



J. L. SHAH SECURITIES PVT. LTD.

CIN NO – U67120MH19997PTC109555

MEMBER: BOMBAY STOCK EXCHANGE LTD., NATIONAL STOCK EXCHANGE OF INDIA LTD. (SEBI REG NO. INZ000199739)

MEMBER: CENTRAL DEPOSITORY SERVICES (INDIA) LTD. (SEBI REGN. NO. IN-DP-CDSL-467-2008)



Policies and Procedures related to Risk Management Systems

Risk Management is an integral part of any organization. We need to deal with various kind of risk like credit Risk, Market Risk, default Risk, liquidity Risk and other risk. In Securities Market, customers have to be alerted with respect to their obligations, open positions, market conditions, Margin requirements, regulatory requirements and steps are initiated by the brokers in case of changing market situations.

With a view to enhance customer knowledge and safeguarding investor interests, the company has devised a comprehensive Risk Management & Surveillance (RMS) Policy to make sure that customers are aware of criteria based on which the company monitors risk and initiates actions to safeguard the interest.

Setting Up Clients Exposure Limit in Cash as well as in F&O segments.

Exposure constitutes both a purchase and sale transactions of shares & securities. A purchase transaction includes buying of securities and it remains as Exposure till client gives full payment for the shares bought. A sale involves a share delivery obligation to the Exchange and it remains an Exposure till the client delivers the shares. Exposure will mean the aggregate of the outstanding purchases and sales.

The limits may be allowed on a multiplier basis to the available base capital depending on the market conditions and the risk perception about the market / client. However in exceptional situations the company may use its own discretion in providing the limits and may change for a client or for all depending on market conditions. To keep in mind the surveillance measures and also to stop unusual activities in illiquid stocks, Company restricts the exposure limit granted in such illiquid stocks (T2T/Z group).

Exposure to client may also be governed by the clients' financial income made available to company from time to time. On the basis of the client turnover (for the given financial year) certain select top 50 clients (on the basis of turnover) are contacted to furnish their income details on yearly basis. Following documents will be accepted as income proof:

- Copy of ITR Acknowledgement
- Copy of Annual Accounts
- Net worth certificate
- Bank account statement for last 6 months
- Copy of demat account Holding statement.
- Any other relevant documents substantiating ownership of assets.

If there is a major disparity between financial details and trading volumes, client will be asked to furnish suitable explanation and based on the same further trading limits will be sanctioned.



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Right to sell client's securities or close client's open positions

The member will have the right to close out all open positions or sell client's securities, without any notice to clients, as and when the client defaults in his settlement/sale delivery / margin / MTM obligations in any segment of the exchanges. The close out / selling will be only to the combined extent of shortages in Margins / MTM or settlement obligations on all segments of exchanges.

RMS Selling criteria in Cash Segment

RMS selling in clients account will be done on T+5 days (T indicates Trading day) for the Ledger debit on due basis. For example, if the position has been taken on Monday then the funds payment is due on Wednesday (T+2 day). Shares so bought on Monday will be withheld by company till the debit is cleared. If the funds are not received by Friday, shares will be sold on following Monday.

In case stock valuation falls below 20% of the total ledger debit, square off can be done even before T+5 days.

RMS Selling criteria in F & O Segment

In case of F&O segment, RMS selling will be done on T+1 basis for the Mark to Market (MTM) debit / Margin Shortfall.

If MTM reaches 80% of the deposit RMS selling can be done even before above stipulated days. In case of panic market conditions, RMS selling will be done on T+1 basis.

Selling sequence when company does RMS selling:

- The open position in F&O Segment will be squared off towards margin shortage.
- In case there is ledger debit in client's accounts, collateral stocks to the extent of ledger debit (including MTM) will be sold off.

Other Surveillance Actions

Refusal of orders for penny stocks

The company does not encourage trading in penny stocks or securities falling in T2T or Z group of BSE and the company reserves its right to refuse orders in such securities from the clients desiring to deal in such shares, stocks, securities.

Under exceptional circumstances and considering merits on case to case basis, trading in penny stocks/ T2T/ Z category would be allowed to clients on delivery basis subject to stringent verifications of the client holdings, intentions and bonafide reasons given by the intending clients.

Orders/Trades/transactions will have to be monitored through RO or HO. However if observed that client/s is/are indulging in trading activities only in penny stocks or securities falling in T2T or Z group of BSE or carrying on any insider trading activity, the client account maybe immediately suspended without any reasons being given to the client/s.



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Further trading limits will be allowed subject to the client making margin payments, history of the client, trading pattern, intention of doing the trades. The said additional trading limits may not be allowed on a regular basis to the client/s.

Applicable brokerage rate

Statutory levies and transaction charges levied by the exchanges would be recovered separately. In case of reduction in brokerage rates, no approval of the client would be required. Brokerages will not exceed 2.5 % as stipulated by SEBI.

