



Risk Management & Surveillance Policy

Introduction

Risk Management is an integral part of any organization. We need to deal with various kinds of risks 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 initiated by brokers in case of changing market situations.

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

Major parameters of RMS Policy are mentioned below:

Setting Up Clients Exposure Limit

Cash Segment:

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 purchase and sales. Exposure limit of the client will be set on the basis of available base capital as defined below.

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 ELITE may use its own discretion in providing the limits and may change for a client or for all depending on market conditions.

Base Capital is calculated as under:

Margin Ledger +/- client Ledger + Collateral Stocks (Stocks given to ELITE as Margin) + Pool stock (Stock withheld by ELITE against ledger debits) + Outstanding Stocks (Stocks yet to receive from exchange) – Shortages (Stock sold but not delivered to broker for pay in within T+2 days) + Value of stocks held in Demat Account (where Power of Attorney is given)

All stocks are valued after hair cut applied by ELITE (VAR basis)

The exposure in offline/ online segment wise will be as under:-

Particulars	Equity	F&O & Currency	Commodities
Delivery / Carry forward			
Trading Limits	As per applicable VAR	As per applicable Span + Exposure Margin	As per applicable Exchange Margin
Auto Square Off	N.A.	N.A.	N.A.
Conversion in Margin Tag	Allowed	Allowed	Allowed
Stop Loss	Optional	Optional	Optional
Margin/ Intraday Tag			
Trading Limits	As per applicable VAR	As per applicable Span + Exposure Margin	As per applicable Exchange Margin
Auto Square Off	3:20pm	3:20pm	11:15pm/11:45pm
Conversion in Delivery/ Carry forward Tag	Allowed as per the funds	Allowed as per the funds	Allowed as per the funds
Stop Loss	Optional	Optional	Optional

The market would be categorized as Panic Market if the index movement is 6 % in a single day or a cumulative movement of 10 % (either side movement) in consecutive sessions or is declared specifically by ELITE in case of emergency for the limited purpose of this Risk Management Policy.

The exposure in Offline/ Online platform in Panic situation will be as under:-

Product	Panic Market Condition (No. of times)
Margin	1 times
Delivery	1 times
Carry forward	1 times

Customer can utilize the limit as per his desire for the available product. In case the same is used for one product then the limit will be adjusted for other product automatically. Further trading limits are provided only on realized cheques and fund transfer done using payment gateway in all the segments.

In addition to above, ELITE applies specific scrip wise Margin, hence few scrips can attract higher Margin than the normal margin available for liquid scrips, this can vary in the range of 50% to 100%.

All T2T scrips will be traded on 100% margin as per exchange list.

In other case the exchange increases the margin requirement in any scrip, ELITE can reduce the exposure in that particular scrip as per the exchange margin requirement i.e. say exchange has increased the margin in scrip XYZ Ltd. By 100 %, ELITE may reduce the exposure to half in XYZ Ltd. apart from this scrip, client will be having normal exposure in total as per above guidelines.

F&O Segment:

Derivative segment is a margin driven segment. Margin will be collected as per the requirement of the exchange i.e. SPAN margin + exposure margin + additional margin (as any made applicable by the exchange). In case of panic market additional margin can be collected by ELITE looking at market conditions.

Scrip's acceptable as collateral – only approval list of stocks as per exchange for F&O margin will be accepted after a haircut applicable as per exchange. However ELITE may accept on its own discretion, the stocks which are not in the list of exchange defined illiquid scrip. Further to fulfill the exchange margin requirement ELITE may pull the shares equivalent to margin requirement from clients DP account based on POA given by client.

Scrip Wise Exposure Limits

Cash Segment:

To keep in mind the surveillance measures and also to stop unusual activities in illiquid stocks, scrip wise limits will be set on the basis of following parameters at ELITE level.

Scrip Group	Available Buying Limit	Available Selling Limit
A Group	Unlimited Limit	Unlimited Limit
All scrips where F&O trades are allowed	Unlimited Limit	Unlimited Limit
B + S + T + ST	Avg. Volume > = 50001-Unlimited	Unlimited Limit
	Avg. Volume < 50000 – 30% of average market volume of last 10 days	Unlimited Limit
	Avg. Volume = < 1000 – No buying Limit	Unlimited Limit
Z Group	Zero buying limit	There is no restriction on Quantity. However which is Rs. 24 lacs per scrip at ELITE level(As per the exchange norms)

1. Average volume signifies total of average traded quantity of both the exchange for previous 10 days.
2. No trades will be allowed in physical scrips.

