

Risk Management Policy

(NSE/BSE – CM/F&O/CDS)



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Document Map

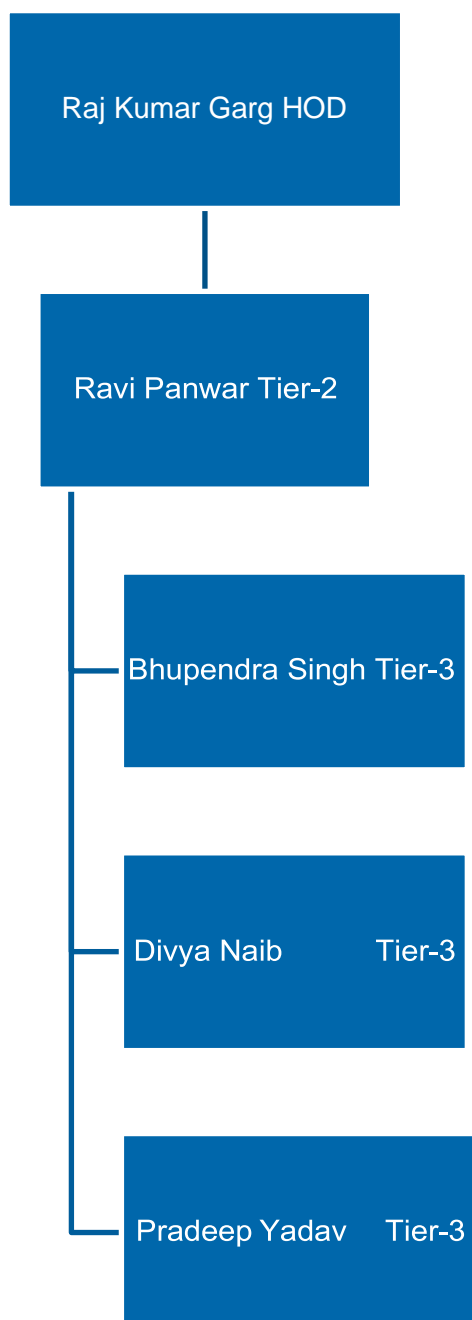
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1. Trading Platform Structure:

We have combined trading platform for equity and commodity for all exchanges (NSE, BSE, MCX, NCDEX) 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

Authorized 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 (Tier Wise:

Tier 3 :(The Basic Tier)

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 (Tier 3):

- 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 (NSECM/NSEFO/BSECM/NSECDS/BSECDS) 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 / NSE CDS certificate would not be allowed to trade in this segment. However, their clients can trade online by login in IBT platform through their login or through Head Office

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

1. Trading Limit Guidelines
2. Negotiable Instrument Guidelines
3. Debits Balance in Client Account Guidelines
4. Short Margin Guidelines
5. Short Margin penalty Guideline
6. Negotiable Instruments updating Guidelines
7. Payout Requests Guidelines
8. Intraday Square-Off Guidelines
9. MTM Loss Guidelines
10. IBT Password
11. Stock transfer Policy
12. Internal pay-in & pay-out shortage

- 1) Revised Trading Limit Guidelines based on SEBI Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 June 20, 2019

Trading limit is provided to the clients as per their ledger balance and the stock value after haircut Including DP Stock (as per approved list provided time to time Trustline Securities Ltd.

Total Deposit = Ledger Balance+ Stock Value after Haircut (As per Approved List) + Online Fund Transfer /Cheques

Trading Limit for Cash Segment:

Trading limit for cash intraday/Delivery is given as per group of securities provided in approved list:

Group	Intraday(MIS)	Delivery
Group1	20	5
Group2	10	4
Group3	4	2
Group4	1	1

Trading Limit for Future & Option/CDS Segment:

In FNO/CDS segment margin is provided one time of the total deposit available by default.

Client Margin Deposit Calculation for FNO/CDS:

An upfront margin is required from client to trade in F&O/CDS segment

All margin deposit of a client will be valued on T-1 day for T Day (Example. Trading Day (T Day): Tuesday 30th Aug 2019: All margin deposit will be valued according

Date 29th Aug .2019 i.e. (T-1 Day) + Same Day fund Received.

Note:

- 1) T Day margin does not include trading date FNO/CDS MTM and credit posting which will actually be treated as accrued for T Day reporting.
- 2) Option sold premium will not be considered for limit purpose for Future although same can be considered for buying premium option of the same value.
- 3) Any MTM Credit shall not be considered for limit purpose till settlement of the same.
- 4) No credit will be given on selling of DP stocks till Settlement of the same.

a. Negotiable Instrument 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)

1. 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.

