

Risk Management Policy

Commodities



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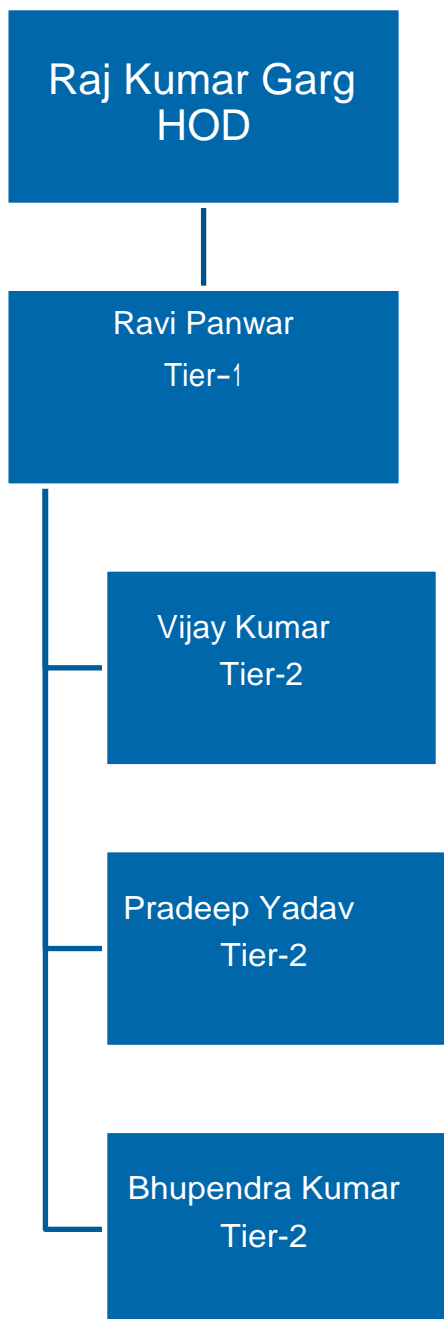
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1. Trading Platform Structure:

We have combined trading platform for equity and commodity for all exchanges (NSE, BSE, MCX) which are managed by single trading server. For security purpose only authorized person is allowed to access the server.

2. Department Structure:



3. Escalation Matrix

Tier3	RMS Senior Executives can be contacted
	Authorise Persons/Branch Manager and Business Associate
Tier2	Assistant Manager can be contacted
	Associate Vice President/Branch Manager
Tier1	Manager can be contacted
	Associate Vice President/Vice President/Country Head
HOD	Head of the department can be contacted
	Vice President/Country Head

4. Key responsibilities for communications (TierWise:

Tier 3 :(The BasicTier)

Who should call RMS (Tier 3)?

Authorized persons only from Branch / Associate (Business manager, Authorized Person in absence of Business manager)

All Communications regarding requests and queries to RMS Department from Branches and Business Associates (Authorized persons only from Branch /Associate (Business manager, Authorized Person in absence of Business manager) should be addressed to this Tier only.

Reasons to call RMS (Tier3)?

- a. Trading requests in emergency conditions (Like VSAT or Internet connectivity is broken)*
- b. Requests to leverage Client Accounts limit up to 5% of available margin in cash segment. (Subject to sufficient liquidity in margin and intraday Mark to Market on open positions in Client portfolio).
- c. Mapping and Password Related Queries.
- d. Trade Back-Up related

Notes:

Branches which do not have requisite Certification to Trade in any segment (NSE/NSEFO/BSE/CDS) need to submit the required Certificate otherwise they would not be allowed to place the order in that segment from Head Office.

Branches which do not have NSE F&O certificate would not be allowed to trade in this segment

Tier 2 : (The Middle Part)

Who should call RMS (Tier 2)?

Branch Head/ Cluster Head

Reasons to call RMS (Tier 2)?

- a. All Communications and clarifications regarding confirmation of Client positions and Mark to Market losses.
- b. MIS and Stock Related Queries
- c. Queries and unresolved issues/Requests would be heard at this Tier.
- d. Software Related understanding of reports.

Tier 1 : (The Manager)

Who should call RMS (Tier 2)?

Branch Head/ Cluster Head/ Country Head

Reasons to call RMS (Tier 1)?

- a. Communications regarding HNI / Approved Clients.
- b. Communications regarding request for holding of position (which are subject to RMS square off) or special leverage under exceptional circumstances.
- c. Trading Platform(OMNESYS) Application Tier issues (For Connectivity related issues contact IT Department)
- d. All critical and disputes which were not resolved to the satisfaction of concerned persons at previous Tiers would be addressed at this Tier.

Head of the Department

Who should call RMS Head of Department?

- a. For all Exchange related issues and queries.
- b. All critical and disputes which were not resolved to the satisfaction of concerned persons at previous Tiers would be addressed at this Tier.

