Limit Available 		

2. Product wise Exposure in various segments of the exchanges

Particular	CNC/NRML Delivery	MIS Intraday	Cover Order
Cash	1x	Up to 5 Time (depending upon VAR Margin)	Up to 5 Time (Selected Stocks)
NSE Future	1x	1x	1x
NSE Option	1x	1x	NA
NSE CDS	1x	1x	NA

Exposure Rule: Cash Segment

- As per new SEBI regulation, it is mandatory to collect minimum 20% upfront margin in lieu of VaR and ELM from the client on an upfront basis in the form of funds/securities.
- Other margins such as Mark-to-market margin (MTM), delivery margin, special/additional Margin or such other margins as may be prescribed from time to time, shall be collected within 'T+2' working days.
- GEPL shall accept collateral from clients in the form of securities, only by way of 'margin pledge', created in the Depository system. Securities lying in the Client Demat account (POA) are not considered as margin collected and no exposure is permitted.
- For both intraday & delivery trades, upfront margin (VAR+ELM) has to be provided in advance before trading.
- VaR & ELM margin block for 2 days trades (T DAY & T-1 Day)
- If the client has debits more than T+5 days then no further exposure will be allowed to any client for trading as per SEBI Regulation. If the client gives a cheque on the 5th day then the exposure will set after the realization of the cheque.
- If the client fails to meet the pay-in obligation within 5 trading days from the pay-out day, GEPL shall liquidate the securities with or without information to the client.
- In the Equity segment newly listed shares usually do not have any DPR and hence, the chances for rate fluctuations are more. So the dealing in newly listed shares will be restricted to the available credit balance.

Exposure Rule: F&O / Currency Segment

- In the F&O segment, it is mandatory to collect SPAN margin & Extreme loss margin from respective clients on an upfront basis.
- The Exposure limit for F&O and Currency segment is set on the base of clear cash balance & stock in the Margin account after hair cut value.
- For F&O position, Cash & Collateral ratio will be 50:50. *(For e.g. In F&O, the total margin is Rs. 50,000/- then cash margin should be Rs.25,000/- & collateral will be accepted worth value of Rs.25, 000/- only)*
- Exposure will be given on Clear Cash balance only. An unclear cheque balance will not be considered for Exposure / MTM Loss /Margin Shortfall Reporting.
- If the cash credit balance falls below 50% of the required margin or if ledger shows debit balance due to MTM losses then client has to increase cash balance by transferring fund through ATOM/NEFT/RTGS/Back Office TRF for next trading day exposure.
- The options buying will be allowed only against premium margin which should be in the form of clear credit balance only.
- Options selling involve unlimited risk and thereby Exchanges levies high margins (depends on ITM/OTM Options) and hence limit will be allowed against the adequate fund & approved stock.
- The Trading is not allowed in Far Month Options Contracts.
- The F&O position will be squared off in case cheque is reversed due to insufficient Balance/Ledger Debit due to MTM loss/ (Not paid on T+1 day)/no approved stock.
- The credit realizing from selling of options will not be considered as liquid credit balance and its will not be considered for payout of funds.
- Limit against Premium credit for sell of Option Contract:
 - *Allowed to take position in Option Contract Buy/Sell on same day.*
 - *Disallowed to take position in Future & Option contract Sell on same day.*
 - *Allowed to take Intraday or Delivery position for EQUITY scrip's on very same day*
- If cash component is utilized for fresh delivery in cash segment then the same will not be considered for F&O segment.
- Provisional Margin shortfall penalty & late payment fees will be deducted from clear balance while making payout.

Scrip Wise Exposure Limit

- GEPL charging scrip margin purely on VAR Margin basis specified by exchange, if Exchange increase Margin for any scrip up to 100% then system will automatically charge 100% margin for trade in such scrip's.
- Intraday Trading is not allowed in 'Z','ST','MT','T','BE''ZP','BT' & 'RT'.
- The scrip's under SME Segment, GSM & ASM will be blocked for trading on Terminal.
- If any Bad news regarding any listed company on both exchange then fresh position will be blocked for trading, only selling of existing holding will be allowed.
- Circular or Insider trading is strictly prohibited. Action shall be initiated against any trade resulting in price rigging.
- In case of bulk / block deal, prior approval from Risk & compliance will be required.
- GEPL shall not be responsible for non-execution/delay in execution of orders in restricted scrips, contracts, consequential opportunity loss or financial loss to the customer.
- GEPL 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 GEPL from time to time.