F&O Segment:

To bring the control on risk related to trading in illiquid securities in F&O segment we have decided following parameters:

PARAMETER	MODE
Scrip which has open interest and also volume on previous day	Open
Scrip (only future) which has open interest but no volume on previous day	Open
Scrip (other than future) which has open interest but has no volume on Previous Day	Square off mode
Scrip which has no open interest but has a volume on previous day	Square off mode
Scrip does not have open interest and also no volume on previous day	Square off mode
Far month Future stock and Option Contract i.e. 3rd month onwards	Square off mode

Right to Sell Clients Securities (RMS Selling) or Close Clients Positions on Account of Non-Payment of Clients Dues

It is client's obligation to clear his obligations on T+2 days (T indicates Trading day). The client shall timely provide funds/securities to ELITE for the purchase/sale of securities for meeting his obligations to the exchange. In case of client falling short of providing fund/securities, ELITE has the right to close the positions/ sell the clients securities with or without giving prior notice to client to the extent of ledger debit and/or to the extent of margin obligation ELITE can liquidate the securities bought or collaterals given or any other securities given by client in any other form for clearing the clients obligation.

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 ELITE till the debit is cleared. If the

funds are not received by Friday, shares will be sold on Friday before closing of the markets. In case client risk percentage falls below 15% of the total obligation, square off can be done even before T+5 days.

Exposure Policy for T+5 Debit Clients

1. All **ELITE** clients where the debit remains unpaid for more than 5 trading days after the settlement/obligation day will be put into square-mode from 5th trading day for both equity & derivative segment and currency segment. Trading holidays will be ignored for counting 5 days. No exposure under intraday products (Margin/Intraday/Margin plus/PTST) will be allowed as that too will be tantamount to exposure against debit balance.
2. In case client's debit balance after T+5 dead line is more than 20 lac, collaterals will be liquidated immediately to tune of full debit outstanding on that day. In case the debit balance is below 20 lac, liquidation will be done as per existing policy.

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 stipulates days. In case of panic market conditions, RMS selling will be done on T basis or T+1 basis.

Selling sequence in F&O segment:

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

Further client will be suspended from Trading on RMS selling day and suspension would be removed after selling.

Other Surveillance Actions

Refusal of Order for Penny Stocks/ Illiquid Contracts:

ELITE may refuse or restrict a client in placing the order in certain securities depending on various conditions like volume/value/part of illiquid scrip's/ Z group of securities although a client may have credit balance or sufficient margin in the trading account. List of such scrip's will be reviewed on a periodical basis and will be updated on ELITE website. However ELITE under exceptional circumstances may execute clientele order ELITE has the discretion to reject execution of such orders based on its risk perception.

In case of F&O segment, all the far Month Option contracts and third Month Option Contract (Except Nifty) will not have buy and sell limit due to its illiquid nature. However in all above cases if client still wish to trade then the client needs to coordinate with the respective branch and the limit will be set by Head Office after analyzing the requirement.

Penalty Applicable on Margin Shortfall in Derivative Segment:

1. The Regulator SEBI has decided that penalty on trading members will be levy for short collection/non-collection of margins from clients in Equity and Currency Derivatives segments.
2. Per day penalty will vary from (0.5 to 1)% of the short-collection/non-collection of margins per client per segment per day on the basis of shortage
3. If a client continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount will be charged
4. If short/non-collection of margins for a client takes place for 5 days in a month (any 5 days), then penalty of 5% of the shortfall amount will be charged for each day, during the month, beyond the 5th day of shortfall
5. The circular has come into force from September 1, 2011.
6. This circular is available on SEBI website at www.sebi.gov.in under the category "Derivatives- Circulars".

Regulatory Conditions Under Which a Client May Not be Allowed to Take Further Position or ELITE, May Close The Existing Position of the Client

In case overall position is a scrip/derivatives contract has reached the Regulators prescribed exchange limit/ Market wide open interest limit/ client level limit, then client may not be allowed to take further position, till such time Regulators prescribed limit comes down to create a new position.

Further ELITE may close the existing position of a client to the extent of debit balances to release the margin from the exchange. In case if ELITE has sufficient margin cover on behalf of its clients, it may still decide based on the market conditions and risk perception not to allow further position or may close the existing position of a client.

Suspension of Clients:

ELITE may withhold the payout of client and suspend his trading account due to any internal surveillance (if client indulges into manipulative trade practice)/ regulatory orders (debaring orders)/ if the client is dormant (not traded > 6 months).

Communication

Client can view details of his ledger, margin, shortfall etc through his secured login on ELITE website. The client has to be aware about his position, outstanding balance and Risk. ELITE is under no legal obligation to send any separate communication but as a customer centric company we may take extra efforts generally to ensure that client is well informed about the Risk and the possible actions, which may follow. The communication would generally be through SMS/Email on registered contact details with ELITE.

Disclaimer

ELITE management will have a discretion to alter/change any of exposure limit, selling parameter defined in this policy on the basis of prevailing market conditions with or without prior intimation and can use their discretion to grant any kind of exemption/permission in case they deem fit on case to case basis.