5. Basic Rules followed in RMS Department

a. Trading Limit Guidelines:

Trading limit is provided to the clients as per their ledger balance and the stock value after haircut (as per approved list provided time to time):

Deposit = Ledger + Fund Transfer + Cheque cleared

All limits, intraday or carry forward would be provided based on Deposit of client as calculated above

Trading Limit for MCX:

Group	MCX (Times)
INTRADAY(MIS)	1
Carry Forward	1

b. Intraday Square off Guidelines:

All intraday excess positions are subject to square off around 11:00 PM or 11.30 PM (According to trading time MCX). Clients can convert their positions from intraday to delivery before square off time.

c. MTM Loss Guidelines:

- MTM loss or profit calculation is based on average price (Buy or Sell) and LTP.
 - Long Position : LTP – Average Buy Price
 - Short Position : Average Sell Price – LTP
- If the Client whose liquidity (Deposit) erodes 70% during the intraday and failed to meet margin call then his outstanding positions is squared off immediately by RMS. MTM Loss alert message is sent separately on client's registered mobile no. in real time basis.
- In Intraday leverage products (MIS), MTM loss off may be above than the client's total deposit due to high fluctuations in commodities prices on back of any unexpected news/event, whatsoever.
- If any client's debit arises out due to square off above 70% alert, will be sole responsibility and liability of client to clear the amount in due course of time.

- It should be understood that if any position is squared off by RMS when MTM Loss reaches/hits at or above 70%, it does not imply that all outstanding positions at that point of time will be squared off at exactly 70% and may be to any extent as this will be depending upon the price availability or fluctuation in the market at that point of time.

However, client is informed by SMS on registered mobile number of client as per below alerts:

- First alert will be sent @40% and above
- Second alert will be sent @60% and above
- Final alert will be sent @70% and above

After squaring off the client's outstanding position, he is also informed by Email as registered with us.

d. Short Margin Guidelines:

- The clients are required to pay upfront initial margins for taking position in commodities segment. The members will have time till 'T+2' working days to collect margins (except initial margins) from their clients. (The clients must ensure that the initial margins are paid in advance of trade and other margins are paid as soon as margin calls are made by Exchanges/Members. The period of T+2 days has been allowed to clients to pay margin taking into account the practical difficulties often faced by them only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them.)
- The 'margins' for this purpose shall mean initial margin, extreme loss margin (ELM), mark to market margin, special / additional margin, delivery margin or any other margin as prescribed by the Exchange to be collected by member from their clients.
- In case client carries forward Span Margin more than the available (As per Client Margin Deposit Calculation for MCX) balance after deducting MTM, then he will have to pay-in the short margin by next trading day morning before 10:30 A.M. Clients shall be solely responsible to deposit the short margin. If client fails to mark up the short margin by above given time, then the positions shall be squared off / reduced to the extent of margin available in the respective client's ledger.
- Clients are informed for their short margin by sms during the day after 9.30 PM as well as end of the trading day.

- All Collection of Negotiable instrument for short margin instances should be collected and reported in a stipulated format, Negotiable instruments (Fund Transfer, Same day same bank Clearing) will be considered to hold the positions reported before 11:00 PM in stipulated format at designated should be punched on cheque portal.
- MTM either booked or notional will not be considered while squaring off short margin positions in since same will be posted on T+1 day and will be considered margin for next trading day

e. Short Margin Penalty:

- The following penalty shall be levied in case of short reporting by trading/clearing member per instance

Short collection for each client 'a'	Per day penalty as % of 'a'
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1

Where a = short-collection / non-collection of margins per client per day

- In case of short-collection / non collection of initial margins, the above penalty structure would be applicable from T day.
- With respect to repeated defaulters, who default 3 times or more during a month, the penalty would be 5% of the shortfall in such instances. (Every short/non collection of margin is to be considered as one instance of default. In case margin shortage is reported for a client 3 times or more during a month, i.e., either in consecutive instances or in 3 different instances, the penalty would be 5% of the shortfall from 4th instance of shortfall. E.g. shortage is reported for a client on 1st and 2nd day of month consecutively; thereafter again on 10th day shortage is reported. So the number of instances is 3 and in case shortage is reported on any day later in the month, the penalty shall be 5% of the shortfall amount for all such instances beyond 3rd instance.) .
- In exceptional situations wherein members and/or clients were not in position to square off the open positions to avoid levy of penalty for margin shortfall due to lack of adequate liquidity and/or high market volatility, exchanges may take a suitable decision depending upon the merit of the circumstances and keep SEBI informed of the same. Further, the exchanges are directed to take such exceptional matters to their Board of Directors for decision..

f. Negotiable Instruments Guidelines:

- A Negotiable instrument payable to us is a mode for monetary transfer from Client side.
- A negotiable instrument is categorized in following breakdowns according to their nature and relevance for necessary consideration and benefits thereto.

