

**RISK MANAGEMENT POLICY –Version-4.1(adopted w.e.f. 11/12/2019)**

**RISK MANAGEMENT SYSTEM :-**

The Business model for KIFS consists both KIFS owned Branches and Business Associate Offices (Authorized Persons). The clients are linked or mapped to these branches or Associate Offices, and are engaged in trading from these branches. Apart from the trades executed from Branches, there are certain clients who are indulged in trading using the internet trading platform of KIFS. Controlling and monitoring of these trades are done from RMS surveillance dept.

**Major Functions of RMS :**

- Allocating exposure to the clients' trading account and enabling the clients' to do trades.
- Monitoring of orders & trades by clients. Checking of order rejections and increasing exposure, if required.
- Monitoring the MTM profit/loss incurred out of trades, comparing the Actual Margin requirements of clients and the Total Margin available for clients on a one to one basis and initiating remedial actions, if required.
- Decision taking with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across.

In short, the Risk management in relation to all the trading activities for Clients is handled by RMS Dept.

**TRADING :**

KIFS being is a registered stock broker of NSE, BSE, MESI which are following online trading system and having a settlement system of T+2 in Capital Market segment and Daily mark to market settlement & Final settlement in Futures & Options segment (including Currency Derivatives). KIFS is using various software like BOLT, NEAT, CTCL, ODIN, NOW, Trade Capital (by Intellect) for trading in Capital Market and Derivatives segment. All such software widely accepted amongst the industry as whole and are used by several other broking companies across the country.

Every exchange fix a minimum initial deposit to be maintained by every trading members as initial margin (Base Minimum Capital) and trading members, at their discretion, can have more deposits (Additional Base Capital) to be used as Margin for the purpose of enabling the trading activities. The exposure levels set by these exchanges are on a member level and not on client level.

The Exchange provides user id for Exchange Trading terminals and KIFS in turn activates CTCL login facility and provided ODIN terminal to the branches across the country. Exposures on the such BOLT/NEAT/CTCL/ODIN (in short trading terminals) are set by KIFS RMS Dept and are done for each and every client based on the margin available with them.

## **EXPOSURE RULES :**

Each and every client registered with KIFS needs to provide initial deposit by way of cheque or securities. On clearance of the cheque/securities in the account of the client, he/she will be able to put buy or sell orders through KIFS's trading platform.

The term 'Exposure' means the extent to which the client's initial deposit can be utilized for trading activities. In simple terms, for e.g. if a client having Rs.100 deposit is allowed to trade for Rs.1000, his exposure for trading is TEN times of the initial deposit. The multiplier in the said example is TEN times.

KIFS may have different exposure policy for Investors and day traders. For an investor, KIFS may provide exposure depending upon Exchange's VaR margin of particular security/scrip as may be applicable from time to time, in multiple of certain percentage (for e.g. 2 times, 3 times etc.) or adhoc limit on case to case basis, for taking delivery positions in Capital Market. For e.g.: If a client is having Rs.100000/- in his account as clear funds, he is allowed to take a delivery position up to Rs.200000/- or Rs.300000/- The difference amount needs to be brought in the form of a NEFT/RTGS/ECS/IMPS/cheque or via normal banking channels on the same day itself or latest by T+1 day or as per prevalent internal control / RMS policy of KIFS.

A day trader may be provided with certain percentage (for e.g. 4 times, 6 times etc.) exposure for indulging in day trading activities, however depending upon margin / securities available with KIFS. This may vary from time to time in accordance with the market conditions and client to client. The positions taken for intra-day should be cleared by 3.00 PM on the same day by the client. Once the MTM loss of the intra-day positions reach 75% of the margin available (such %age may be curtailed by KIFS in its absolute discretion depending upon prevalent market conditions), the positions may be cleared from the branch or associate offices concerned, failing which the positions taken for the intra-day will be cleared off from RMS dept. Intra-day exposure in Capital Market Segment can be availed based on the shares in DP & pool Account subject to a haircut in the valuation and with available credit balance in the Account ledger.

