



# DELSTOX STOCKS AND SHARES LIMITED

CIN No. : U67110DL1996PLC079973

Registered Office : 3/1, Asaf Ali Road, New Delhi - 110 002  
Phones: 011-23284055, 011-23284123, 011-40769028, 011-40108603  
E mail: dse\_financial@yahoo.co.in  
Investors' Grievances E mail : grievances@dssl.co.in  
Website : www.dssl.co.in



## RMS POLICY

### BACKGROUND AND INTRODUCTION:

We present below our Risk Management Policy, which is built, with a database that learns from our experience. This RMS policy shall supersede the provisions of our previous RMS policy adopted by the Management.

Regulators are now insisting on new regimes of compliance measures to make sure that risks are recognized and something is to be done about them. Risk Management is the answer and the policy below is the key to effective compliance and comprehensive management of risks.

A number of professionals and User Groups have contributed towards the development of the practical methods for risk compliance, internal audit processes and procedures that have been built into the current policy.

### 1.) Definitions:

- 1.1) Cash: The clear balance available in the customer's ledger account in our books
- 1.2) Margin: The underlying stake provided by the customer in the form of cash, FDR and/or stock to mitigate market (price) or settlement (auction) risk
- 1.3) Exposure : The aggregate of the customer's obligations arising out of the buy + sell trades awaiting settlement in the cash segment and profit/loss amounts that are yet to be settled on the closed positions.
- 1.4) Exposure multiple: The number of times that exposure is allowed on the underlying margin on the cash segment would have to be made either on the availability of cash margin or on the availability of the stocks (which are to be sold) in our margin account, by executing a transfer before any order is initiated.
- 1.5) Stock qualifying for margin in the cash segment transactions: Securities in the approved list of the Company.
- 1.6) Total Deposit: The aggregate of client deposit available with us in the form of cash, shares (after applicable hair cut) and FDR.

### 2) NATURE OF CUSTOMER TRANSACTIONS

2.1) Intraday - Cash Segment: The amount of purchase (or sale) in a scrip on any trading day that is reversed by the end of the day by making a contra sale (or purchase) of exactly the same quantity, thereby nullifying the original position.

2.2) Delivery Trades: The net purchase or sale of scrip in a client account that is settled by way of a delivery on T+2/T+1 (or as per settlement schedule). Delivery in respect of sale transactions in the

cash segment has to be settled by the client by tendering securities in demat form before the pay-in deadline, failing which the client faces risk of auction.

2.2) Sell against Buy before delivery: A purchase order executed on the Exchange today and the (undelivered) purchased stock sold in its entirety on the next trading day. In this case the first transaction would be settled on T+2 while the sale would be settled on the third business day after the purchase transaction.

Note – Delstox Stocks & Shares Limited (The Company) is not responsible for any Short payout of security from exchange.

## RMS Policies and Procedures

### a. Setting up client's exposure limits

The Exchange may from time to time fix client exposure limits in the interest of orderly working of the markets. Within that overall ceiling, a client can trade within the exposure limit set from time to time by the Broker for the client.

Exposure Limit shall be on the basis of the funds and value after hair cut of the securities, BG, FDRs and other collaterals accepted by the Clearing Corporations/Clearing Members, provided by the client for margin. Clients are requested to adhere to the exposure limits as crossing the limit may involve either a call for margin or restriction on further position / exposure.

The Company may need to vary or reduce or impose new limits urgently on the basis of risk perception, risk profile of the client and other factors considered relevant by the Management of the Company but not limited to limits on account of exchange / SEBI directions / limits (such as broker level / market level limits in security specific / volume specific exposures etc.).

Sometimes the Company may be unable to inform the client of such variation, reduction or imposition in advance. The Company shall not be held responsible for such variation, reduction or the client's inability to route any order through trading system on account of any such variation, reduction or imposition of limits.

#### 1. While computing the available margin following parameter consider

- Free and unencumbered Balances (funds and securities) available with the member of respective client in different segments of the Exchange \*.
- Bank guarantee received towards margin, issued by any approved bank and discharged in favor of the Member.
- Fixed deposit receipts (FDRs) received towards margin issued by any approved bank and lien marked in favor of the Member.
- Securities in dematerialized form actively traded on the National Exchanges, not declared as illiquid securities by any of such Exchanges, with appropriate haircut. (List of illiquid securities are declared on a regular basis by the Exchanges)
- Units of liquid mutual funds in dematerialized form, whose NAVs are available and which could be liquidated readily with appropriate haircut.
- Government securities and Treasury bills in electronic form with appropriate haircut.