Single Order Limit

- GEPL has set restrictions on single order quantity and single order value on various exchange segments. This is done to prevent "Punching Errors". Clients order get rejected if these limits getting hit.
- The maximum single order in the cash market would be restricted to 50,000 Qty or Rs.50,00,000/- value.

The maximum single order in the Futures/Option market would be restricted to 1,00,000 Qty or Rs.75,00,000/- value.

(The same may be reviewed and changed from time to time.)

Minimum balance

- Clients must maintain a minimum balance of ₹500 in their trading accounts to be eligible to trade. Clients with less than ₹500 in their accounts will not be allowed to initiate new trades until the minimum balance is maintained by client.

3. Physical Settlement F&O:

From June 2018 Expiry Exchange enabled physical settlement mechanism in Future & Option segment. So, GEPL decided to following measures to mitigate Risk regarding physical delivery settlement.



- If any client fails to square off open Future or In-the-Money option position in prescribed time limit then delivery of shares will be done on T+2 day & Net Value will be debited to client with an obligation value.
- If any client wants to take delivery of Physical contract, then client needs to keep adequate clear fund in their trading account before 2 days of expiry.
- If any client option position comes under In-the-Money contract 4 days prior to expiry, then clients need to keep adequate delivery margin in their account to avoid shortfall penalty.
- In case we are unable to square off, then any penalty/charges levied by the exchange will have to be borne at client end.

4. PEAK Margin

- SEBI has changed the norms of Intraday margins with effect from 1st December 2020. It has introduced the concept of peak margin reporting in which stockbrokers will not only calculate margin based on the End-Of-The-Day position but the intraday peak position. This aims to curb the excessive leverage for intraday and derivatives positions.
 - Under peak margin reporting, the Clearing corporation shall send minimum of 4 snapshots of client-wise margin requirements to know the intraday margin requirement per client. The snapshots would be randomly taken in pre-defined time windows.
 - At the end of the day, Exchange will consider the maximum margin across that 4 snapshots / Margin files for any client which will be considered as Peak Margin.
 - GEPL has to report the margin collected from each client, as at EOD and peak margin collected during the day, in the following manner:
 - a) EOD margin obligation of the client shall be compared with the respective client margin available with the TM/CM at EOD.
- AND
- b) Peak margin obligation of the client/TM/Custodial Participant, across the snapshots, shall be compared with respective client/TM/Custodial Participant peak margin available with the TM/CM during the day.
- Higher the shortfall in collection of the margin obligations at (a) and (b) above, shall be considered for levying of penalty as per the extant framework.
 - In the Cash market, the peak margin will be applicable till T+2 day the pay-in for the delivery positions

5. Intraday Position Square-off

Time Limit:

Equity:- 3.20 pm	Derivatives:- 3.20 pm	Currency:-4.50 pm
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- The positions taken for intra-day should be cleared within the time frame as mentioned above.
- GEPL shall not allow carry forward of the positions taken under the INTRADAY/COVER ORDER/BREACKET ORDER intraday products.
- Positions taken as intraday can be converted to Delivery Product (INTRADAY to NRML) subject to the availability of credit balance or on Confirmation of Fund transfer.
- GEPL shall not be responsible or held liable for the losses/ damages/ opportunity claims etc. arises due to the technical issues in the trading system / malfunction of the trading software during/after the trading hours.

6. Mark to market loss Square-off

- As per the RMS rules, the total loss of the client should not exceed 80% value of the margin money.
- Once the MTM loss of the intra-day positions reach 80% of the total margin available, the positions will be cleared from the Head office (RMS Department).
- Thereafter only NEFT/RTGS/ ATOM, or Back Office Fund Transfer is necessary for further exposure or limit.
- In case client MTM loss reaches to 60-70% and want to carry forward the position, then clients need to transfer the fund before market close and failure to the same will leads be square off the position.
- Positions which do not have sufficient funds can be cut any time at the discretion of RMS department.

7. 5 Days Square-Off

- Securities that have not been paid for in full by the clients (unpaid securities), shall be transferred to "Client unpaid securities account".



