



# R.L.P. Securities Private Limited.

Corporate Member – NSE, BSE, MCX, NCDEX. DP - CDSL.  
SEBI Regn. NO: INZ000166638. DP : IN-DP-224-2016.



## Risk Management System Policy

### BACKGROUND

Considering the speed and complexity of the business, R.L.P. Securities Private Limited has designed the Internal Control Policies to adhere to customer due diligence and to ensure the Compliances of various statutory bodies like SEBI, EXCHANGES, PMLA, AML, RBI, DEPOSITORIES etc., to enable smooth functioning of the business and concentrate on the core business of broking, the company had set up various Departments with Department heads and dedicated staff members reporting directly to the Senior Management, Compliance Officer and Board of directors. The main object of this policy is to establish Internal Controls to manage and mitigate the risk occurring at various levels.

- a. KYC Department
- b. Risk Management System And Transaction Monitoring
- c. Clearing House Department
- d. Back Office And Accounts Department
- e. DP Department
- f. Technical Department
- g. Compliances and Regulatory reporting Department
- h. Dispatch and Record Keeping Department
- i. Training Department

#### a.) KYC Department

KYC department scrutinizes all the KYC documents received from the Clients at entry level and does all the preliminary Client Due Diligence required. After being satisfied by the credentials of the client and having satisfied by the genuineness of the details produced by the client as required under the various rules regulations framed by our company, the exchanges, the regulatory and other statutory bodies from time to time, the KYC Department Approves the acceptance of Client.

In case, the KYC Department is not satisfied or finds any Suspicion or feels it as High Risk or Special Category Client, as governed by the policies of the Company, Regulators or Any Debarred



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Entity as per the List Provided by the regulators from time to time. The KYC Department will send the same to Senior Management with a flag.

No Debarred entity will be accepted as a client.

While Processing the Acceptance of Client, The KYC Department will take every care to ensure that all the Policies and Procedures adopted by the Company, Exchanges, Regulators and other Statutory Bodies are adhered to. It also ensures that the Client is educated about :

- ☐ The Rights and Obligations of Stock Brokers, Sub-Brokers and Clients.
- ☐ The Rights and Obligations of Beneficial Owner and Depository Participant as prescribed by SEBI and Depositories
- ☐ Risk Disclosure Document for Capital Market And Derivative Segments
- ☐ Guidance Note-DO's and DON'Ts for Trading on the Exchange(s) for Investors as Prescribed by SEBI and Stock Exchanges
- ☐ Policies and Procedures framed by us
- ☐ Tariff Structure (Trading And Demat)
- ☐ POA for Settlement and Margin (though Not Mandatory)
- ☐ Running Account Authorizations (though Not Mandatory)
- ☐ Also the General Terms and Conditions governing the services provided by the the Company.
- ☐ Margin Obligations and Penalty Structures there of- In case of Derivative Trades.
- ☐ Investor Grievance Mechanism

It is also made to understand that all the above are also displayed on our Web Site [www.rlpsecurities.com](http://www.rlpsecurities.com)

and any changes, updations will be updated on the website from time to time.

The client will also be made to understand that any change in KYC details should be updated to us with required proofs immediately in written for modification in their records.

Self attested copies of the following Documents along with duly filled in Central KYC Application form, and Client Registration Form is obtained :

- ☐ **Proof of Identity-** PAN Card xerox duly attested and verified with Income tax Website,
- ☐ **Proof of Address-**
- ☐ Valid Passport, Valid Driving License, UID (Aadhar), Voter ID Card, Valid NREGA or any one of the POI or POA as approved by the regulators from time to time.
- ☐ **Bank Proof-** Cancelled Cheque, Bank Statement etc., Relating to the same client
- ☐ **DP Proof-** CMR Copy etc. and any other requirements relating to the same Client, as per the status of the clients.
- ☐ All other Documents as required for Different Status, As notified by the regulators from time to time are obtained before accepting the Client.

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In person verification to be done by the staff members, Authorized persons in all the angles including their Occupation details, financial status, their ability to absorb risk, Whether they are trading for themselves etc.,

All the Xerox Copies will be verified with Original and are certified to that extent by the staff members, Authorized Person.

All the KYC details are uploaded to the respective KRA Authorities including that of Central KYC REGISTRY And **CERSAI**. The images are also uploaded. FATCA Regulations are also adhered to.

It will be made clear to the client that all the Non Mandatory Documents Annexed in PART B of the Client Registration form are optional and can be executed only at the option of the client.

The UCC shall be uploaded to the Exchanges and the client will be allowed to trade only after the KYC is accurate and uploaded in all respects.

