



## **M. B. PARIKH FINSTOCKS LIMITED**

### **Policy on Risk Management System**

- 1. Constitution of Risk Management Committee of Board in terms of clause VI C of revised clause 49 of Listing agreement- 14<sup>th</sup> Feb.2015***
- 2. Meeting of Risk Management Committee to frame policy – 28<sup>th</sup> Mar.2015***
- 3. Approval of the Board for Risk Management- 22<sup>nd</sup> May.2015***

### **Policies and Procedures**

The Exchanges as well as SEBI has laid down various Rules, Regulations, Bye Laws and guidelines that are to be followed while transacting on an Exchange. As part of our due diligence and risk management we, M. B. Parikh Finstocks Limited (hereinafter “MBPFSL”), through this document has framed out various policies and procedures under the said Rules, Regulations, Bye-laws and guidance with respect to our dealing with the clients for securities market transactions.

All clients are required to take note of the said policies and procedures given here below and act accordingly

#### **1. Account Opening Procedure:**

- Clients are registered through Corporate office. Duly filled client registration document is taken from client with complete details including Occupation details, Depository details, Bank Details, Investment experience, Pan Card, Residential Proof, Introducer detail etc. Client signature is taken on Client preference for dealing in particular exchange or segment.
- KYC procedure as prescribed by SEBI/Stock Exchange/Depository are to be strictly followed while ascertaining the identity and verifying the proof of address of new clients.
- In case the Form is properly filled & all documents are attached perfectly than, pan verification is done from the web site. After that Account is

opened in the Back office. From Back office the backup file is taken for uploading the details in UCC. Once the client details are uploaded and Client code is generated. Welcome kit is sent to client, which includes xerox copy of Client Registration form, copy of all documents provided by client.

## **2. Refusal of orders for Penny Stocks:**

(a) Following type of scrips are categorized under the Penny Stock;

- Scrips which are quoting at less than Rs.10/- on any of the Exchanges.
- Scrips appearing in the list of illiquid securities issued by the Exchanges periodically.

(b) We shall not entertain orders from any of the client for transacting (either buying or selling) in any penny/illiquid stocks. However, it would be considered on case to case basis, which shall be at our sole discretion only.

(c) In case any client wants to sell the penny stock already held by them in a Demat account, the same shall be allowed on a case to case basis, at our sole discretion.

(d) Under the above circumstances, the client will have to provide a copy of their Demat Holding wherein the said penny stock is mentioned to be held by the client along with a valid reason for sale of such penny stock.

## **3. Exposure Limit**

(a) Under the risk management activity, the clients registering their name for trading on the Exchanges through us will have to provide their financial details with the required supporting proof (as mentioned in the KYC) of the same, which will be scrutinized and accordingly the respective clients will be provided with a fixed limit for their trading activity called the Exposure Limit.

(b) According to the limit provided to the client, they can undertake transactions only upto that amount and beyond this no order will be accepted by the dealer.

(c) Following is the criteria for granting of an Exposure Limit to a client;

**Cash Segment:-**

No limit. Judgement of Dealer is taken into account.

**Derivative Segment:-**

- Margin based limits will be given to clients for doing trades in Derivative Segment.
- Limits in derivative segment will be given on the basis of free credit balance and/or collateral / securities of the client available with us valued after hair cut, which will be done based on the type and nature of scrip, liquidity and volatility of the scrip, etc., from time to time.
- In case of excess limit is availed, the same will be regularised by the end of trading session / day. However, on a case to case basis, the excess limit may be allowed to be carried forward. We may from time to time depending on the market conditions, profile and history of the client, type and nature of the scrip, etc., may at our sole discretion and in accordance to the rules, regulation, bye-laws and guidelines of the Exchanges/SEBI, change the rate of haircut applicable on the securities/collateral, number of times the limit to be given in cash / derivatives segments and take such steps as we may deem necessary.

#### **4. Brokerage Rate**

The clients shall pay to the stock broker brokerage and statutory levies as are prevailing from time to time and as they apply to the Client's account, transaction and to the services that stock broker renders to the Clients. The stock broker shall not charge brokerage more than the maximum brokerage permissible as per the rules, regulations and bye-laws of the relevant stock exchanges and/or rules and regulations of SEBI.

#### **5. Penalty / Delayed payment charges**

As per the Rules, Regulations, Bye Laws and guidelines prescribed by the Exchange / SEBI, a client purchasing any security on any of the Exchanges has to make payment for the said purchases before the settlement / Pay-in date of the said transaction.

#### **6. Right to sell client's securities or close client's position**

- (a) The client shall be liable to fulfill their settlement / margin obligation.
- (b) In case the client fails to fulfill their obligations, we shall have the right to sell / liquidate / close out all or any of the client's position for non-payment of margins, outstanding debts or other amounts, etc., and adjust the proceeds of such sale / liquidation / close out, against the client's settlement / margin obligations.
- (c) Any and all losses and financial charges on account of such sale / liquidation / closing out shall be charged to and borne by the client themselves.
- (d) No separate intimation or notice shall be issued to the client for such sale / liquidation / closing out done on account of non-fulfillment of the obligation by the client.
- (e) We may at our sole discretion, square off any outstanding position of the client

due to any restrictions in relation to volume of trading/outstanding business or margin stipulated by the Exchange, Clearing Corporation/Clearing House and/or Stock Broker/s and/or any other extraordinary event warranting such square off, without prior intimation to the client.