2. Same Day Same bank Cheque Clearing:

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

Negotiable Instrument (Class B):

3. Cheque Deposited to Other Banks:

A Cheque Deposited to Other Banks is a Cheque issued in the name of Trustline Securities Ltd. deposited in the different bank from the issuer bank in accounts of Trustline Securities Ltd. for clearing to us; the nature of clearing is moderate and may take from 2-7 days' time, the submission of such cheques should be reported in stipulated format.

b. Debit Balance in Client's Account Guidelines

1. if the client fails to pay the fund against the debit balance arising out of the stocks purchased for more than fifth trading day starts from the date of pay-in, then no further exposure will be granted to the client from the sixth trading day (starts from the date of pay-in) though the client has fully paid collaterals are available for margin). Whereas management has discretionary to allow further trade on certain condition.
2. Stock selection category is not a practice (it is a random process and no preferences will be given for particular stock
3. All Collection of Negotiable instrument for the debit balances should be informed in a stipulated format (provided under "Important Guidelines Heading").

c. Short Margin Guidelines:

1. In case client carries forward Span Margin more than the available(As per Client Margin Deposit Calculation for FNO/CDS) balance after deducting MTM, then he will have to pay-in the short margin by next trading day morning before 10:00 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, than the positions shall be squared off / reduced to the extent of margin available in the respective client's ledger.
2. Clients are informed for their short margin by sms during the day after 3.00 PM as well as end of the trading day.
3. Stock or FO selection category is not a practice (RMS square off of stocks or F&O is a random process of selection and request to consider selective stock or contracts for square off is not considered)
4. 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 9:00 AM in stipulated format at designated should be punched on chequeportal.

5. In case of Short Margin Square Off in cash segment, If Group 1 Approved stocks are squared off the amount to the extent the stocks will be squared off will be 5 times of the short margin amount being reported, Group 2 Approved stocks are squared off the amount to the extent the stocks will be squared off will be 4 times of the short margin amount being reported and If Group 3 Approved stocks are squared off the amount to the extent the stocks will be squared off will be 2 times of the short margin amount being reported, If Un-Approved Category stocks are squared off the amount to the extent the stocks will be squared off will be 1 times of the short margin amount being reported.(Approved List is sent to official email id of Branch Manager and Business Associates on regular basis)
6. MTM either booked or notional will not be considered while squaring off short margin positions in FO and CDS since same will be posted on T+1 day and will be considered margin for next trading day
7. Option sold premium will not be considered for squaring of FO/CDS short margin
8. Only settled beneficiary stock will be considered while squaring of FO/CDS short margin

d. Short Margin Penalty in FO / CDS:

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

Short collection for each client	Penalty percentage
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1

2. If short/non-collection of margins for a client continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.
3. If short/non-collection of margins for a client takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.
4. Notwithstanding the above, if short collection of margin from clients is caused due to movement of 3% or more in Nifty (close to close) on a given day, (day T), then, the penalty for short collection shall be imposed only if the shortfall continues to T+2 day.

e. Negotiable Instruments updating:

All negotiable instruments collected and deposited must be reported in stipulated format with can copy, Excel Format, Covering letter at margin@trustline.in or same should be punched on cheque portal .

f. Payout Guidelines:

Client can request for payout online or send a mail to payout@trustline.in. 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.

g. Online Trading Guidelines:

TM will issue user ID & Password to all clients who have opted Internet based Trading (Online Trading) account. Such clients will execute trade through his Online Trading system. TM will not be responsible if such issued password disclosed to other person. Such clients have responsibility to execute trade and square off the position through provided Online Trading system within prescribed time frame and TM will not interfere in between trades as executed by client. In the special case, client may request to TM to square off the same. In absence of such request or otherwise, TM will square off the position as and when required.

h. Risk Disclosure Guidelines:

Clients must aware about the "Risk Disclosure Documents" as prescribed by SEBI/exchange. In the light of the various risk involved, as mentioned in the "Risk Disclosure Documents", client should undertake transactions only if they understand the nature of the relationship into which executing trading. TM will not be held responsible for such Risk. The clients shall be solely responsible for the consequences and no contract can be rescinded on that account.

i. Intraday Square off Guidelines:

All intraday excess positions are subject to square off around 3:10 PM to 3:20 PM, all product conversion must be done before 3:00 PM.

j. Near Circuit Scripts Square off Guidelines:

All the Intraday positions will be squared off from RMS when the scripts breaches the 4% Tier (for Scripts with 5% Circuit), 8% Tier (for Scripts with 10% Circuit), 17% Tier (for Scripts with 20% Circuit Tier), also note that it is the prime responsibility of the Branch to square off the near circuit Scripts positions of its clients. The position will be squared off from RMS in case of failure of Branch in fulfilling its responsibility.

k. MTM Loss Guidelines:

The RMS may trigger the square off your positions on your MTM reaching approximately 70% of your available margin, however the final square off may happen above or below 70% loss depending on the execution time and volatility at that point of time in the market.

