KK SECURITIES LIMITED
Member : National Stock Exchange of India Ltd. (CM, F&O and Currency)
Member : BSE Ltd. (CM, F&O)
Member : Metropolitan Stock Exchange Ltd. (CM, F&O)
Participant : National Securities Depository Ltd.
CIN : U74899DL1994 PLC060238

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RISK MANAGEMENT & SURVEILLANCE POLICY – Dec 2022

Introduction:
We present below our Risk Management Policy, which is built, with a database that learns from our experience.

Following, the string of recent financial disasters around the globe, regulators are now insisting on new regimes of compliance measures to make sure that risks are recognized and something is done about them.

Risk Management is the answer and the policy below is the key to effective compliance and comprehensive management of risks. A number of professionals and User Groups have contributed towards the development of the practical methods for risk compliance, and internal audit processes and procedures that have been built into the current policy.

Accordingly, the RMS policy would have separate parameters under ***normal market conditions & abnormal (Panic) market situations.***

Panic Market:
The Market would be categorized as ***Panic Market*** If
(a) the index movement is ***6%*** in a single day or
(b) a cumulative movement of ***10% (Either side movement)*** in consecutive sessions, or
(c) is declared specifically by KK SECURITIES LTD. in case of emergency for limited purpose of this Risk Management Policy.

(The calculations of indices will be based on Nifty). KK SECURITIES LTD. will review the market conditions and volatility on a daily basis during panic market and will revert to the normal with prior information.

This is a centrally designed and functional system which intelligently takes a decision based on various logic and parameters whether the firm is exposed to Risk or not. In case it finds there is a risk it takes pre-defined actions to curtail/reduce the risk or take the firm out of that Risk Zone.

Please refer the parameters below for Cash & Derivatives markets as mentioned below:

<u>Cash Segment</u>

Exposure
Exposure constitutes both a purchase and a sale. A sale involves a share delivery obligation to the Exchange and it remains an Exposure till the client delivers the shares. Exposure will mean the aggregate of the outstanding purchases and sales.

Risk Management System is based on End of Day and not Real Time
Currently we are working on End of the day basis wherein the positions at the end of the day are taken into consideration and are valued at previous days closing prices. This leaves us exposed to current days

For KK SECURITIES LTD.
Director

volatility and hence to overcome the same we are aggressively working towards building a robust Real time Risk Management System on user defined business logic.

Clients Exposure :

The Exposure would be as per guidelines issued by SEBI/Exchanges, Currently it is set on the basis of capital lying with us.

Capital constitutes of Margin Ledger Credit +/- Ledger + Pledged Stocks + Debit Stock + Today Payout + Future Payout – Shortages
(All stocks are valued after VAR hair cut)

The margins set by SEBI/Exchanges are dynamic and the same will apply to all clients. The previous days exposure, margins applicable and capital available would be informed to clients by email on daily basis before commencement of next day's trading.

Communication

The client has to be aware about his position and Risk as all trades done are confirmed by email on registered email id of the client on daily basis along with margin obligations and surplus/short margin. KK Securities Ltd. are under no further legal obligation to send any formal communication but as a customer centric company we take those extra efforts generally to ensure that client is informed about the Risk and the actions, which may follow. The communication would generally be through Telephone Calls, SMS, Email subject to the correctness and availability of the data in the system.

Action from Our Side

Normal Market s

In case of Clients defaulting on meeting their obligations, action will be taken on T+5 basis for the Ledger debit irrespective whether we are in Risk zone or not. For example, if the position has been taken on Monday then the selling/liquidation will happen on Monday of the next week. Selling/Liquidation of shares/securities will be on FIFO (First In First Out) basis.

Further Client will be suspended from Trading on RMS selling day and suspension would be removed after selling. The selling confirmations will be made available by end of day in which RMS Selling has taken place. The selling will be done for Ledger Due Debit.

KK Securities Ltd may at times, in exceptional cases, allow transfer of unpaid clients shares from pool/CUSA account to the clients demat account on casd by case basis based on approval from the Director Corp. / Compliance Officer.

Panic

In case of all Clients action will be taken on T+2 basis for the Ledger debit Follow-up has to be updated on T+1 Basis The selling will be done for Ledger debit. Selling/Liquidation of shares/securities will be on FIFO (First In First Out) basis.

Selling limit for clients not having shares with us.

There have been instances where client wants to sell shares but does not transfer the same to our pool account before the sale. We will allow the selling of shares on request from client.

