



# RISK MANAGEMENT POLICY

The following document describes the risk management policy followed by PhillipCapital. Please read it carefully as it pertains to your trading activity. The policy is applicable to all the segments i.e. cash equities, Futures, and Options (Equities, Commodities, and Currency).

## Definitions

1. **RMS (Risk Management System)** - This helps PhillipCapital manage the risk of the company and client from the volatility of the market.
2. **Cash** - Clear balance available in the customer's ledger account in our books.
3. **Margin** - Collaterals provided by the customer in the form of cash, FDR, and/or stock.
4. **Exposure** - The aggregate of the customer's obligations arising out of buy and sell trades awaiting settlement in the cash segment and profit/ loss amounts that are yet to be settled on the closed positions, including future and options.
5. **Exposure Multiplier** - The number of times that exposure is allowed on the underlying margin in 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.
6. **Stock qualifying for margin in cash segment transactions** - Securities in the approved list of Stock Exchange as per SEBI guidelines and PhillipCapital.
7. **Total Account Value** - The overall client deposit available with us in the form of cash and collaterals.

## Nature of Customers' Transactions

### 1. Setting up exposure limits

A) **Cash Segment:** We provide an exposure limit to a client which would be a multiple of the clear ledger balance in the account of the client. The value of the “multiple” will be decided by the company based on market conditions.

Clients can place orders in two products:

- MIS (Margin Intraday Square off)
- CNC (Cash and carry overnight)

If a client wishes to use margin, he/she can place orders with the MIS product code. Once the trade has been filled, only a portion of the full applicable margin will be blocked as per margin requirements for the stock. PhillipCapital will square off all open positions under the MIS code anytime during the last 30 minutes of normal market closure timing.

If a client wishes to hold a stock overnight or doesn't want PhillipCapital to square off, he/she can place orders using the CNC product code. The full amount of margin is applicable at the time of order, and PhillipCapital won't square the position off.

### B) Derivatives Segment (Equity, Currency, and Commodities)

Exposure limits for each client are based on the amount of margin deposited by each client, as per Exchange regulations. Upfront margin is to be received from the client.

Clients can place orders for two products in the F&O segment:

- MIS (Margin Intraday Square off)
- NRML (Normal - overnight)

If a client wishes to use margin, he/she can place orders with the MIS product code. Under MIS, the client will be required to pay margin as required by PhillipCapital. In the futures, both buying and selling would be allowed whereas in options only short selling will be allowed in MIS product code on futures. Once the trade has been filled, only a portion of the full applicable margin will be blocked as per margin requirements for the stock till the position is held. PhillipCapital will square off all

open positions under the MIS code anytime during the last 30 minutes of normal market closure timing. No orders shall be allowed in MIS products after the MIS square-off has been executed.

If a client wishes to hold his F&O positions of futures products overnight, he/she needs to place the order under the NRML product code. This will require 100% of the applicable SPAN and Exposure margin. For buying options, the full premium margin amount is required. For selling options, the applicable SPAN and Exposure margin are required as per the relevant product code.

### **C) Policy for Penny/illiquid Stocks**

Stocks that appear in the list of illiquid securities issued by the Exchanges every Quarter are considered penny stocks. These 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. Depending on the market condition and RMS policy of the company, PhillipCapital reserves the right to refuse to allow trading and/or provide limits on penny/illiquid stocks.

### **D) Delivery Trades**

The net purchase or sale of scrip in a client account that is settled by way of delivery on T+2 (or as per settlement schedule). Delivery in respect of sale transactions in the cash segment must be settled by the client by tendering securities in Demat form before the pay-in deadline. By not doing so, the client faces the risk of entering an auction.

### **E) Sell against buying stocks**

Clients are cautioned to wait until stocks they have purchased have been delivered before selling them. In case he/she buys a stock and sells it a day later, the two transactions won't net each other out since delivery occurs after T+2 days. The second transaction would be considered a short pay-out of security and PhillipCapital will not be responsible for any short pay-outs

## F) Trading in newly listed shares, illiquid securities, and illiquid Option contracts

Newly listed securities, illiquid securities and Trade-to-Trade securities which have high VaR margin are subject to high market risks and rate fluctuations. Illiquid securities and Trade-to-Trade securities will have a daily price range (DPR) whereby the chances that these shares can reach the upper DPR or Lower DPR during a trading day are higher than other securities. Hence, the dealing in these securities will be subject to permission from the Surveillance Department and will be subject to the available credit balance. In the case of Derivatives contracts which are Illiquid and far month contracts, dealing would be restricted and would be subjected to permission from the Risk and Surveillance Department.