The Client E mail Id and mobile Number Data will be updated to the Exchanges and Depositories to ensure that the client also receives the messages of his transactions directly.

The KYC Department dispatches the welcome Kit to the Client displaying all the details, along with the Xerox Copy of Duly executed CLIENT REGISTRATION FORM., All the contents of KYC- A & KYC-B

The client shall also be provided with the Login ID and pass word to access the Back office details including that of Margin Obligations to the clients from our Website.

The client shall also be enabled the Internet Trading after obtaining the required Agreements.

The client shall also be provided with the e-contract facility on specific request from the client.

Updation of client details will be verified at frequent intervals and if a client is inactive for a period more than one year, The account will be de-activated and will be activated, only after specific request and obtaining substantial confirmation. Any modifications or changes will be made only after obtaining proper proof and request letter. Intimation will be sent to the client, on any client modifications.



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To carry out the Due Diligence of the client(s) on a continuous basis And to ensure that the key KYC parameters are updated on a periodic basis as prescribed by SEBI and the latest information of the client is updated in UCC database of the Exchange. Based on which the multiple Accounts / Common Account / group of clients can be established and be eliminated out of the System

The KYC Department also Monitors that all the KYC Records are in Order and are easily retrievable.

## RISK MANAGEMENT & SURVEILLANCE DEPARTMENT :

A prudent system of Risk shall protect the Company from Client Default. This policy is made to safe guard the Financial health and interest of the Company by allowing the Margins to the client based on their Financial Credit balance and Net worth of Approved stocks available in CUSA / Client Margin Pledge Account after appropriate haircut and Client BO Account with Specific POA to member for delivery sale exposure. We shall ensure that appropriate upfront Margins are maintained before placing the orders. The quantum and mode of such Margin, shall be as per the Exchange regulation from time to time.

### Trading Operation:

Trading operations include both Equity, Commodity and Derivative Trading. Scripts / shares /holdings / Collaterals include both cash and Commodities. The Client to be allowed trading only as per the financial credit balance available and to keep watch on the trading pattern of the client with relation to the financial net worth, Occupation, financial discipline and the previous history of honoring the Financial Commitments also taking into account PAN debarred entities by authorities from time to time, doing concentrated trading on specific scrip with high volume or low volume or any other abnormal activities as defined under the PMLA Policies or Alerts generated by our Systems or Exchanges, Depositories or any other regulators. Based on the above the client to be classified as:

- LOW Risk Client
- MEDIUM Risk Client
- HIGH Risk Client
- HIGH Net worth Client.
- Client of Special Category

### RISK MANAGEMENT POLICY:

The Company shall at its discretion and as per the requirements of the Governing and Regulatory Bodies collect upfront Margin, Initial Margins and Mark to Market margins from the clients. In addition, the margins so collected can be topped up as required and

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exposures of the clients so be adjusted that can vary from client to client basis and on Market conditions.

Based on the Risk profile of the clients, their trading pattern and their funds flow, the client would be allowed the exposures for intraday, in case of delivery the regular settlement procedure of T+2 will be followed. If the pay in amount is not received from the client on the due date, the shares can be transferred to CUSA Account or Direct Designated BO Account and such positions would be made squared off for the recovery of debit balance. The same shall be at the discretion of the Management.

For Derivative segment, The Exposure for Futures and Options writing will be based on the SPAN margin as notified by the Exchange from time to time and such additional margins as may be required, as per market volatility may be collected. For buying of options, the exposure is allowed only on clear credit balances. Allowing stock as Collateral after hair cut or any other form as specified by the regulators from time to time, is at the discretion of the management.

The Company shall on its discretion maintain the non-cash component of the client as a percentage of the cash component and the same can vary from client to client basis. The Management is allowed to take the above decisions and the same shall be monitored on a regular basis by the Automated Software that is in place. The automated software shall compute the capital available towards the exposure on an online basis, the policy for such exposure shall be entered into the system by the Surveillance team in coordination with the management team and Compliance Officer as a part of RISK MANAGEMENT SYSTEM.

Exposure is allowed as a multiple of the margin for intraday and Derivatives through MIS window and as a multiple of CNC for delivery of stocks. The sell limit in case of deliveries held with us is allowed through CNC. The above is subject to maintenance of Upfront Margin.

The effective Risk at RMS is controlled at various levels by using the following parameters:

- ☐ Qty Limit for each order
- ☐ Value Limit for each order
- ☐ Value Limit for each User ID
- ☐ Value Limit for each Branch ID
- ☐ Security wise for each User ID
- ☐ Max Qty & Max Value Limit for single order for each NNF Dealer ID
- ☐ Pending order Limit
- ☐ And any other such parameters as may be required from time to time.