The exposure set in Capital Market segment and Futures & options segment (including Currency Derivatives) is different. In capital market the client is allowed to take the exposure on multiplier basis or adhoc basis which can be anywhere up to 10 times of initial deposit. Whereas, in Futures & options segment, where exchanges have stipulated fixed initial margins and exposure margin and such other applicable margins from time to time, it is compulsory to keep 100% margin either in the form of clear fund balance or as collateral securities.

The term Total Margin Available means the account balance available for the client in his ledger account. Collateral shares means the shares which are bought by the client in respect of which no payments are outstanding and are available in the client collateral account / collateral account. Securities kept in CUSA account can be considered towards reporting of client's margin obligation in derivative segment after adjusting any debit balance in such client ledger, across all segments and Exchanges (including commodities but excluding MTF account balance). Shares in client's own demat account will not be considered as collaterals for the purpose of trading in derivatives.



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For availing the benefit of collateral margin, client needs to transfer the securities either to client collateral account or collateral account of KIFS as may be permissible. All the shares transferred as collateral can be considered for exposure after deducting an applicable haircut on the closing price of the shares.

However, KIFS may allow Trading in Newly Listed Shares & Illiquid Securities subject to certain conditions as may deem fit and proper in its absolute discretion.

Newly listed shares, illiquid securities and Trade-to-Trade shares having high VaR margin and trading in these scrips are subject to the high market risks and rate fluctuations. Illiquid securities & Trade-to-Trade securities will have a daily price range and there are chances that these shares reach the upper DPR or Lower DPR during a trading day. Hence, the dealing in these securities will be subject to the permission from the RMS dept and will be subject to the available credit balance only.

Newly listed shares usually do not have any DPR and hence, the chances for rate fluctuations are more. The dealing in newly listed shares will be restricted to the available credit balance after considering the MtoM levels.

#### **Square off/Liquidation:**

The client has to meet-up with his pay-in / dues / funds obligation in prescribed time limit as per prevalent RMS policy of KIFS. In case of non-payment or partial payment, KIFS in its absolute discretion shall decide on case to case basis whether to retain full value of securities (in case of partial payment) or to transfer such unpaid client securities to client's demat account despite the client having debit balance or moving to Client Unpaid Securities Account (CUSA) or dispose off the securities (in case of non-payment) within 5 trading days from the date of pay-out. KIFS may sale securities lying in client collateral / collateral account based on client's specific instruction and can consider the same towards such unpaid securities provided clear funds are received within such 5 trading days. KIFS shall, on a demand made by client, release the securities to the client to the extent of the amount received or lying to the credit of the client.

KIFS may take such decision w.r.t. transfer of securities from Pool / Unpaid Securities demat account to Clients' own demat Account / CUSA on case to case basis. In case where Securities are transferred to CUSA then KIFS shall be at liberty to sell such client's securities as per prevalent market rate of such security(ies) from time to time to the extent of Unpaid amount. However, KIFS upon receipt of instruction from client may also sell the securities of respective client lying in "Client Collateral Account" instead of securities lying in CUSA and consider the said credit amount towards unpaid securities. KIFS shall not be held responsible if it is unable to sell the unpaid securities within 5<sup>th</sup> day from pay-out date due to reasons such as inactive/suspended shares/securities, lower circuit, litigations, regulatory enforcement / court directions, other trading restrictions like GSM or any other reason specified from time to time.



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In case KIFS is unable to transfer the securities to client's BO account due to any legitimate reasons, KIFS may proceed to liquidate the securities lying in demat accounts and transfer the funds to the bank account of the client. If KIFS is unable to transfer the funds due to client's bank account becoming dormant and client is not contactable, KIFS shall set aside such funds till the client is contactable and correct bank account details are obtained.

For e.g. If client has purchased securities on Monday, then he is supposed to meet-up his funds pay-in obligation by Wednesday end of the day under T+2 regime. If he fails to clear his dues, then KIFS may transfer his securities to CUSA. If client fulfills his pay-in obligation or clears or attempt to clear his dues with KIFS by 11.00 a.m. upto Friday, then KIFS shall transfer his securities to his demat account upon fulfilment of such funds obligation or achieving clear credit balance with KIFS. Else at any time thereafter but within 5 trading days of pay-out, KIFS shall proceed further with disposing off his securities as per Client's instructions, if any, given to RMS department. Else KIFS shall apply ISINwise FIFO method for squaring off and resultant profit or loss on such sale transaction shall be transferred to or adjusted from respective client account. Should KIFS opt for liquidation of client securities in case of non-payment within 5 days from the pay-out date, no pre-order confirmation is required to be obtained, as this being SEBI circular mandate.

