# B D SHAH SECURITIES LIMITED

R-701, ROTUNDA, APOLLO STREET, FORT, MUMBAI – 400057

## PRUDENT RISK MANAGEMENT POLICY

This PRUDENT RISK MANAGEMENT POLICY is the Property of M/s B D SHAH SECURITIES LIMITED and is confidential, no part, contents should be copied with prior approval of the undersigned.

**I hereby approve the PRUDENT RISK MANAGEMENT POLICY**

For B D Shah Securities

Mitesh Bipin Shah
Director
Date: 20/01/2010

PLACE: Mumbai

## 1. Contents, Distribution, Amendments

**Contents:**



**Distribution List**

| Sr. No. | Copy Type | COPY HOLDER Designation | Location |
|---|---|---|---|
| 1 | Master Copy (Original & hard copy) and original soft copy | Ashish Shah, Director | Vile Parle |
| 2 | Soft read only copy on shared folder | All internal employees | Vile Parle |

*Amendments Made till 01 / 06 / 2010*

| No. | Nature of Amendment | Reason for amendment | Date of Amendment |
|---|---|---|---|
| 1 | Inactive Client Accounts | SEBI Cir MIRSD/SE/CIR-19/2009 | 01-06-2010 |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |

**B D SHAH SECURITIES LTD**

**RISK MANAGEMENT POLICY FOR CAPITAL MARKET (CM) AND FUTURES AND OPTIONS (F&O)**

## BACKGROUND

B D SHAH SECURITIES LTD a Trading Member of Bombay Stock Exchange Ltd (BSE) on Cash and F & O segment and National Stock Exchange of India Ltd (NSE) on CM and F&O segments. 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 segment 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/(VAR + Exposure) Margin] times to 10 times the Capital available or Rs. 100000/- whichever is higher. (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 would be monitored by the Risk Management Team Lead by the Compliance Officer of the company.

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

**RISKS CONTROL**

The clients are given a composite exposure for all exchanges and all segments for which they are 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 70% to the capital computed for exposure calculation, and he would be repeatedly informed till MTM of 80%.

Upon the MTM reaching 80% 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 to the authorised personnel only.

The clients who have not done any dealing with the Member for more than one Financial Year will be treated as inactive. Further any securities or Funds of the said clients will be transferred back to the client after adjusting for any debits / liabilities of the client, after completion of 1 year unless specifically informed by the client in writing. Further such clients will be activated only after fresh proofs of income, address and photo are provided.

End of Document