



R.L.P. Securities Pvt. Ltd.

Corporate Member – NSE, BSE & MCX-SX.

Depository Participant – CDSL.



R.L.P. Securities Pvt. Ltd. Risk Management Policy for Cash & Derivatives Segments

BACKGROUND

Considering the speed and complexity of the business, as well as the need for the customer due diligence to ensure that undesirable elements are prevented from entering into the system and to ensure the Compliances of various statutory bodies like SEBI, EXCHANGES, PMLA, AML, RBI, DEPOSITORIES etc. and to enable the company to 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 and the Board of Directors. The main object is to manage and mitigate the risk occurring at various levels.

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

KYC Department

KYC department scrutinizes all the Clients at entry level. After being satisfied by the credentials of the client and having satisfied by the genuinity of the details produced by him as required under the various rules regulations framed by the exchanges and other statutory bodies from time to time.

Proof of identity- PAN card xerox duly attested and verified with Income tax Website

Proof of Address- As prescribed by the Exchanges from time to time.

Bank Proof- Cancelled Cheque, Bank Statement etc.

DP Proof- CMR Copy etc. and any other requirements, as per the status of the clients.

In person verification to be done by the staff members in all the angles including their financial status.

The UCC to be uploaded and the client to be allowed trading only after the KYC is accurate in all respects.

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

402, Nirmal Towers, Dwarakapuri Colony, Punjagutta, Hyderabad – 500 082.

Tel: 91 40 23352485, Fax: 91 40 23351238

E-Mail: rlpsecurities@yahoo.com, rlpsecurities@hotmail.com



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out..of the System.

Trading Operation

The Client to be allowed trading only as per the financial credit balance available and to keep a watch on the trading pattern of the client with relation to the financial net worth, financial discipline and the previous history of honouring the Financial Commitments also taking into account PAN debarred entities by authorities from time to time. Based on the above the client to be classified as:

- LOW Risk Client
- MEDIUM Risk Client
- HIGH Risk Client
- HIGH Net worth Client.

Monitoring of Transactional Alerts :

Based on the trading activities, risk profile and UCC details of the Clients the trading alerts generated are monitored which include:

Sr.No.	Transaction 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 scrips	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	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

The following activities are also required to be carried out by the Trading Members based on UCC parameters:

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Clearing House Department

This Department should ensure smooth functioning of Pay in And Pay out of Securities to the Exchange and to the Clients.

This Department has to ensure 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 scrips on regular basis, we will be closely monitoring and take appropriate steps. The shares of one person shouldn't be adjusted or issued to the other clients.

Back Office and Accounts Department

This Department should ensure smooth functioning of Pay in And Pay out of Funds to the Exchange and to the Clients. They will have a watch on whether there are any frequent cheque bouncings are taking place. 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 genuinity of the transactions and verify whether the client is acting on his own or acting for somebody else. No cash transactions will be accepted. To verify and check whether any client is paying frequently by DD/ PO. No third party Cheques to be received from any of the clients. No Cheques to be issued to third parties on behalf of any clients.

RISK MANAGEMENT & SURVEILLANCE POLICY

The Company shall on its discretion and as per the requirements of the Governing and Regulatory Bodies collect Initial Margins and Mark to Market margins from the clients. 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 basis, based on the Risk Profile of the Client.

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 as a part of RISK MANAGEMENT SYSTEM.

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

Qty Limit for each order

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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
And any other such parameters as may be required from time to time.

Such Limits are reviewed regularly.

The client limits including financials, Collaterals and open positions are updated Into the RMS through file formats on daily basis as per the company policy.

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 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 capita l computed for exposure calcula tion.

Upon 75% of the clients' capital loss, 50% random position shall be ma de 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' ca pital loss, the entire position of the client shall be made to squared off. The loss is a % of the ca pital computed for exposure calculation as per the company policy or as per the policy framed by the Management for allocating exposure to the Client.

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

SYSTEMIC CONTROL

The clients' shall be classified as high, medium and low risks, based on their trading patterns and on their funds flow system. Based on their risk profile 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 r eceived from the client on the due date, the positions would be made squared off for the recovery of debit balance. The same shall be at the discretion of the Management

DISCLAIMER:

These are the risks policies in place, but the clients' liabilities shall be as it is, if the above

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parameters cannot be executed.

Analysis:

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on above alerts, the Trading Member are required to :

- 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
 1. 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.
 2. 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 Trading Member shall record its observations for such identified transactions or Client(s) / Group of Client(s). In case adverse observations are recorded, the Trading Member shall report all such instances to the Exchange within 45 days of the alert generation. The Trading Member may seek extension of the time period from the Exchange, wherever required.

Monitoring and reporting:

1. For effective monitoring, Trading Member shall:

Frame a surveillance policy covering:

- i. Receipt of Alerts from Exchanges / generated at member's end.
- ii. Time frame for disposition of alerts and if there is any delay in disposition, reason for the same shall be documented.
- iii. Suspicious / Manipulative activity identification and reporting process
- iv. Record Maintenance

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The surveillance policy of the Trading Member shall be approved by its _ Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) as the case may be.

A quarterly MIS shall be put up to the Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) 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 (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) 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 / partners / proprietor / Compliance Officer would be responsible for all surveillance activities carried out by the Trading Member and for the record maintenance and reporting of such activities.

2. Internal auditor of Trading Member 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.

The above guidelines are illustrative and not exhaustive. Based on facts and circumstances, the trading members are required to exercise their independent judgment and take adequate precaution. The steps that the trading members need to follow in respect of the aforementioned alerts are attached at **Annexure**.

Trading Members are required to take a note of the above and put in place the required procedures, policies and processes after proper approvals of their relevant authorities latest by May 15, 2013.

The Exchange shall download these alerts to the Trading Members through Member Portal with effect from April 02, 2013. The Trading Members are requested to analyse these alerts and revert with their observations, if any, to the Exchange.

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