

INTEGRATED MASTER SECURITIES PRIVATE LIMITED

(Member: BSE, NSE, MCX , Depository Participant of NSDL & CDSL)
Corporate Off.: 303, New Delhi House, 27, Barakhamba Road, New Delhi-110001
Phones: 011 43074307
Website: www.integratedmaster.com Email Id :ceo@integratedmaster.com
CIN:U74899DL1995PTC070418

RISK MANAGEMENT POLICY

Introduction

The management of Integrated Master Securities (P) Limited (“IMSL”) commits to put in place a Risk Management system to recognize, assess and mitigate the risks that the organization may get exposed to.

The objective of the Risk management function is to ensure that all risks, which threaten the business, are recognized, controlled and reduced to an acceptable level and all applicable regulatory requirements of the various regulatory authorities are complied with i.e. Credit risk, Market Risk, Default Risk, Liquidity Risk and Other Risks.

Accordingly, the manual shall be updated or modified with time. IMSL has a risk management setup which is regionally operational and controlled but centrally administered by the HO.

Risk Department

The Risk Department shall be responsible for controlling risk and ensuring that proper mechanism /System is in place to check/monitor Clients/Branches/authorized person’s turnover and gross exposure positions. It shall monitor and optimize the Capital adequacy with Exchanges for ensuring smooth flow of operations. No Operation activities shall be undertaken by the Risk Department and the Risk department shall focus solely on controlling risks activities.

Operation & Settlement

The activities related to settlement of funds & securities are performed by the Back-Office Software (BOS) namely Shilpi. All back office related activities like client registration, account opening, settlement of funds & securities including maintenance of financial ledger of the client, issuance of contract notes etc. are taken care by the BOS. The branches have also been given access of BOS to view the required details of all their clients.

All the required reports/ information are generated by the BOS and made available to concerned persons. Further the clients & branches of the IMSL can also have access to their BOS related information through the website of IMSL by using the user Id & password given to them for this purpose.

Online products

IMSL has a fully automated internet-based trading platform wherein the risk management function is fully automated & controlled by the system on real time basis. Therein Trading is allowed based on upfront margining concept (both in Capital Market & Derivative segments) where margining validation happens at order level & no manual intervention is required for risk management.

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Off-line Products

As a matter of policy for offline products, IMSL follows exposure-based margining system, where in the trading / exposure is allowed to the client by comparing his exposure & resultant margins required with his total assets/deposits/margin available with IMSL. This validation is being done at order entry level that means if the exposure taken by the client results into margin requirement in excess of his available capital with IMSL the order shall be rejected by the system & will not get through.

Risk containment measures also include capital adequacy requirement, monitoring of client performance and track record, margin maintenance requirements, limits based on margin, online monitoring of client positions and restriction in cases of margins are breached etc. As a matter of policy trading is allowed to the clients only after receipt of adequate capital/assets/margins from the client.

Need for Risk Management

Risk is an integral part of any business & it need not necessarily lead to an adverse result. In stock market, not only shares and securities are traded; in the process, RISK and RETURN are also traded; and, there is a trade-off between the risk and the return.

Risk taking is essential to an active stock market and legitimate risk taking should not be unnecessarily or unduly avoided, therefore, a good stock broking outfit necessarily requires a robust & efficient risk management system as an integral part of its effective business model with an objective to meet the competition & the expectation of its clients, yet it should be able to control the business risks effectively including statutory & regulatory compliances. Considering these objectives in mind IMSL has framed its risk management policy which is reviewed & revised from time to time & is reproduced as under –

Risk Management System-Process

- a. Identification of area of risk;
- b. Analysis of factors/reasons causing risk;
- c. Planning for control of risks associated with the business;
- d. Strategic decision making for risk management tools and its implementation;
- e. Measuring results;
- f. Continuous Improvement.

Setting up Clients Exposure Limit

Cash Segment:

Exposure constitutes both a purchase and sale transactions of shares and securities. A purchase transaction includes buying of securities and it remains as Exposure till client gives full payment for the shares bought. A sale involves a share delivery obligation to the Exchange and it remains as Exposure till the client delivers the shares. Exposure will mean the aggregate of the outstanding purchase and sales.

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Exposure limit of the client will be set on the basis of available base capital as defined below. The limits may be allowed on a multiplier basis to the available base capital depending on the market conditions and the risk perception about the market/client. However, in exceptional situations, IMSL, may use its own discretion in providing the limits and may change for a client or for all depending on market conditions.

Base Capital constitutes of Party Ledger+ Collateral Stocks (Stocks given to IMSL as Margin)-Shortages (Stocks sold but not delivered to broker for pay-in within T+2 days) + Value of stocks held in Demat Account (where Power of Attorney is given).

All stocks are valued after applicable hair cut of 50% or VaR (applicable by stock exchange). whichever is higher.

The Exposure limit will be two (2) times of the value as computed above.