Imposition of Penalty / delayed payment charges

Member will apply interest / late payment charges at the rate of 24% p.a. on all outstanding obligations subject to settlement schedules on a daily basis.

The client agrees that he will not be liable to claim any interest on credit balances in his account if he has given consent to retain credit balances in his/her/its account.

Internal Shortages

The Member has an existing policy in handling internal shortages, which is Stated below:

The said procedure is adhered to whenever there is an internal shortage in a scrip in the same settlement i.e. buyer and seller both are clients and seller has not delivered.

The member will purchase the shares on the pay out day of the purchase settlement (shortage) and the rate at which the purchases are made will be the price considered for accounting effects.

Let's consider an example,

In Settlement No. 001

Client Vijay has purchased 100 Infosys Tech @ Rs. 1775.00

Client Mayur has sold 100 Infosys Tech @ Rs. 1760.00

Now Mayur has not given delivery of shares and Vijay did not receive shares (due to internal shortage).

In Settlement No. 003 (pay out day of settlement 001), HO will again purchase 100 shares of Infosys Tech in Vijay's Account @ Rs. 1730.00

So here Mayur will be debited and Vijay will be credited @ Rs. 1730.00 plus the statutory charges and brokerages.

The rate at which the shares are re-purchased will be taken into consideration for debit / credit to the seller/buyer respectively.

In case the member is not in a position to purchase the shares as stated above due to the shares on the upper circuit filter or any exchange related action, the buy in will be done on the next day and subsequent days till the purchases are made or upon agreement by both the buyer and seller the shortages would be closed out at a common price.



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The shares have to be purchased in the buyers account only to avoid third party violations of SEBI. In the above example, if shares are purchased in Mayur's account and transferred to Vijay's account it will tantamount to 3rd party dealings.

Restrictions or Regulations on Dealings of clients

The Member and Client shall mutually decide, from time to time, the volume of business which the client shall be allowed to transact. However the Member shall have absolute discretion of reducing /restricting or zeroing the volumes of the client without any prior intimation/notice to the client inter alia, in particular F&O segment having regards to:

- Volatility in the market/market segments of respective stock exchanges.
- In view of impending price sensitive announcements by the Exchanges/Listed Companies any restrictions in relation to volume of trading / outstanding business or margins stipulated by Stock Exchanges.
- Political/financial instability in the country.
- Presence of any other price sensitive factors in the economy.
- Failure by the client to maintain the applicable collaterals / margins with the member as per the Stock Exchange Byelaws, Rules and Regulations and Circulars and Guidelines of SEBI.
- Delays by the client in meeting its obligations / dues relating to the business / dealings done by the client.
- Observing /discovering any abnormal behavior / action / deed /trading pattern of the client's dealing with the member for eg. cheque bouncing, non fulfillment of sale obligation, any regulatory action taken by any of the regulators, ban of the client by SEBI, etc.
- In shares of a company where the merchant banking department is doing some due diligence or managing an assignment for the company.
- In scrips which are relisted and where the circuit filters are not applicable on the day of relisting.

De-registering a client

The Member will de-register a client without any prior intimation / notice, in addition to the termination clause of the client member agreement, with regards to:

- The client being declared a defaulter by any of the regulatory bodies of the country or under any law being in force.
- In the event of member becoming aware of any proceedings being initiated against the client by any of the regulatory bodies of the country or under any law being in force or the client being involved in any criminal proceedings or any illegal business or the member becoming aware of the client's past



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offenses which are illegal or prohibited by the regulatory bodies of the country or under any law being in force.

- The death of the client.
- The depository account with member is closed and no alternative depository account details are provided.
- The client makes a voluntary written request to de-register itself/himself.
- In the event of member becoming aware of client defaulting in meeting its obligations to the member.
- On the specific written directions of any statutory / legal authority/Regulatory Authority.

Quarterly / Monthly Settlement

The customer accounts are maintained with company on running account basis for operational convenience as per consent given by them at the time of Account opening. However customer accounts needs to be settled once every quarter / month as per preference selected by them at the time of Account Opening. The Client account has to be settled by clearing the ledger debit or by taking the fund payout in case of ledger credit. In case client is trading in F&O segment credit in the account can be retained upto a maximum of 225%. All excess collaterals / Credit Balance in clients' ledger will be released upon settlement. Quarterly settlement will be done across all

Exchanges and segments or for a particular Exchange and segment considered on a client to client basis and amount as per prevailing regulations may be retained at the time of settlement.

Communication

As per Regulatory requirements we send Statement of Accounts of Funds & Securities, Collateral Statement, DP Statements, Contract Notes, Daily Margin Statements etc.. Client can view these statements also through his secured login on our website. The client has to be aware about his position, outstanding balance and Risk. The Company is under no legal obligation to send any separate communication.