- Free and unencumbered Balances (funds and securities) available with the member of respective client in different segments of any Stock Exchange, with specific authorization from the client, subject to certification by independent Chartered Accountant.
  - Securities, which are provided as margin, but are sold in the cash market can be considered up-to T+1 day from the date of sale without any haircut.
2. Exposure limits shall be only against approved securities as decided by the Exchanges/the Company from time to time. The Company may from time to time change the applicable hair cut or apply a haircut higher than that specified by the Regulators/Exchanges.
  3. In case of derivatives, Clients shall be allowed to trade only up to the applicable client wise position limits set by the Exchanges/Regulators from time to time
  4. List of approved collaterals / securities along with applicable haircut, is subject to revision from time to time based on Exchange approved list,
  5. In order to ensure smooth settlement on T + 2 day, client has to ensure that entire balance payment against purchase and entire delivery against sale orders reaches the broker's specific bank and DP a/c on T + 1 day or latest by 9.30 a.m. on T + 2 day.

In case of clients' failure to deliver shares against their sale orders by the above time schedule, penal action will be taken by the stock broker at his discretion which will include penalty for short delivery as imposed by the Exchange, auctioning of shares by the Exchange, debiting on account of internal shortage.

#### b. Setting up Terminal/Branch Level limits

Trading Terminals are allotted to Members by exchanges. These terminals enable members to place, modify and execute orders on behalf of clients. There may be instances where due to punching error unusual orders may be placed at high prices which might lead to execution of unrealistic orders or orders being executed at unrealistic prices. In cases where the order/price of such orders is high, it might lead to huge losses to broker. In order to avoid such a situation it is imperative that certain limits are prescribed for each terminal allotted to member broker.

We ensure documentation of internal controls on areas like order modification / cancellation, client code changes and post-trade activities are in place and are being updated from time-to-time.

We ensure monitoring mechanism for client's debits / obligations and appropriate collection procedures.

The following limits shall be defined for each terminal:

- Quantity Limit for each order
  - Value Limit for each order
  - User value limit for each user ID
  - User quantity limit for each user ID
  - Branch value limit for each Branch ID
  - Spread Order Quantity and Value Limit (Derivatives & Currency Derivatives segment)
- Checks in place

- We have a dedicated Risk monitoring team of 6 people who monitor the exposure, limit, etc.
- We have NEAT/NOW/BOLT Terminal which has a facility to block the client as well as restrict to use over exposure.
- Terminals limits will be set up by the Front Office official designated at Corporate Office.
- Direct terminals will be allotted on exceptional basis only.
- No user/ branch will be provided unlimited limit.
- Limits shall be monitored on daily basis, taking following criteria's: Turnover, Exposure, past trends, Location, Deposit/Collateral.
- Trading in illiquid scrip shall not be permitted.

#### c. Order Receipt and Execution

All Orders routed through TWS/NNF are monitored by our risk department and after their confirmation about client's financial and margin status order get executed.

The dealers take utmost care while executing the trades of the clients regarding the accuracy of Client Code, Quantity and Price etc. The orders from the client's are promptly executed by the dealers and the oral confirmation of the placement of the orders is immediately provided to the clients.

Moreover, only registered clients are allowed to enter the dealing room for placing the orders.

The clients are divided into groups among the dealers and Authorised Persons (AP) at head office level, so that particular dealer can serve a particular group of clients which helps dealer to understand the client investment strategy in a better way & serve them accordingly. The orders are entered instantly by the dealer on the instruction given by the client. On execution of valid order into trade, dealers confirm the trade with the client so as to avoid any future dispute.

We have telephonic recording system for receipt of order and maintained the said record in machine and increased the hard disk capacity to store increase data and also transfer the same record in tape and maintained the said tape in safe custody forever.