F&O and Currency Segment:

Trading Limits will be allowed on the basis of available base capital as mentioned in the policy.

Derivative Segment is a Margin driven segment. Margin will be collected as per the requirement. Margin will be collected as per the requirement of the exchange i.e. SPAN Margin+ Exposure Margin + Additional Margin + Upfront Margin + Premium Margin + Assignment Margin + Special Margin (if any made applicable by the exchange). In case of public market additional margins can be collected by IMSL looking at market conditions.

The Exposure limit will be two (2) times of the value as computed above.

Right to sell clients securities (RMS selling) or close clients positions on account of non- payment of client dues:

Pursuant to SEBI Circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, With regard to securities that have not been paid for in full by the clients (unpaid securities), a separate client account titled –“client unpaid securities account” shall be opened .

The securities kept in the ‘client unpaid securities account ‘shall either be transferred to the demat account of the respective client upon fulfillment of client’s funds obligation or shall be disposed off in the market by IMSL within five trading days after the pay-out. The unpaid securities shall be sold from the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.

It is client’s obligation to clear his obligations on T+ 5 days (T indicates Trading day) after pay-out. The client shall timely provide funds/ securities to IMSL for the purchase/ sale of securities for meeting his obligation to the exchange. In case of client falling short of providing fund, IMSL can liquidate the securities bought or collaterals given or any other securities given by client or any other form for clearing the client’s obligation.

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PMLA Guidelines:

Client will be categorized as High, Medium and low risk customer as per their risk appetite and their current profile as mentioned in Know Your Client (KYC). The same will be reviewed at regular intervals as per PMLA Policy of IMSL.

Exposure to client may also be governed by customer profiling mentioned above as well as clients financial income made available to IMSL from time to time. Client needs to furnish their income details on yearly basis. Following documents will be accepted as an income proof:

- Copy of ITR Acknowledgement
- Copy of Annual Accounts
- Copy of Form 16 in case of salary income
- Net worth certificate
- Salary Slip
- Bank Account statement for last 6 months
- Copy of demat account holding statement
- Any other relevant documents substantiating ownership of assets.

If there is a major disparity between financial details and trading volumes, client will be asked to furnish suitable explanation and based on the same, further trading limits will be sanctioned.

Margins: Margins are collected upfront from the client before the actual trade.

Type of Margins:

Cash Component

Non-Cash Component

Cash Component: Ledger Credit Fixed Deposits Bank guarantee

Non-Cash Component: Approved listed securities (after Haircut) in pledge form Approved Mutual Funds (after Haircut)

Or Any other securities accepted by the Stock Exchanges from time to time

Ratio of Cash & Non-Cash Components:

50 % Cash and 50% non-cash or what is defined by the exchanges from time to time, whichever is higher.

Exchange Margins

For Capital Market Segment, the quantum of margin, the form and mode of collections are left to the

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discretion of the members in case of capital market segment. It has been advised that one should have a prudent system of risk management to protect themselves from client default.

Presently following margins are charged to the trading members by the exchanges in the capital market segment: -

- a. Daily Applicable Margins
- b. Value at Risk
- c. Extreme Loss Margin
- d. Mark-to- Market Margin
- e. Additional/Adhoc Margins*
- f. Delivery Margin

For Derivatives Segment, every trading member is under obligation to collect upfront margins (as prescribed by the SEBI/Exchanges from time to time) before allowing the client to trade. The following margins are being charged by Exchanges in derivative segment on upfront basis except the settlement obligations in the form of day end MTM losses -

- a. Initial Margin
- b. Premium Margin
- c. Assignment Margin
- d. Special Margins

Further, pursuant to SEBI Circular CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated 19.11.2019, like in derivatives segment, the member in cash segment are also required to mandatorily collect upfront VaR margins and ELM from their clients. The member will have time till 'T+2' working days to collect margins (except VaR margins and ELM) from their clients. (The clients must ensure that the VaR margins and ELM are paid in advance of trade and other margins are paid as soon as margin calls are made by the Stock Exchanges/member. In the event of repeated cases of shortfall in margins/ margin on consolidated crystallized obligation or governance issue, relevant data/information to be furnished by the concerned entities/ investors.

Exemptions from Margins

Transactions done by all Institutional investors shall be exempted from upfront margin payments.

For this purpose Institutional Investor would mean: -

1. Foreign Institutional Investor registered with SEBI.
2. Mutual Funds registered with SEBI.
3. Public Financial Institutions as defined in the section 4A of Companies Act 1956.
4. Banks, i.e. a banking company as defined in section 5 (1) (c) of banking Regulation Act 1949
5. Insurance Company registered with IRDA.

Where Early pay in is made the outstanding position to the extent of early pay in shall not be considered for margin purposes.