- GEPL shall square off the “Client Unpaid Securities Account” position on 6th Trading Day (T+2+4) upon non-fulfilment of the funds obligation or stock valuation falls below 20% of the total ledger debit.
- GEPL will not be responsible for any loss incurred due to such transactions.
- Any NEFT/IMPS/RTGS transfer has to be done before 2. 30 p.m. on the trading day.
- On 6th day cheque commitment request will not be considered & stock will be sold by RMS Dept.
- Any probability or guarantee of client cheque receipt/fund transfer request will not be considered on 5th day.
- The following method will apply at the time of selling stocks:-
 - Stock from Beneficiary Account
 - Stock from Margin Account (If sufficient stocks are not found in Beneficiary A/c)
 - Stock from POA Account (If sufficient stocks are not found in Beneficiary & Margin A/c).

8. Other Criteria for Position Square off

- In case the client ledger arrived to pure debit due to market volatility or higher position values in less available margin or dishonour of cheque/TRF or MTM loss in future position then stock or future position will be square off by GEPL RMS Dept.
- In case client carries F&O position more than one times of available funds and collateral then client needs to pay shortfall on same trading day before 1:30 p.m. or before MTM hits 80% of the total credit available. Failing to pay shortfall amount, FNO/Commodity position will be reduced after 1.30 P.M. or squared off if MTM reaches 80%.
- If Client is carrying continuous shortfall in F&O Segment, then position will be squared off by RMS Dept.
- if any instances of cheque bouncing or cheque reversal have taken place in the account.
- If intraday positions are carried without margin on two occasions, then intraday limits will be permanently disabled for that particular client.

9. Banned for Trading

The following are the condition under which the client is not allowed to trade further

- Cheque bounces with insufficient funds or any other reason

- Client's debit on the T+2+5 days
- Client's welcome kit/contract note returns to the sender.
- The client is being debarred by the SEBI/ or any of the regulator
- client's transaction is reported as suspicious and identifies under PMLA.
- Scrip under ban period in F&O Segment
- In case Overall position in a scrip/derivatives contract has reached to the prescribed limit by exchange/ Market wide position Limit.
- In case client has reached Client level Limit then position can be reduced or no further limit will be allowed

10. Penalty

- Any amounts which are overdue from the clients towards trading or on account of any other reason, GEPL will be charged with delayed payment charges at the rate of 21% p.a.
- Shortage in Margin shall attract penalty as may be levied by the Exchange.
- Any penalty by the exchange on transaction will be debited to the respective client.
- In case of Bounce cheque penalty of Rs.120/- will be debited to the client account.
- In case of Regulatory body suspension or client name appearing under debarred list
- Any observation like false commitment, fake deposit slip, cheque scanned but not deposited, false receipt of the cheque and or any such instances come to the notice of Risk department; no further exposure shall be given to the client and strict action shall be taken against respective RM / Dealer /BM /SB /AP
- In case of any default in clearing the dues by client, legal action will be initiated to recover such dues and the cost of the legal proceeding will be charged to the client.

11. Penalty for short/non-collection of margins

Short collection for each client	Penalty
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5%
(>= Rs 1 lakh) Or (>=10% of applicable margin)	1.0%

Note:-In cases where there is short/non-collection of margins for more than 3 consecutive days or for more than 5 days in a month, a penalty of 5% of the shortfall amount shall be levied. GST@18% shall be applicable on penalty amount.