Orders shall be matched and trades shall take place only if the trade price is within the trade execution range based on the reference price of the contract. Options contract that has traded in the last 3 minutes, the reference price for those, shall be revised throughout the day on a rolling basis at 1-minute intervals. If any order which is within the operating range but which may result in a trade outside the execution range is entered, then such an order (full or partial as the case may be) shall be cancelled by the Exchange.

### GSM (Graded Surveillance Measure) Securities

PhillipCapital would be blocking the scrips under GSM from Grade 2 to Grade 6, Clients will not be able to buy the GSM stocks that are under Grade 2 or higher, these stocks require Additional Surveillance Deposit (ASD) of 100% of the trade value. The ASD remains blocked by the exchange for a period of at least 3 months and even after you have sold the stock.

<b>Particular</b>	<b>Action</b>
Delivery Buy	Disabled
Holdings Sell Only	Enabled
Intraday Trading	Disabled

The restrictions are only applicable to fresh purchases. If a client holds a GSM stock in their account, they will be able to sell it through CNC, intraday trading will be restricted in GSM stocks and only delivery-based selling can be done.

### **Additional Surveillance Measures (ASM)**

To protect the interests of Clients, SEBI (Securities and Exchange Board of India) has introduced various surveillance measures, ASM has been basically brought in to control volatility in stocks.

The surveillance actions applicable by the stock exchanges for the shortlisted securities are as under:

#### **Stage I**

- a) Securities shall be placed under a Price Band of 5% or lower as applicable.
- b) VAR Margins shall be levied at the rate of 100%

#### **Stage II**

- a) The shortlisted securities shall be further monitored by the exchanges on pre-determined objective criteria and would be moved into Trade for Trade settlement as per the criteria.

The main purpose /objective of these measures is to alert and advise clients to be extra cautious while dealing in these securities and advise market participants to carry out necessary due diligence while dealing in these securities.

In cases, where clients have pledged stock and the stock is moved under ASM, they will no longer be provided collateral margins for that stock, because, as per ASM 100% haircut would be levied.

### **Unsolicited SMS Stocks**

In line with exchange regulations, trade restrictions are placed on the exchange's list of unsolicited SMS stocks. The Securities identified by the exchange in which unsolicited SMS are circulated will be blocked for buying & selling.

Client's should be cautious while dealing based on unsolicited Stock Tip/ Recommendation circulated by unauthorized/unregistered entities, received through WhatsApp, Telegram, SMS, Calls, etc, and take an informed decision before investing.

In cases, where a client has pledged a stock and the stock has moved under SMS stock, a 100% haircut would be levied for that stock and the client will no longer be provided collateral benefit for that stock. Selling of such stocks would be restricted and would be subjected to permission from the Surveillance department.

<b>Particular</b>	<b>Action</b>
Delivery Buy	Disabled
Holdings Sell Only	Disabled
Intraday Trading	Disabled

### **G) Intraday Margin Exceptions**

Intraday Margin may be reduced on certain days due to any of the following reasons:

- a) Exchange policy changes or regulation
- b) Government policy changes or regulation
- c) Broker policy changes
- d) Excessive or abnormal market movement/turnover/volatility PhillipCapital shall not be liable for any loss arising due to RMS selling on non-payment as well as loss in the case where RMS

Selling may not be done as mentioned above by RMS due to any reason.

PhillipCapital reserves the right to change the above policies any time in general or in particular case within the Exchange/FMC regulations/SEBI regulations/RBI regulations/ Government Notification /General Notification/guidelines etc.