Further, in running account authorization w.r.t. clauses applicable to settlement of securities shall deemed to be deleted in terms of SEBI circular dated 20/06/2019. The above provisions of RMS policy shall apply mutatis mutandis to the policies and procedure of KIFS.

#### **Internet Based Trading (IBT) :**

KIFS provides internet based trading facility for its clients through its trading software as elsewhere in this RMS policy.

The exposure for IBT clients in for intra-day and for delivery will be different depending upon the margin available in client's account.

Internet Trading/Online Trading Facility is provided to clients on an optional basis. The software being utilized for the same is from Exchange Approved Vendor or developed by any other software developer. The charges for the same differ from client to client based upon its volume; risk appetite, RMS policy and such other criteria as may be deemed fit and proper by RMS Team.

The Brokerage rate in case of Normal Trading as well as IBT shall be as agreed by the client from time to time. For IBT, clauses mentioned in Rights and Obligations documents as well as clauses of Internet & Wireless Technology bases trading facility document shall also be applicable.

#### **Various other terms / provisions of RMS policy:**

##### **Functionalities**

**Short Sell** - In case the client wishes to place an order, the order panel displayed shows two options i.e. Delivery / Margin. If the client wishes to Short sell a scrip, he has to choose Margin option and then place the order to short sell the scrip.



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**Buy Today Sell Tomorrow** – This type of option is not available in our IBT Software and if in any case the client sells a scrip of which he has not received any delivery then he can do this at his own risk. KIFS do not inter-settle any such transactions and thus auction the shares of the respective client.

### **Order Execution**

The order panel displays the various details which are to be selected by the client. After that the client has to click OK. Once again the Confirmation Note is displayed as to accept the order or not. If the client clicks OK the order is finally punched and executed.

The time taken in the order execution is Real Time i.e normal time taken in a particular transaction based on Internet Connectivity.

There is no bifurcation of orders Quantity wise rather it is Value wise. The order size whether big or small depends entirely on the Exposure limit. If the order of the client exceeds the exposure limit available to him then the order is rejected. In case the client wants to punch an order exceeding his exposure limit then either he has to send a cheque for the respective amount or if he commits to pay the amount in due course of time then his limit is increased, depending upon his credit worthiness / referrals and past transaction history with us and thus his order is accepted.

### **Note on Off-The Floor Transaction**

No Off-the Floor Transactions are carried out by us.

### **Note about Contract Notes**

In general, KIFS issue Contract Notes to all clients in Electronic format (ECN) who have provided their respective consent. Such ECN are invariably digitally signed by our authorized representative. Even the same are being displayed on our website also. If the e-mail id of the respective client is not available or the mail is bounced back for any reason then such clients are being issued contract notes in physical format through courier. Even clients who visits directly to our office and demands physical contract notes once again, the same are being issued to him/them. The Courier agency regularly collects the courier covers from our office daily in the evening and dispatch the same to respective clients.

### **Note about Third Party Securities Collection**

Generally, KIFS do not allow third party securities. Even KIFS try to discourage the same. However in a case there is a receipt of certain third party shares in our Settlement / Pool A/c directly, the said comes to our notice by way of mismatch report once the transaction takes place. Immediately, KIFS call/send SMS to respective clients about the same and informs about such transaction and when he confirms that the shares have been transferred either from his other demat account not registered with us at the time of account opening or from his family member's account, and KIFS confirm the details of the Client ID & Demat ID & call for proper proof of the said account not registered with us, which has to submitted by the client in 2-3 working days. However the



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possibility of carrying out such transaction is very rare and minimal. On submission of the valid proofs, the new details are registered in the Client Master which is accordingly updated.

If the transfer is from the client's family member's account, then the client is warned not to repeat it again.