Negotiable Instrument (Class A)

Fund Transfers:

- A fund transfer by the mode of registered bank account of client with us is considered as a liquid fund reported for consideration of margin money available with us.

Same Day Same bank Cheque Clearing:

- A Same Day Same bank Cheque Clearing is a cheque issued in the name of Trustline Commodities Pvt. Ltd. deposited in the same bank to us; the submission of such cheque should be reported in stipulated format

Negotiable Instruments updating:

- All negotiable instruments collected and deposited must be punched in stipulated format on our internal cheque portal given to Branches and Business partners.

g. Payout Guidelines:

Client can request for payout online or can give request to his Branch for the same. The limits are decreased from trading accounts once accounts sections intimate us about such payout requests. All requests to entertain limit or hold positions in short margin will only be allowed if client requests to cancel payout being processed after we receive a request via email.

h. Compulsory Physical Delivery Commodities:

- Client is required to square off commodity positions in which physical delivery is compulsory in MCX segment if he fails to do then delivery will be marked.
- In physical delivery marked position, a client has to follow all the rules and regulations stipulated by the Exchange.

- Client should have sufficient margin for taking physical delivery.
- If a client has positions in which physical delivery is compulsory then he is informed by RMS team on his registered mobile no on first day of the tender period start.
- if in case the physical delivery is marked to the client and he fails to take it (short fund or other reasons) then penalty would be levied to the client as per Exchange norms

RMS POLICY: Important notes

No Calls would be entertained for working outside the below mentioned rules.

- Limit against cheque collected from the client is given by RMS Department on the same day in case of Transfer Cheque (Where issuing bank and the bank in which cheque is deposited is same) and in case of other cheques it is given after it gets cleared and Accounts Department gives that confirmation to RMS Department. Please note that in case the client is in short margin or is a critical client (in terms the limit would be provided only on cleared funds i.e. after the cheque gets cleared and accounts .Department gives that confirmation to RMS Department. The Cheque collected from the client is considered by RMS department when a mail is sent by the Branch at the id margin@trustline.in or same should be punched on cheque portal.
- The Cheque collected from the client is considered by RMS department when same is punched on cheque portal by Branch/Business Partner.
- All Queries related to pending cheques deposited which is not cleared till date should be enquired in accounts section only Limits will be provided once the pending cheques are cleared in our accounts, no calls for any update in pending cheques should be accepted from branches or business associates as the same is intimated through accounts only.
- All High value same bank clearing deposited and reported at earlier trading sessions if not cleared will not be considered for limits until the same is fully cleared in our books and any update in the same context will only be updated in accounts section only.
- In case of reversal or dishonor of a negotiable instrument RMS holds the right to square Off the Open positions and stocks in portfolio subject to the margin shortage amount arising due to such reversal or dishonor.

- If a Short margin instance which is squared off from RMS if reported later with fund transfers or other Class A Negotiable instruments with stipulated documents will be Provided with the limits up to the amount reported to us by the way of such of such negotiable instruments (Only BM's and Authorized persons are allowed to contact tier3. RMS department for such limits, The executive will allow limit after properly scrutinizing of such reported negotiable instruments.
- All Business managers are hereby advised to properly scrutinize the MTM losses and SPAN they are carrying for the next Day as the same will reveal the next day short margin.
- MTM loss or profit calculation is based on average price (Buy or Sell) and LTP.
 - o Long Position : $LTP - \text{Average Buy Price}$
 - o Short Position : $\text{Average Sell Price} - LTP$
- Note that the password of Online Clients will be sent in two ways authentication process in which the login password will be sent by SMS on their registered mobile no. and transaction password would be mailed at the client registered email Id. No request for sending at that any other email Id or on phone would be considered.
- If client fails to pay the debit balance, the delay penal charges will be levied at the rate of 18 % p.a. The percentage of rate will be revised time to time as decided by the management.

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Further please note the above mentioned Guidelines are subject for internal use of Trustline Securities Ltd. and no concern is meant for communicating the same to clients of Trustline Securities Ltd... Also it is hereby expressed that the margin requirement and sufficient liquidity and margin availability has to be maintained and is only the sole responsibility of client to maintain it in accordance with all rules, regulations and bye laws stated by exchanges and SEBI.

However The RMS Department is facilitating leveraged trading must not be misunderstood as company responsibility to carry any form of short margin or Debit Instances on behalf of client, it is the sole responsibility of client to maintain sufficient margin in their accounts referring SPAN and other requirements as and when posted by exchange.

It is also expressed that in case any client is reported with blank debits will only remain as client responsibility to provide funds to cater deficit in their account.

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