### **H) Risk Management (Online Surveillance)**

PhillipCapital utilizes a margin-based automated RMS. Total deposits of the clients are uploaded in the system and the client may take exposure on the basis of margin applicable for the respective security as per the VaR-based margining system of the stock exchange and/or margin defined by the RMS team based on their risk perception. The client may take the benefit of 70% of the sale value as “credit for sale” i.e., the benefit of share held as margin by selling the same by selecting delivery option or CNC through order entry window on the trading platform. The value of the shares sold will be added with the value of deposits. On that basis, the client may take fresh exposure. In case the exposure taken on the basis of shares margin, the payment is required to be made before the ex-change pay-in date. Otherwise, it will be liable to square off after the pay in time or any time due to a shortage of margin or till T+7.

## Mark-to-Market Square-OFF

At any given point in time, if the MTM level of the client breaches 50% of his available Cash margin, the risk team would square off the complete positions of the client with or without intimating the clients.

For the sake of better understanding, the square of a percentage of 50% is basically the threshold base limit, and it should not be construed as an exact 50% for square off. The position may get squared off at an exact 50% or above the base threshold limit. Due to market extreme volatility, it may not be possible to monitor the square-off limit from percentage (%) to a percentage (%).

Ex: For clients, the base threshold limit is 50%. However, the square-off can be at an exact 50% or above depending upon the volatility, and information of the same could not be provided to the client on a real-time basis. The MTM square off can be either at the upper or the lower side based on the situation or price volatility. Also, in case the MTM square off is done, the residual fund if any will be blocked to trade till the client adds fresh funds to bring the overall MTM percentage sufficient below the threshold limit.

Further, the square-off will also be based on the extreme volatility in the market, which may have a severe impact on the client and the company. The Company may or may not inform the client on the same in case of potential fluctuation. (SEBI guideline on closeout/square off).

If the client is having an MTM loss of more than 40% of his available margins, the square-off call will be taken by the Risk team. A prior intimation on the same may or may not be given, and thus clients are requested to take care of their positions and MTM. There may or may not be a margin call or intimation from our RMS desk.

## Margin Square- OFF

Positions that do not have sufficient funds can be squared off at any time at the discretion of our RMS desk. There may or may not be a margin call or intimation from our RMS desk. Positions would be squared off proportionally by the risk team to bring down your margin shortfall.

## Margins

Risk management is managed with Standard Portfolio Analysis of Risk (SPAN\*). The initial margin shall be imposed at the level of a portfolio of an individual client, comprising his positions in futures and options contracts on each underlying.

Margins shall be adequate to cover 99% VaR (Value at Risk). For the buyer of the option, buy premium shall be charged as margins and blocked from the collaterals. On completion of settlement, the premium blocked shall be released.

## Brokerage

The maximum permissible brokerage rate is 2.50% of the premium amount or Rs.250/- per lot, whichever is higher. Further, The Trading Member can charge the Brokerage for Option Contracts only on the premium amount at which the Option Contract was bought or sold and not on the strike price of the Option Contract.

**Disclaimer:** The risk of loss in trading/investment can be substantial and even more than the amount/margin given by you. Investment in the securities market is subject to market risks, you are requested to read all the related documents carefully before investing. You should carefully consider whether trading/investment is appropriate for you in light of your experience, objectives, financial resources, and other relevant circumstances. PhillipCapital and any of its employees, directors, associates and/or employees, directors, associates of PhillipCapital's group entities or affiliates shall not be liable for losses, if any, incurred by you. You are further cautioned that trading/investments in financial markets are subject to market risks and are advised to seek independent third-party trading/investment advice outside PhillipCapital/group/associates/ affiliates/directors/employees before and during your trading/investment. There is no guarantee/assurance as to returns or profits or capital protection or appreciation. PhillipCapital and any of its employees, directors, associates, and/or employees, directors, associates of PhillipCapital's group entities or affiliates is not inducing you for trading/investing in the financial market(s). Trading/Investment decision is your sole responsibility. You must also read the Risk Disclosure Document and Do's and Don'ts before investing.

Investment in the securities market are subject to market risks, read all the related documents carefully before investing.

Kindly note that past performance is not necessarily a guide to future performance.

For a detailed Disclaimer, please visit our website [www.phillipcapital.in](http://www.phillipcapital.in)