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Director

F & O Segment

Margin: Derivative Segment is Margin driven segment. Margin will be collected under normal / panic conditions as per the requirement of the Exchange. i.e SPAN + Exposure Margin + Additional Margin (as made applicable by the Exchange)

Combination of margins are acceptable in FNO Segment
As per exchange margin can be accepted in cash and shares equally.

Normal
The cash margin should at no time be less than 50 % of the total margin required. The shares would be accepted after appropriate haircut.

Panic
Only 100 % Cash Margin would be accepted for fresh positions and incremental margins on existing positions. Shares would not be accepted in such cases.

Scrips acceptable as collateral
Only approved list of stocks as per exchange for F&O Margin will be accepted after a haircut applicable as per Exchange

Communication
The client has to be aware about his position and Risk as all trades done are confirmed by email on registered email id of the client on daily basis along with margin obligations and surplus/short margin. KK Securities Ltd. are under no further legal obligation to send any formal communication but as a customer centric company we take those extra efforts generally to ensure that client is informed about the Risk and the actions, which may follow. The communication would generally be through Telephone Calls, SMS, Email subject to the correctness and availability of the data in the system.

Action From Our Side
Normal
In case of Clients, action will be taken on T+2 basis for the MTM debit / Margin Shortfall. Selling/Liquidation of shares/securities will be on FIFO (First In First Out) basis.

Panic
In case of Clients, action will be taken on T+1 basis for the ledger debit, follow-up has to be given on Trade date only and Shortfall in margin cases will be done on T+2 if the Margin is not received in cheque. **(No shares accepted for margin)**

Selling sequence when KK Securities Ltd. takes action
First the primary Position in F&O Segment will be squared off towards margin shortage. In case of MTM debit, collateral will be sold first to clear the ledger debit and then to the extent of Margin shortage, the position will be sold. Finally Cash Position both lying in debit stock and in shares with us will be sold to clear the Debit.

For KK SECURITIES LTD.

Director

Process for clients who are in Risk due to market conditions

When the Mark to Market reaches 25% of the deposit action can be taken even before the above stipulated dates

Those clients will be allowed to take exposure on span margin strictly for intraday only. Any particular day the client is unable to sq off intraday he will be only on sq off mode on T+1 day and will not be allowed to create fresh positions on T+1 day.

<u>Scrip wise Limit</u>

Cash Market Scrip wise Limit

To keep in mind the surveillance measures and also to stop unusual activities in illiquid stocks, scrip wise limits will be set on the basis of following parameters at global level.

Scrip Group	Buying Limit Set Per Order	Selling Limit Set per Order
A Group	15,000 Shares	15,000 Shares
All F & O scrips	15,000 Shares	15,000 Shares
B+S+T+ST+ Group		
(a) Avg .Volume > = 50001	15,000 Shares	15,000 Shares
(b) Avg. Volume < 50000 :	20% of Average Market Volume of Last 10 Days	20% of Average Market Volume of Last 10 Days
(c) Avg. Volume = < 1000	500 Shares	500 Shares
Z Group	ZERO Buying Limit	Qty. No restriction but limited to Rs 2,00,000 Per Scrip at KK Securities Level.

@ Avg. Volume is higher volume in the last 10 Days amongst both the Exchanges (Higher volume of BSE or NSE)

Further in case of B + S + T + ST Scrip group, if KK SECURITIES LTD. volume constitutes more than or equal to 25% of Total Market volume in any of the Exchanges then next day buying limit may be restricted.

F&O Market

In case of F & O segment, all the far Month Option contracts and third Month Option Contract (Except Nifty) will not have buy and sell limit due to its illiquid nature , however in all above cases if client still wish to trade then you will need to speak to RMS to set the limit on a case to case basis.

<u>Other Points</u>

Dormant Account : Dormant Account are accounts in which trading has not been done in the last six months. When an account is dormant, no trades will be allowed to be done without the verification by RMS that the respective client is only operating the account

Long Outstanding Debit Balances : No fresh positions will be allowed to be taken by clients having long outstanding Debit Balances.

Client Payment not made by Cheque : No cash payments will be accepted from Clients. No third party Cheques will be allowed to be deposited. In case the client issues a Bankers Cheque / Demand draft, the

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same will be accepted only after getting a written request from the respective client and confirmation from issuing banker indicating the account on which it has been drawn.

This revised policy was reviewed and approved at the Board meeting of KK Securities Limited held on December 19, 2022.

For Board of Directors of KK Securities Limited

(Mukesh Rustagi)
Director Corp., Compliance Officer & Principal Officer

For KK SECURITIES LTD.

Dated : 19/12/2022
Place : New Delhi

Director