#### d. Monitoring of Debit Balances

We have system of monitoring client debit balances on a daily and online basis. We have dedicated resources to monitor the debtors as well as asking for the margin cheque. Clients are followed up by tele-calling, sending SMS and e-mails and remarks are noted for each client.

- No trade is allowed if debit balance continues for 7 trading days.
- No fresh trade is allowed unless old dues are recovered.
- Clients of Authorized Persons are handled by them and us both.
- The company has a policy to transfer the securities of the client till the payment in respect thereof is received.

Exchanges follow a settlement schedule of T+2 in Capital Market segment, daily MtoM settlement & Final settlement in derivatives segment.

As per the company policy the customers need to pay the debit balance on the day of purchase itself or on next day. The left outclients' debit will not be allowed to carry forward beyond 5 days. No extension is possible beyond 5 days in whatsoever circumstances. All the debits aging more than 5 days will be cleared from Surveillance dept without further intimation to branches.

We have a system of sending clients Financial & Demat confirmations on quarterly periodic.

#### e. Client Code Modification

Trades are done only on the exchange platform and if any trades need to be transfer become of wrong punching code it is done in the exchange platform system. Client code modification is accepted only through an email or written letter prior to post closing session. Client code modification will be done within the time limit given by the respective exchange.

Every request for client code modification is to be sent to RMS dept in the predefined format and proper care should be taken in filling the Exchange order number, trade number, old client code, new client code, and the reasons for wrong Punching.

The reason for the modification is to be analyzed by the Management of the Company with regards to clients ledger a/c; demat a/c; trading pattern etc. and if found to be genuine then modification will be approved modification will be allowed only in delivery trades in which error was occurred genuinely.

Penalties & actions taken by the exchange against the broker / member shall be passed on to the respective client.

#### f. Margin Collection Procedure

The Company has a RMS (RISK Management System) Team, who is responsible for setting up the Client wise Trading limits, Margin collection & Reporting procedure as described below:

Client Limits are allowed as per margin norms of the relevant exchanges. Clients are required to provide upfront margin in the form of funds / securities (after appropriate haircut as prescribed by Exchange from time to time) before any trade.

RMS department monitor all orders & trades given by clients and executed in the trading terminal. The departments are also vigilant about all order rejections and spurt in exposures. The Company takes proper and adequate margin from clients as per the exchange/SEBI norms in the form of funds/Securities and report the same to the exchange as per the guideline of exchange.

We take Margin in the form of Funds through Account Payee Cheque, Electronic Fund Transfer and Securities. We have system to monitor the acceptance of third party cheque. In case, client provide securities towards margin, we accept only liquid securities received from registered DP ID of client. On receipt of securities, RMS applied the required hair cut as per exchange VAR.

At the end of the day, Shortage of Client margin is calculated and reported to the Exchange. During the trading hours if any short margin observed, RMS team follow internal RMS policy, due

diligence and update the status to the respective branch/ AP and to clients. In case client doesn't respond RMS team may square off the open position and subsequently intimate to the client.

Trading limit is set by RMS based on the available margin amount and calculated by considering the trading price prior to trading day (T-1 day) on daily basis. The debit and credit status is sent to the client on daily basis. In case of debit balances regular follow-up has been done. The RMS team do monitor the debtors and if client exceeding the exchange norms of T+5 day the trading is been halt, unless and until the debit is not clear by client.

#### g. Margin Reporting Procedure

On a daily basis exchange provides Margin Files to the Trading member in F&O and Currency Segment and Commodity Segment.

The Company report details of Margins collected from their clients for F&O Segment by uploading MG13 file through the Collateral Interface for Members (CIM) and other user interface of the Exchanges. Mechanism for regular reporting of Margin

- Free Balance available on current day (T Day) with client in different segments (BSE/NSE/FO/CURR) of the Exchange will be consider for margin collection.
- Only exchange approved stock in Pool Account (Company Beneficiary account.) & Collateral Account will be considered for margin collection
- Value of securities will be considered with subject to a haircut of VAR margin as per Exchange.
- Margins taken in the form of securities in the approved list to be valued as per the closing rate on the previous trading day and not the trading day, with an appropriate hair-cut
- Only free and unencumbered balances of securities available with the Member for respective client in different segments of the Exchange shall be considered for margin collection and reporting.
- Accordingly, only securities received in pay out shall be considered only after it is actually received from the clearing corporation. However pay-in received from clients for such securities may be considered while calculating the ledger balance for the purpose of reporting of margins till T+1.
- Cheques dishonored/reverse or not cleared up to T+4 working days should not be considered for

#### Margin Money.

After preparing margin report file, RMS person forward reporting file to person who is authorized to recheck the report file before uploading on Collateral Interface for Members (CIM).