## **7. Client position**

- (a) The client shall not be allowed to take any further position if the client has reached their assigned exposure limit or if there is an outstanding debit balance lying in their account over a period of more than 6 days unless clients has sound financial status and have a clean track record with us.
- (b) Under the above condition the client shall have to bring in additional deposit to increase the exposure limit or make payment of the outstanding dues.
- (c) In some cases, the client shall also be not allowed to take further position if their payment history is very irregular.
- (d) We may at any time, at our sole discretion disallow the client from creating further/fresh position in any segment on the Exchanges or close out any existing position of the client based on our risk assessment and/or if so directed by any Government / Regulatory / Stock Exchange authority.

## **8. Shortage in obligation**

- (a) If a client who has sold a particular scrip on T day does not deliver the shares latest by T+2 i.e. pay-in day, due to which internal shortage arises in that particular scrip, then such quantity of internal shortage will be purchased from the market on pay-in day as and when available in the market under "Auction Account" code. Thereafter, on the pay-in day, provisional debit will be given in the client account at T+1 day's closing rate + 20% corresponding to internal shortage.
- (b) On pay-out day of securities purchased in the Auction Account code, provisional debit bill amount will be reversed and the client account will be debited with the amount at which the securities are purchased on T+2 day. Fines / penalties /charges may be levied on account of internal shortage to selling client.

(c) Due to internal shortage on account of internal netting of trades, the buyer client shall receive late delivery of securities, for which the buyer shall have no claims/ rights against the company for delay in delivery of securities. It may also be possible that the we may not be able to obtain the required securities due to market conditions, upon which, the buyer client's account will be credited and the seller client's account will be debited as per the close out rate provided by the exchange for the relevant Auction settlement. Provisional debit bill amount will be reversed in the seller client account.

The above procedure is subject to change from time to time, without any prior intimation, according to the change in settlement procedure of the Exchange.

## **9. Suspending or closing a Client's account**

Sometimes, the client may not be willing to undertake any transaction for a certain fixed period of time due to any reason. During such periods, if the client so wishes, they may temporarily suspend or close their trading accounts so as to ensure the safety of their securities and account by submitting a written application duly signed by the holder themselves

Besides, a clients trading account can also be temporarily suspended or closed by us if a client has reached its exposure limit and the outstanding is not being cleared within the stipulated time period, such accounts would be temporarily suspended till the time the client brings in additional deposit for increasing the exposure limit or clears the outstanding dues

## **10. De-registering a Client**

Notwithstanding anything to the contrary stated in the agreement, we may at our sole discretion de-register the client's account in the circumstances including but not limited to the following;

- (a) The client has breached the Agreement, or has misrepresented facts at the time of entering into an Agreement or at the time of giving instruction or otherwise.
- (b) If the action of the client are prima facie illegal/improper or such as to manipulate the price of any securities or disturb the normal/proper functioning of securities market, either alone or in conjunction with other.

- (c) On the death / lunacy / winding up / bankruptcy / liquidation / legal incapacitation or other disability of the client.
- (d) Debarment of the client by any credit rating agency or any regulatory authority.
- (e) If there is any commencement of a legal process against the client under any law in force.
- (f) If the client fails to fulfill his/her/their payment obligation either fully or partially under this agreement, or suffers any adverse material change in its financial position.

#### **11. RMS System:**

- (a) Regular updation of client master data like financial statement and other information related to clients and their association with other brokers as provided by them. Updated Unique Client Code information in system, if any changes reported by our clients.
- (b) Back office system continuous monitor and places all information relating to our clients to front office trading system like debarred entity, PAN number of suspended entity by SEBI etc.
- (c) System base everyday issue contract notes, bills etc. to our clients as per SEBI/ Exchanges circular. Placed a system at RMS to ensure quarterly/monthly settlement of funds/securities as per choice of the clients.
- (d) Monitoring on system and software based ensures that all circumstances of risk with respect to dealing of securities taken care in our RMS and for the compliances of SEBI/Exchanges.
- (e) No third party cheques are entertained/cash received from/issued to the clients. Cheques are collected from the clients and deposited in our client accounts. Cheques are accepted from the clients only if they are drawn on their designated bank accounts i.e. informed to us & maintained in our back office.

- (f) Purchase and sale of securities in case of B2, T, Ts and Z group securities. If the client takes interest in Z group and illiquid securities or securities of suspicious nature then we request the client to discontinue with us.
- (g) Develop the system in RMS to identify the track record of client transactions and monitoring their nature, if there is any contradictory or suspicious transaction like circular, reversal, synchronized and manipulative. In such cases client can be questioned and if not satisfied with the reply, trading can be stopped to the client on immediate basis.
- (h) Develop a system at RMS to monitoring the order placing on behalf of client by Sub brokers or Authorized persons, so that minimize the risk and compliant.
- (i) Daily basis monitoring is done at all levels by the Risk Management team & Key managerial personnel w.r.t. minimize risk factor at our end and ensure the compliance of rules and regulation.

## **12. Investor Redressal Mechanism**

In MBPFSL, we have centralized compliant register the same is monitored from Corporate office only. We maintain a register at our Corporate Office to record the grievances / complaints received from the clients by way of letter, email, telephonic call etc., or through the Exchanges.

E-mail IDs to which the investor can make their grievances / complaints are already mentioned in our website [www.mbpfsl.com](http://www.mbpfsl.com) as well as same are also printed on Contract Notes sent to the clients.

Our Compliance department/management seriously monitors the investor complaints received and try to redress the same within a week.

The aforementioned policies and procedures have been framed out under various clauses mentioned in the Rules, Regulations, Bye-laws and guidelines prescribed by SEBI and the Exchanges as well as the amendments brought out from time to time. In case of any contravening clause framed herein, the relevant clause mentioned under the said Rules, Regulations, Bye-laws and guidelines of SEBI and the Exchanges shall overrule such contravening clause.

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