



Company's Policies and Procedures for Information and Noting of Clients

1. RISK MANAGEMENT POLICY FOR CAPITAL MARKET (CM), FUTURES AND OPTIONS (F&O) & CURRENCY DERIVATIVES SEGMENT (CDS)

- **Background:**

ICDS Securities Ltd. a Trading Member of National Stock Exchange of India Ltd (NSE) on CM, F&O and CDS segments, The Stock Exchange Mumbai (BSE) on CM segment and MCX Stock Exchange (MCX-SX) on CDS segment. As per the requirements of Exchanges and SEBI, the company has designed a risk management policy for extending trading facilities to its clients and in the respective segments of the exchanges.

- **Policy:**

The Company shall on its discretion and as per the requirements of the Governing and Regulatory Bodies collect Initial, Exposure, SPAN and Mark to Market margins from the clients from time to time for their intended trading activities. The Initial Margin is compulsorily payable upfront for any trades to be executed on the F&O and CDS segments as per the prescribed rates of the respective Stock Exchanges. In addition, the margins so collected can be topped up as required and exposures of the clients so be adjusted that can vary from client to client on the basis of past experience of the Company with the client. For the CM (Cash) segment the company would collect margins within the prescribed limits based on the internal risk assessment of the client, currently the company sets exposure in the range of $[1/(\text{VAR} + \text{Exposure}) \text{ Margin}]$ times to 10 times the Capital available. (Capital is considered equivalent to Credit balance available in a Clients Ledger account maintained with the company)

However at no point in time the client would be required/asked to maintain/pay margins in excess of the amount as prescribed/calculated and levied by the exchange on the Gross Open positions of the clients. The client may be allowed to maintain additional amounts with the company to be used by them for any future exposures and any unused amount can be called by the client as and when he wishes to do so.

The Company shall on its discretion accept non-cash component (as approved and prescribed by the respective exchanges with any applicable haircuts) from the client as a percentage of the cash component that may add-up to make the capital and the same can vary from client to client, based on the past experiences. The company is allowed to take the above decisions



and the same is monitored on a real time basis by the Automated RMS Software being used by the company.

The automated software shall compute the exposure on an online basis, based on the capital available which shall be entered into the system by the authorized RMS personnel of the company. Proper Access controls are established for the access and utilization of RMS software as per the Information Technology Policy of the Company.

- **Risks Control:**

The client is given a composite exposure for all exchanges and all segments for which he is enrolled. The available capital calculated as per the policy mentioned above is allocated based on the flow of orders/execution of trades as placed by the clients, so as to do optimal utilization of the available capital.

The trading rights of the clients for all exchanges and all segments shall cease once the client utilizes 100% of the allocated exposure unless he provides additional capital by way of transfer of funds to the designated bank accounts of the company and further he would be intimated to reduce exposures on MTM reaching 50% to the capital computed for exposure calculation, and he would be repeatedly informed till MTM of 75%.

Upon the MTM reaching 75% of the capital loss, the company may at its discretion square off 50% of the positions on random basis, subject to client not infusing clear funds to its capital requirements and/or to cover its loss.

Upon the MTM reaching 95% of the capital loss, the company may at its discretion square off the entire positions, subject to client not infusing clear funds to its capital requirements and/or to cover its loss.

In case of the benchmark points being breached on previous days open positions in any of the exchange or segments the company can square off the positions as mentioned above and also sell any additional securities available so as to cover up the losses only, under no circumstances the company would sell exceeding 3% of the debits to be covered. All these are subject to client not infusing clear funds to its capital requirements and/or to cover its loss.

In case of clients who undertake delivery based transactions on the CM segment and fail to make payments or deliver shares within the pay-in due date the company would have a right to hold back earlier settlement payouts of funds and /or securities to cover up for the losses that may be incurred because of the close-out/sale of securities that are unpaid for.



The above guidelines can vary and/or may be altered based on clients relationships, at the sole discretion of the Company.

- **Systemic Control And Client Classification:**

The clients' shall be classified as low, medium and high risks, based on the information captured through the KYC, client trading patterns, past experiences of the company with them and on their funds flow system. The same shall be as per the internal control and assessment system of the Company, this information would be kept confidential and would be accessible only to the authorised personnel only.

- **Restriction Of Trades In Illiquid Securities/ Penny Stocks:**

The RMS department/cell of the company would adopt a stringent policy for allowing trades in Illiquid Securities/ Penny stocks. Generally the orders placed for any securities classified as Illiquid Securities/Penny stocks from time to time, would be first rejected by the RMS software and after due verification of the credentials for the said order, the RMS would allow or refuse to undertake execution of the order by any client. ***The company reserves the right to refuse undertaking/placing orders in such stocks classified as Illiquid securities / penny stocks without assigning any specific reasons.*** A list of Illiquid securities is given by the respective exchanges every month and the company would update its system for Illiquid Securities / Penny Stocks from the latest list available. Same can be accessed from the website of www.icdssecurities.com www.bseindia.com and www.nseindia.com.

2 TEMPORARILY SUSPENDING OR CLOSING A CLIENT'S ACCOUNT AT THE CLIENT'S REQUEST:

On the request of the client in writing, the client account can be suspended temporarily and same can be activated on the written request of the client only. During the period client account is suspended, the market transaction in the client account will be prohibited. However client shares/ledger balance settlement can take place.

3. DEREGISTERING A CLIENT:

Notwithstanding anything to the contrary stated in the agreement, the company shall be entitled to terminate the agreement with immediate effect in any of the following circumstances:



- (i) 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 or disturb the normal/proper functioning of the market, either alone or in conjunction with others.
- (ii) If there is any commencement of a legal process against the client under any law in force;
- (iii) On the death/lunacy or other disability of the Client;
- (iv) If the client being a partnership firm, has any steps taken by the Client and/or its partners for dissolution of the partnership;
- (v) If the Client suffers any adverse material change in his/her/its financial position or defaults in any other agreement with the Stock broker;
- (vi) If there is reasonable apprehension that the Client is unable to pay its debts or the Client has admitted its inability to pay its debts, as they become payable;
- (vii) If the Client is in breach of any term, condition or covenant of this Agreement;
- (viii) If the Client has made any material misrepresentation of facts, including (without limitation) in relation to the Security;
- (ix) If a receiver, administrator or liquidator has been appointed or allowed to be appointed of all or any part of the undertaking of the Client;
- (x) If the Client have taken or suffered to be taken any action for its reorganization, liquidation or dissolution;
- (xi) If the Client has voluntarily or compulsorily become the subject of proceedings under any bankruptcy or insolvency law or being a company, goes into liquidation or has a receiver appointed in respect of its assets or refers itself to the Board for Industrial and Financial Reconstruction or under any other law providing protection as a relief undertaking;
- (xii) If any covenant or warranty of the Client is incorrect or untrue in any material respect;

4. INACTIVE CLIENT ACCOUNT:

Client account will be considered as inactive if the client does not trade for period of one year. Calculation will be done at the beginning of every month and those clients who have not traded even a single time will be considered as inactive, the shares/ credit ledger balance if any will be transferred to the client within one week of the identifying the client as inactive. The client has to make written request for reactivation of their account.

Same can be accessed through our website <http://www.icdssecurities.com/downloads>.