Status of the file uploaded shall be checked regularly on the day of uploading after a few hours of uploading the same.

Penalty if any occurring out of the short payment will be debited to the respective client's account after t+5 days Information related to margin applicable, utilized and required / balance in respect of each client is to be sent on a daily basis to the respective clients in both the segments.

#### h. Right of Sale of client's securities or closing the client's open position without giving notice

- In the event of the Client failing to maintain / supply applicable margin money required to sustain the outstanding market positions of the Client, the company shall be entitled, at its option and liberty, to liquidate / close out all outstanding market positions or any part thereof such that the outstanding market positions are either zeroed out or reduced to an extent where available margin covers the market positions remaining after such square off.
- Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the client. The company shall also have right to close out any intraday positions taken by the client, in above circumstances. Such liquidation/ close out may be without any prior reference or notice to the client.
- RMS Team may initiate liquidation of securities in following circumstances:
  - In case of Margin Trades, if the open position is neither squared off nor converted to Delivery by Client(s) within the stipulated time.
  - In case of Margin Trades, where Mark to Market Loss on the open position has reached the 70% of the margins placed with the Company and the Client(s) have not taken any steps either to replenish the margin or reduce the Mark to Market Loss.
  - In all other cases where the margin or security placed by the Client(s) falls short of therequirement or the limits given to the Client(s) have been breached
  - Where the Client(s) have defaulted on their existing obligation/ failed to make payments/deliver securities to the Company with the stipulated time
  - Extreme volatility in the market in particular scrip of both the segment
  - There are any restrictions imposed by exchange or regulator on the contract(script)
  - The client is undertaking any illegal trading practice or the client is suspected to be indulging in the money laundering activities or suspicious trade or trading in illiquid stock
  - The client has taken or intends to take new position in a security which is in the banned period
  - There are any unforeseen adverse market conditions or any natural calamity affecting the operation of the market.
  - When margin amount due from the client is not received by T+2 days.
  - When any initial margin available in the client's account is less than the requirement for SPAN margin
- For Old Debits more than T+4 clientsclient is informed about old debit. In case client fail to clear debits before trading hours of T+4 th day then the Company shall have right to sell existing stocks of clients to recover old debits.
- Once MTM loss crosses -70% the Company shall have the right to liquate client's position if client have not paid for loss arising in outstanding open position or have squared off open position.
- The Company has proper system to maintain all records of communication done with clients and sub brokers/authorized persons.
- RMS Team can add some of the more criteria based on the circumstances as they may deem fit.

All positions squared off by RMS Team must be intimated to the client at the earliest, but not later than the same calendar day, and contract notes be dispatched as per exchange stipulations without any exception.

i. Refusal of orders for "Penny Stocks" (Illiquid stocks)

A Security that trades at a relatively low price and has small market capitalization is a penny stock. These types of stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bid-ask spreads, small capitalization and limited following and disclosure. Depend on the market condition and RMS policy of the company RMS reserve the right to refuse to provide the limit in Penny stocks and losses if any on account of such refusal shall be borne by client only.

The Company may refuse to execute any client's orders in "Penny Stocks" without assigning any reason for the same.

Any large order for purchase or sale of any penny stock shall be taken prior approval from RMS and the dealing of such stock will only be allowed through Head Office

It will be client responsibility and respective Branch Manager/Dealer or RM duty to ensure that trading in "Penny stocks" does not result in creation of artificial volume or false or misleading appearance of trading

Further it also does not operate as a device to inflate or depress or cause fluctuations in the price of such stocks

Dealer/RM/Branch Manager should ensure that the Clients should not place orders in "Penny stocks" at prices which are substantially different from the prevailing market prices. Any such order is liable to be rejected at the sole discretion of the Company.