12. Clarification regarding margin collection by clients

- Free and clear ledger balance available on current day (T Day) with client in different segments (BSE/NSE/FO/CURR) of the Exchange will be considered for margin collection.
- Only exchange approved stocks in “Margin pledge” created in depository system with previous day’s valuation will be considered for margin collection however, GEPL in some situations shall take unapproved securities towards margin which are liquid securities and are actively traded on the exchange platform and the same shall be considered while reporting margin to the exchange. GEPL shall be having additional surveillance and risk monitoring whenever such unapproved stocks are provided by the clients towards margin taking into consideration that GEPL is adequately covered from the risk.
- Liquid securities, in dematerialized form, actively traded on the Exchanges, which are specifically not declared as illiquid securities by any Exchanges, can be considered while reporting margins to the Exchange
- Post valuation/calculation of the above, NSE F&O will be given first preference and in case of excess margin, the same will be considered for reporting of Currency Derivatives and Equity Segment.
- Realized profits (Intraday & B/F) cannot be used for Stock Purchases or Fresh F&O Positions on T Day, It will be counted as margins only after the settlement date i.e. T+1 for F&O and T+2 for Equity.
- Credit of option premium can be used only for new long/buy option trades on the same trading day and only within the same segment. For other types of trade (Cash Buy/Sell / Future Buy Sell) you can use only from the next trading day T+1.
- Cheque dishonoured/reversed or not cleared up to T+4 working days should not be considered for Margin Money.
- Securities which are sold in cash market and available in GEPL’s account i.e. POOL/EPI Account will not be considered as margin collected for any other trade/position.
- As per new guideline, securities received in pay out and available in CUSA account (reduced by the appropriate haircut subject to minimum 20%) after adjusting any debit balances in client ledger shall be considered for reporting of margin.
- In case of NRI clients under PIS, funds received from the NRI’s PIS bank account before the respective pay-in, will be considered as collection of upfront margin.
- In case of a selling transaction, if the shares are not delivered to the broker on the same day then a 20% margin is also applicable.

- As per SEBI Circular If client is unable to pay above said margin within prescribed time limit then penalty will be borne by client.
- No penalty will be reversed in case client unable to pay shortfall amount due to various reason like. Bank mistake /Bank Strike / Cheque not cleared/Clear after 5th day from the trade date/late deposition of cheque by branch/franchisee person etc.
- Client can view ledger, holdings, margin shortfall etc. via secured login of Client back office login.
- Regular intimations regarding debit, information about margin shortage with penalty amount (real time margin shortage), communication regarding liquidation is sent through SMS and email on the clients' registered mobile number and email address.

13. Surveillance

- In case the client is found indulging in suspicious activities, GEPL may report such transactions to the exchange(s). The company is not responsible for any loss incurred by the client if he/she is found guilty of unethical practices. The company will share all the required information to the regulator, exchange, or any other recognized regulatory body when a client specific details is asked for. The company reserves the right to inform the client based on the directions received by the fore mentioned regulatory body.
- Strict action will be taken if Unethical business practices observed such as:
 - ❖ Synchronized trading, Client Exchange Volume, Client Script Concentration, Client Purchase/Sale to Income, Illiquid stock trading, Profit loss transfer
 - ❖ Off market Transfer to Multiple clients and from multiple to single account

14. Quarterly / monthly settlement

- Accounts needs to be settled once in every quarter / month as per preference selected by client at the time of Account Opening. In case client is trading in F&O or in Currency segment, Client has to maintain the margin up to 225%.
- All excess collaterals / Credit Balance in client's ledger will be released upon settlement.
- Quarterly settlement will be done across all Exchanges and segments.
- As per SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021, for the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by trading member

15. System risk

- High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation.
- During periods of volatility, on account of market participants continuously modifying them
- order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations.
- Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / derivatives contract due to any action on account of unusual trading activity or security / derivatives contract hitting circuit filters or for any other reason.

16. System/network congestion

Trading on exchanges is in electronic mode, based on satellite/leased line based communications, Combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions.

17. General

- No Third party cheque or securities will be accepted.
- For franchise, risk will be considered at the level of available security deposit and brokerage.
- Provisional Margin shortfall penalty & late payment fees will be deducted from clear balance while making payout.
- Demand Draft or Pay order will be accepted if the same are accompanied by a letter from the bank on its letter head mentioning the name of the account holder, account number from which the amount has been debited and the purpose of debit.
- Orders are to be placed two ways only, by Fresh Square off order or stop loss order. If square off order is required, the stop loss order has to be removed and then execute the square off order.
- Cover Order is not available for option trading.
- AMO will be cancelled if the price entered is more than 15% away from the LTP in either direction.
- AMO will be cancelled if client do not have sufficient funds.
- No unlimited access granted on any Client ID, Dealer ID and Branch ID.
- If Market moves beyond 5% on either side or range specifically set by GEPL then limit will be reduced to half.
- GEPL will be not be held responsible for any consequence or loss arising out of above policy,

The Company reserves the right to amend/modify any of the policies/procedures mentioned above from time to time depending upon regulatory, market, external conditions, and our internal risk management framework, and the customers can obtain such change/modification from the Company's website.

For **GEPL CAPITAL PVT. LTD.**

Sd/-