Risk containment measures also include capital adequacy requirement, monitoring of client's performance and track record, margin maintenance requirements, online monitoring of client positions and restriction in cases of margins limits are breached etc. As a matter of policy trading is

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allowed to the clients only after receipt of adequate deposit/capital/assets/margins from the client. Clients can put their trades online and the risk management feature will in normal circumstances will function on the following parameters:

Margin collection Policy

1. All margins for trades done in exchange, will be collected upfront.
2. Margin will be accepted in the form of funds through account payee cheque, NEFT, RTGS and IMPS.
3. No margin will be accepted through third party cheque. In case of demand draft/ pay order, a declaration signed by the client, must be accompanied.
4. In case of securities, only securities approved by the exchange received from registered DP ID of client will be accepted by way of Pledge and Repledge as prescribed by the exchange.
5. At the end of the day, shortage of margin, if any, approved by the exchanges will be calculated and reported to relevant exchange.
6. In case of short margin, follow up for collection will be done, and if margin is not received from client then position will be squared off, as per the procedure prescribed by the exchange.

Seeking data/ information

IMSL seeks data information periodically from TMs/CPs in the event of repeated cases of shortfall in margins / margins on Consolidated Crystallised Obligation or governance issues.

Suspension of Clients

IMSL may withhold the payout of client and suspend his trading account due to any internal surveillance (if client indulges into manipulative trade practice/ regulatory orders (debaring orders) etc.

Mode of receipt & payment of margins

The clients may deposit the required margins/capital/asset for taking exposure in the form of Cheque, POs, Online Bank Transfer, Bank Guarantee, FDR & IMSL approved securities etc., the financial ledger balance of the client is also considered for this purpose as deposit. The value of securities for this purpose is calculated with its last closing price, which is further discounted with applicable haircuts in order to arrive at the net value of these securities & the value thus arrived at is considered for the purpose of margining. Details of all cheques and payment instructions are updated in the back office for tracking by RMS team. RMS process considers only clear credit and securities on actual receipt. Please note that no third-party payments are allowed. Upper Cap for acceptance of securities from a member and / or across all members in absolute terms and / or on an overall basis to avoid concentration risk.

Haircut Percentage for all types collaterals other than Cash, FDRs and BGs:

Haircut shall be applicable as per VAR File received from the exchange/Member VAR on a daily basis.

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Online Surveillance- Derivatives

DERIWATCH

It is an online risk monitoring system to cope up with the volatilities of future and option market. This software indicates the real time margin requirement and obligation lying with the client as against the trade in F&O segment.

Features of Deri-Watch:

Live Margin Report - Reporting of total margin (SPAN margin + MTM Value). Used percentage of the deposit. This report gives the client-wise/ deposit-wise/ used percentage-wise/ margin-wise intraday margin utilization.

Net Position - Intraday net position of any branch or TM or any of their clients. This helps members to check sale-purchase positions and mark to market losses of their TM/Branch/clients at any given point of time.

Notes:

1. FDRs and BGs shall be accepted from that of exchange approved banks only.
2. Securities which are approved by the exchange from time to time, shall be accepted for margin purpose.

Internal escalation matrix with respect to non-compliances / defaults by TMs/CPs.

In case of non- compliances/default by TMs/ CPs, they may contact the designated person as mentioned in the escalation matrix as below:-

TIER	Contact Person	Designation	Contact No.	Email Id	Purpose
TIER-1	Mr. K. S. Rawat	Head of Client Servicing	011-43074304	backoffice@integratedmaster.com	-All Communications for requests / queries of RMS. -All Communications for clarifications for Client positions and M to M losses. -MIS / Stock Related Queries. Software Related Understanding of reports.

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TIER-2	Mr. Kumar Kunal Raj	Compliance Officer	011-43074330	compliance@integratedmaster.com	-Communications regarding HNI / Approved Clients. - Request for holding of position (Subject to RMS square off) or special leverage under exceptional circumstances. -Trading Platform Application Tier issues (Connectivity related issues contact IT Department) All disputes /grievances not closed to the satisfaction of concerned persons at previous Tiers
TIER-3	Mr. Kunal Khaneja	CEO	011-43074309	ceo@integratedmaster.com	-All Exchange related issues and queries. -All other disputes / grievances not resolved to the satisfaction of concerned persons at previous Tiers

Performance Evaluation

Board of Director(BOD) of the IMSL will evaluate the performance. The report on all aspects will be reported to the BOD once in each quarter. Decision of the board will be implemented thereafter.

Review Policy

This policy may be reviewed by Compliance Officer / Authorized Personnel, in case any changes are introduced by any statutory authority or as and when it is found necessary to change on account of business needs or as per Risk Management Policy. The policy will be reviewed accordingly.

Disclaimer

IMSL management will have a discretion to alter/ change any of Exposure Limit, selling parameter



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defined in this policy on the basis of prevailing market conditions with or without prior intimation and can use their discretion to grant any kind of exemption/ permission in case they deem fit on case to case basis.

For Integrated Master Securities Private Limited

**Sd/-
Compliance Officer**