In case of sale of penny stocks as approved by RMS, clients shall ensure the delivery of shares to the Company before the pay-in date

The Company shall not be responsible for non-execution / delay in execution of such orders and consequential opportunity loss or financial loss to the client

The Company has the right to revise the list of such securities / contracts on a periodic basis.

Client can obtain the information about the updated list of securities from the Relationship Manager / Dealing office

j. Conditions under which a client may not be allowed to take further position or his existing position may be closed

The Company shall have absolute discretion and authority to limit client's volume of business or to close any existing position of a client without giving any prior notice to the client under following conditions:

SEBI or Exchange imposing restrictions on further exposures in cases of extreme volatility in the market or in a security or group of securities.

Client or the Broker exceeding or touching exposure limits set by the Exchange in the particular scrip.



- Reasonable doubt as to bonafide of the transaction or identity of the client in the light of the financial status and objectives as disclosed in the KYC form.
- Reasonable doubt as to the transaction being cross trade, circular trade, fraudulent practice or connected with price manipulation or market rigging.
- SEBI or other competent authority issuing a debarment order against the client from buying, selling or dealing in securities, unless the order is vacated.
- The client has taken or intends to take new position in a security which is in the banned period
- Due to abnormal rise or fall in the market, the markets are closed.
- The Company shall also have a right to close existing positions of the clients in the abovementioned circumstances
- The Company shall not be responsible for any loss incurred and the client shall indemnify the Company in this regard.

k. Temporarily suspending or closing a client's account based on the client's request

Any client desirous of temporarily suspending his or her trading account has to give such request in writing to the management. After management's approval, further dealing in such client's account will be blocked. Whenever trade has to be resumed in any suspended client account, a request in writing should be made by the client to the management and the management may ask for updated financial information and other details for reactivating such account. After receiving necessary documents, details, etc. and approval from the management, the client account will be reactivated and transaction will be carried out.

Similarly, any client desirous of closing his / her account permanently is required to inform in writing and the decision in this regard will be taken by the management. After necessary approval from the management, the client code will be deactivated. Only after scrutinizing the compliance requirements and a "no pending queries" confirmation is taken, securities and funds accounts will be settled.

l. De-registering a client

The Company may, at its absolute discretion, decide to deregister a particular client if found that:

- SEBI or any other regulatory body has passed an order against such client ,prohibiting or suspending such client from participating in the securities market
- Such client has been indicted by a regulatory body or any government enforcement agency in case of market manipulation or insider trading or any other case involving violation of any law, rule, regulation, guideline or circular governing securities market
- Such client is suspected of indulging in illegal or criminal activities including fraud or money laundering.
- Such clients name appears in the UN list of prohibited entities or in the SEBI debarred list
- On the death / lunacy or other disability of the Client
- Such clients account has been lying dormant for long time or the client is not traceable
- If the Client being a partnership firm, if any steps have been taken by the Client and / or its partners for dissolution of the partnership
- Such client has been irregular in fulfilling obligations towards margin or settlement dues

□ Such client has been declared insolvent or any legal proceedings to declare him / her as insolvent have been initiated.

### Graded Surveillance Measure (GSM)

Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, had been introduced GSM.

The main objective of these measures is to, Alert and advice investors to be extra cautious while dealing in these securities and advice market participants to carry out necessary due diligence while dealing in these securities.

In continuation to various surveillance measures already implemented, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, have decided that along with the aforesaid measures there shall be additional Graded Surveillance Measures on securities which witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets, Net-worth, P/E multiple, Market Capitalisation etc.

The list of such securities identified under GSM shall be informed to the market participants from time to time and shall be available on the exchange's website.

The Company shall have the duty to adhere with the provision in this manner and to treat accordingly with the clients.

### Additional Surveillance Measure (ASM)

Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, after GSM introduced ASM.

Under this arrangement, SEBI have decided that along with the other measures there shall be Additional Surveillance Measures (ASM) on securities with surveillance concerns based on objective parameters viz. Price / Volume variation, Volatility etc.

ASM is based on an objective criteria as jointly decided by SEBI and Exchanges covering the following parameters:

High Low Variation  
Client Concentration  
No. of Price Band Hits  
Close to Close Price Variation  
PE ratio  
Market Capitalization  
Volume Variation

The Company shall have the duty to adhere with the provision in this manner and to treat accordingly with the clients.