Client should further note that in the case of extreme volatility or with low liquidity contracts, the square off (MTM loss) may be above 100% of the available capital for which Client is solely responsible and liable to clear any debit occurs due to position square off.

MTM Loss alert message is sent separately on client's registered mobile no. in real time basis.

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.

l. Special Extra Intra Day Limit Guidelines:

Special extra Intraday Limit provided to clients would be withdrawn at 2:40 PM and needs to be squared off before 3 o clock otherwise it would be squared off by the RMS Department without any prior intimation thereof. Also note that no request to hold the position would be entertained except in case of fund transfer.

M. Stock transfer Policy

The stock will be transferred to the clients on having debit balance of Rs. 5,000/- on the date of settlement subject to the discretion of the management.

N. Internal Pay-in and Pay-out Shortage

Close out will be taken place at 5% higher on closing rate on such settlement day if the client failed to deliver the securities for payin and the same amount will be credited to the buyer.

RMS POLICY: Important notes

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

1. 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 7 days Debit 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.
2. 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.
3. (Approved List of Stocks) The Trading Limit for each client is fixed as the sum of his ledger balance and stock position after haircut. Hair-cut is determined on the basis of the category to which the stock belongs. If a stock belongs group 1 then the hair-cut on such stock would be 20%, Group 2 then the hair-cut on such stock would be 25% and if it belongs to group 3 the haircut is 50% and if it does not belong to any of the above category then the haircut would be 100%. Therefore, the client won't get any benefit in terms of limit on his unapproved stock holding while he would get 50% benefit on group 3 stock, 75% benefit on 70% Group 2 and 80% benefit on his Group 1 stock
4. While determining the Trading Limit of Client, stock which is there in beneficiary/collateral/unpaid securities account along with client DP account is considered, after applying the applicable haircuts. In case clients utilizes the limit against the Stock in its Demat A/c or sells its, Trustline shall issue instructions to the Depository Participant to debit securities and / or to transfer securities from the BO Accounts for the purpose of delivering the same into one or more Demat accounts of the Trustline, as mentioned in the POA executed by the client in favor of Trustline and as amended & communicated to client from time to time,

and / or to the clearing house / clearing corporation of any of the stock exchange(s), to meet all margin / settlement / pay-in obligations arising out of transactions executed / done by the client or on behalf of client through the Attorney on any stock exchange(s).

5. Short Fund Margin of the client is arrived at by deducting the stock position after Hair-cut from the Overall debit ledger Balance of the client i.e. the clients whose stock position after hair-cut is not enough to cover the debit in his ledger Balance is in short margin. Such clients have to give a cheque to cover the short margin before 10:00 AM otherwise the position of such client is squared off by the RMS department at H.O to the extent of the short margin.
6. The clients are informed by sms on their registered mobile no. when their account comes in T+5 days debit. No debit balance shall be carried after T+6 days If client remains in debit upto T+6 days, then Client is required to clear his debit on T+6th day by transferring funds, else the securities shall be mandatorily squared off by RMS on the immediate next trading day (i.e. on T+7), to clear the debit.
7. The client needs to square off his intraday margin position by 3 o clock otherwise it's automatically squared off by RMS
8. 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.
9. 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.
10. In case of reversal or dishonor of a negotiable instrument RMS holds the right to square
11. Off the Open positions and stocks in portfolio subject to the margin shortage amount arising due to such reversal or dishonor.
12. 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
13. 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

14. 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.
15. No leverage will be allowed in F&O segment as we are already facilitating F&O trading with no Exposure margin which is normally 5%.considered.
16. Far month contracts (Expiry of contracts does not fall within 65 days from the trade day) in Future & Option segment are not opened for trading to protect the client interest as far month contracts are less traded and illiquid. This initiative not only protects clients' hard-earned money but also restrain unscrupulous/malaise trade practices of trade matching in low liquid contracts to maintain healthy market environment.
17. 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.
18. We are not allowing any trading in securities which falls under Graded Surveillance Measure (GSM) To understand the concept of GSM kindly visit <https://www.trustline.in/margins>

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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.

Trustline Securities Ltd.

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