The above limits are set up under the guidance of the Compliance Officer, based on our Capital adequacy requirements and risks of the corresponding Clients, User ID, Branch ID, Volatility of the Security and based on market conditions.

Such Limits are reviewed regularly.



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To set the Limits to the Clients for trading Exposure, the financials, Collaterals as pledge and open positions are updated into the CTCL systems through file formats on daily basis along with the set limits to the clients as per the company policy, which may vary based on the regulatory requirements and market conditions and client to client.

As a policy, the Company always allow a set limit and does not allow any unlimited limits to the Clients Or User IDs.

Daily record of limits set and re-set are preserved.

All the above are monitored by the RMS Team under the supervision of Compliance Officer. The Compliance Officer will be reporting the same to the Management and the Exchanges on Regular Basis (Quarterly Basis to the Exchange.)

## **RISKS CONTROL:**

The trading rights of the clients shall cease once the client utilizes 100% of the allocated exposure or is @ 50% of loss to the capital computed for exposure calculation.

Upon 75% of the clients' capital loss, 50% random position shall be made squared off by the client, subject to client not infusing clear funds to its margin requirements and / or to cover its loss.

Upon 100% of the clients' capital loss, the entire position of the client shall be made to be squared off. RLP reserves the right to square off such transactions. The loss is a % of the capital computed for exposure calculation as per the company policy.

Whenever the position of a client is reduced for want of Margins or non-fulfillment of Obligation, Such transaction will be flagged in the Contract Note.

The policy framed by the Management for allocating exposure to the Client may vary from time to time based on the Market conditions and regulatory changes.

The above guidelines can vary at the sole discretion of the Management.

The Policies and Procedures forming integral part of the MANDATORY DOCUMENT are adhered to and it forms part of this Risk Management Policy.

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## Surveillance Policy And Monitoring of Transactional Alerts :

**Based on the trading activities, risk profile and UCC details of the Clients the trading alerts generated by our systems and by the Exchanges and Depository, the senior management along with the Principal Officer and the designated Director reviews the alerts and initiates appropriate measures, as per the policies and CDD measures and may also report to FIU IND as per the PMLA policies laid down by the company**

The above review also includes the alerts generated by the Exchanges :

Sr. No.	Transactional Alerts	Segment
1	Significantly increase in client Activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Client/Group of Client (s), deal in common scripts	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scripts	Cash
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash
8	Pump and Dump	Cash
9	Wash Sales	Cash & Derivatives
10	Reversal of Trades	Cash & Derivatives
11	Front Running	Cash
12	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
13	Order book spoofing i.e. large orders away from market	Cash

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scripts identified based on above alerts, The company :

- ☐ a. Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.
- ☐ b. Seek documentary evidence such as bank statement / demat transaction statement or any other documents to satisfy itself
- ☐ In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought. In case of securities, demat account statements of the Client(s) / Group of Client(s) from which securities pay-in has been met, to be sought.
- ☐ The period for such statements may be at least +/- 15 days from the date of
- ☐ transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.
- ☐ c. After analyzing the documentary evidences, including the bank / demat statement, the Company shall record its observations for such identified transactions or Client(s) / Group of Client(s). In case adverse observations are recorded, the Company shall report all such

instances to the Exchange within stipulated time of the alert generation. The Company may seek extension of the time period from the Exchange, wherever required.

### Monitoring and reporting:

For effective monitoring, we have framed a surveillance policy covering:

- ☐ i. Receipt and review of Alerts from Exchanges / generated at our end as mentioned above. All the alerts generated by the Exchanges are reviewed and monitored on daily basis and the rationale for such trades are examined and reported to the Exchanges on its web portal.

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- ☐ ii. The same to be disposed of within one week from observing the alerts and if there is any delay in disposition, reason for the same shall be documented.
- ☐ iii. Suspicious / Manipulative activity will be identified from the above alerts and if we do not receive or not satisfied with the Explanation received or if it is found to be abnormal in nature, the Principal Officer will review the same and after apprising it to the Designated Director, confidentially reports to the FIU IND or any other regulatory as deemed fit and take appropriate action including that of suspending the Client.
- ☐ iv. Such Record will be maintained for a period of Five years or such period as may be required till the completion of the inquiry or as desired by the statute from time to time.
- ☐ v. The MIS shall be put up to the Board on Quarterly Basis, on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter. Reasons for pendency shall be discussed and appropriate action taken. Also, the Board shall be apprised of any exception noticed during the disposition of alerts.
- ☐ The surveillance process shall be conducted under overall supervision of its Compliance Officer.
- ☐ Designated directors And Compliance Officer would be responsible for all surveillance activities, record maintenance and reporting of such activities.
- ☐ Internal auditor shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report.