### **Third Party Cheque Collection**

Generally, KIFS do not allow third party transactions. However, in a case whenever there is a direct deposit of certain third party cheques in our Bank A/c either by client/ authorized person , then the client confirms the above deposit either through mail / fax / phone and intimates us about the bank and cheque details. In such cases, KIFS warns the client not to deposit directly any third party cheques and also confirm about the details from whose account the cheque has been deposited. Even the client is being informed about making necessary arrangement for addition / updation of his bank account details in our client master.

In case, where there is no information / confirmation regarding the drawer of the cheque in whose account necessary credit is required to be given, then KIFS transfer the above amount into our Suspense Account and in turn asks our bankers to verify and confirm about providing such details to us. Earlier this was confirmed with the bankers on monthly basis but as per bankers request the same is being done on quarterly basis or such other period as may be specified by respective bank(s) from time to time. Here, the term cheque(s) also include ECS/NEFT/RTGS/IMPS or such other mode of payment as may be allowed/approved by Reserve Bank of India (RBI) from time to time.

### **Note on Internal Auction**

Internal Auction means when both the seller and buyer are clients of KTCPL and when seller fails to meet up his securities pay-in obligation on the settlement day. In such cases, KIFS either through its' branches or APs intimate the respective buyer clients over a telephone about receipt of such internal short delivery so the buying client can have an option to buy such short delivery shares if he / she chooses so . Simultaneously, Close out bill is credited in the ledger of the buying client and Auction bill is debited in the ledger of Selling Client who has defaulted in Securities pay-in. Both these Close out & Auction bills are made in "X" Settlement Type. Such Close Out / Auction is calculated as 3% Higher (If Scrip price is upto Rs.100/- on Settlement day) or 5% Higher (If Scrip price is more than Rs.100/- on Settlement day) of closing price of the securities on the Settlement day.

### **Note on T group, Ts Group and Z group/Illiquid Securities:**

In T group, Ts group and Z group or Illiquid Scrips/securities, KIFS keep a limit of Single trade value of Rs. 50,000/- which can be increased in the range of Rs. 5,000/- to Rs. 10,000/- gradually. The same in turn shall be subject to overall Gross Limit of KIFS which cannot be exceeded unless by the permission of the higher authority. The said limit can be extended/curtailed as per prevalent market conditions from time to time in absolute discretion of KIFS.



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**Note on Authorised Persons Limit and Clientele Limit:**

The Authorised Person's limit is normally fixed at Rs. 20,00,000/- which can be increased/decreased as per KIFS's absolute discretion based on prevalent market conditions as well as business conduct or history of such authorized persons.

The client limit is fixed as per the Ledger balance in line with respective client's trade history/experience, if available, his financial capacity and/or credit worthiness and referrals and as disclosed elsewhere in this policy.

**PRECAUTIONARY MEASURES BEING ADOPTED DURING HEAVY MARKET FALLS:**

As a part of our risk management system, KIFS has inducted our separate team who is monitoring the exposures of clients / authorized persons on run-time basis. During market fall, KIFS observe the position of respective client as well as authorized persons like his credit balance available with it, securities lying with it etc. and depending upon the same, KIFS allow them to transact or create the position or to extend / subtract their position. At the same time, KIFS has to consider respective client's trade history/experience with us, his financial capacity and/or credit worthiness and referrals. In case, there is debit balance, KIFS request client to provide sufficient margin / securities / funds to carry out his request for fresh buying or to create fresh position.

**Disclosure: In order to protect its interest, KIFS Trade Capital Pvt. Ltd. (KIFS) reserves its right to alter / amend this RMS policy or any part there of in its absolute discretion from time to time considering its prevalent RMS policy and market conditions or as per the regulatory requirements by displaying the same on its website. Clients are being advised to refer website of KIFS w.r.t. prevalent RMS policy, Policies and Procedures and such other terms and conditions before entering into any transactions with KIFS. In case of any query or for further understanding, client may approach the compliance department on 079-26400140 / 740 (extn – 422/428) or 09909930692. This policy is considered and approved by Board of KIFS Trade Capital P. Ltd. in the meeting of its managing committee held on 11.12.2019.**



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