## Clearing House Department:

This Department ensures the smooth functioning of Pay in And Pay out of Funds and Securities to the Exchange and to the Clients and closely monitors the Client Security movements, including that of Auctions.

This Department ensures whether the Client is regularly meeting the Pay in obligation of securities or not. If there are frequent Auctions or shortfall in securities, the Client will be treated as High risk client. Any shortfall in Deliveries will be intimated to the clients. If any Client is buying or selling heavily in only one or two scripts on regular basis, we will be closely monitoring and take appropriate steps. Any Abnormal change in trading pattern of the clients, will immediately be notified to the Senior Management.

It ensures that that the Securities are received from the same client BO Demat Account and issued to the same Client BO Demat Account as mentioned in the Client KYC

## Back Office and Accounts Department:

This Department ensures smooth functioning of Pay in, Pay out and Margin collection to the Exchanges and to the Clients. They will have a watch on whether there are any frequent cheque bouncing from the clients. Whether any unusual amount of cheques are paid or received from any of the clients. If so appropriate steps to be taken to check the genuinely

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of the transactions and verify whether the client is acting on his own or acting for somebody else and report the same to the Senior management.

- ☐ No cash transactions will be accepted.
- ☐ Closely monitors the clients making payment frequently by DD/ PO,
- ☐ It ensures that that the funds are received from the same client Bank Account and issued to the same Client Bank Account And securities to and from the designated Demat Account as mentioned in the Client KYC.
- ☐ Settlement of Funds and Securities to the clients as per the statute.
- ☐ Collection of outstanding Debit Balances.
- ☐ Intimation and collection of Client Margin Shortfalls and levy of penalties on Non Compliance of the same.

Generating the Contract Note and Dispatching the contract notes as per the statutory Regulations. In case of dispatch of E contracts, ensure that the mandate for the same is obtained and for all the Bounced mails, Physical Contract note will be dispatched, As per the statute.

End of the day intimation of transactions, positions, Margins, Penalties (if any) and holdings value will also be intimated through SMS, Apart from regular intimation through email / post.

Regular updation of WEBSITE with all the financial Transactions by the End of the Day.  
Regularly Reconciles all the Accounts including the Bank Accounts.  
Regularly monitors the long outstanding Credit or Debit Balances of the clients and ensures the settlement of Funds and Securities, as per the Client Mandate and ensuring confirmation of balances from the clients.

Ensures that all the statutory dues are made in time.

Analyses the over all financial health of the Organization and reports the same to the Senior Management and Board of Directors from time to time.

Ensures timely compliance of all the statutory requirements including that of Finalization of Accounts and Preparation of Net worth statements, Co-coordinating with the Statutory and Internal Auditors.

**DP Department :**



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Adheres to the over all DP Operations and is responsible for the smooth timely functioning of PAY IN and PAY OUT of securities and other DP operations like DEMAT, REMAT, PLEDGE, REPLEDGE AND UNPLEDGE etc..

## **Technical Department:**

Plays a key role in maintaining all the Systems AND updation of all the software Front office and Back office and detecting and preventing cyber attack and running Antivirus. Customer support for all the Trading terminals. It is also responsible for System Audit, Cyber Audit and Back up of various Data.

## **Compliances and Regulatory reporting Department :**

Compliances and Regulatory reporting Department is lead by the Compliance Officer and the Designated Director to meet the over all compliances and Regulatory Requirements.

## **Dispatch and Record Keeping Department :**

All the KYC documents, Contract Notes and other relevant documents are preserved in a systematic manner so that they are easily retrievable, whenever required.

## **Training Department:**

We have policy for ongoing employee training program so that the total staffs of our company are completely aware of the provisions of AML and CFT procedures and amendments thereof. These training programmes include Webinars, Seminars, Con Calls, Circulation of relevant materials, case study, circulars etc.. and are totally focused for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers as it is very crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements, if there is any lapse on the part of any staffs of the company.

All the staff members are also being circulated all the Regulatory Circulars and the latest updations on the PMLA Policies.



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## DISCLAIMER:

These are the risks policies in place, but the clients' liabilities shall be as it is, if the above parameters cannot be executed.

## Review Policy:

This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs.

The policy may be reviewed by the Managing Director / Compliance Officer and place the changes in policy before the Board at the meeting.

## Approval Authority:

This policy is as approved by the Board of Directors on 27/08/2021.