

Aionion Capital Market Services Private Limited

## Risk Management Policy

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# Risk Management Policy

## 1. Introduction

The primary purpose of this policy is to address credit risk; however, during the process of credit risk monitoring and surveillance, we also come across and mitigate reputational, liquidity and other operational risks. These are typical to the broking industry and are being managed by Risk department across the industry.

## 2. Purpose & Scope

These Risk Policies embody the core principles for identifying, measuring, approving, and managing credit risk in the organization.

These policies are established by the Risk Department, and are designed to meet the organizational requirements as they exist today to provide flexibility for the future. They represent the minimum standards in the organization and are not a substitute for experience and good judgment.

### Interpretation

These policies must be implemented conservatively, in accordance with their purpose and spirit. In the event a clarification or interpretation is required, consultation must first be sought from Risk department. Such consultations are an important source of feedback on issues and aspects of these policies that may need adjustment to meet the needs of a changing business environment while maintaining a balance between risk-taking and flexibility

### Limitations of the document

The document is intended to be used only as an aid and is made after considering the current activities of the PSPL Risk Management Department.

### Modification of the document

Any deviation or modification to this document will require the same to be duly checked and authorized by the Board.

The absence of policy statement does not, by itself, imply that an action is either permitted or forbidden, nor is policy established by precedence.

## 3. Policy and Process

### Normal activation process of client code

On allotment of client code and after approval from the exchanges, the UCC which is generated will get mapped in our Trading terminal.

Limits and values are cross checked on a general basis for trading by RMS.

## Limit to Clients

Limit will be given only on available upfront margins in the form of funds and collateral. Any funds transferred through the trading portal will be updated in real time. Funds transfer through NEFT and RTGS during the day will be credited after funds are received in our bank account.

## Limit Calculation

For Pledge, only Aionion Capital, approved stocks are to be considered with different haircuts based on stock category policy.

**Margin Deposit = Ledger balance + approved Pledged stocks with haircut**

**Haircut: As per Aionion Capital Policy.**

### Illustration of deposit calculation:

Aionion Capital approved Pledged Stock Gross Value = 100000, value after haircut= 75000

Ledger= 65000 (All segments consolidated)

Total available limit will be as per 50:50 cash to collateral ratio (Ledger 65000+Collateral 75000)  
=140000

Collateral margin will not be considered for equity delivery positions.

### For Eg

In case A wanted to buy stocks worth Rs. 150000, then Ledger balance at that time should be Rs.150000/ Plus other charges as applicable in the Contract note :

In short it will be 100 % at the time of buying.

In case A wanted to take Intra day position, worth Rs. 150000, then the margin required would be VAR Margin of the Stock, Plus 20% on VAR

As mentioned below

SEGMENT	PRODUCT	LIMITS AVAILABLE
CASH	POSITIONAL	CASH
CASH	INTRADAY	CASH+COLLATERAL

### Holding Considered for Limits:

Particulars	Limits	Sell Allowed	MTM Benefit
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DP	NO	YES	NO
BTST (T1 Holding)	NO	YES	YES
Pledged	YES	YES	YES

**Note: Fresh buying against selling is not allowed currently unless other sufficient margin is available.**

Limits will be given to the clients based on the upfront margins only (Upfront Margin: Minimum margin an investor is required to pay to Aionion Capital before executing the trade)

Limit calculation will be as follows,

Collateral Haircut will be as per Aionion Capital Policy.

Pledged stocks are considered for margins.

Proceeds from the booked profits for the day will not be allowed for taking fresh positions.

BTST is allowed only for clients who have sufficient margins to sell.

Client can sell stock delivery for the existing DDPA, DP free holding/pledged stocks without upfront margin.

#### 4. Segregation and Monitoring of Collateral at Client Level

It is mandatory for all clients to maintain a minimum of 50% of the total available margin in the form of cash / cash equivalents.

Client will get limits on stocks only up to the extent of credit in ledger.

Liquid funds are considered as cash equivalents by the exchange, so the above 50% rule will not be applicable. The Margin received from pledging liquid funds will be as good as having cash in your trading account.

##### Illustration:

Assumption: Let us assume that the client has Rs 100 cash & cash equivalent available in the account and Rs 200 worth of approved noncash securities then the limit given will be 200.

#### 5. AMO (After Market Order) timing:

AMO orders are accepted at 5:01 pm for all the Segments.

AMO orders stop at 8.59 am for all segments: All eligible preopen orders are sent to exchange at 9.00 am and the remaining pre-open orders will be sent at 9.15 am when exchange opens

### Intraday Time-based Auto square off:

Timer Based auto square off will be enabled for all the clients for the order periodicity (INTRADAY) and the same will be squared off as per the time defined and mentioned further in this report.

### Conversion of Positions (Positional / Overnight)

Client can convert positions from Intraday Product to Positional/Overnight from their trading application itself.

Client should have sufficient margins to convert position from Intraday to positional/overnight

**NOTE:** If client wants to take delivery in cash segment, then order should be placed in positional product

## 6. GSM, Penny stocks restrictions:

Scripts under GSM above 2 stage as well as un-solicited SMS scrips are blocked for trading.

A list of such scrips is regularly published on the NSE and BSE websites –

NSE GSM	<a href="https://www.nseindia.com/regulations/graded-surveillance-measure">https://www.nseindia.com/regulations/graded-surveillance-measure</a>
BSE GSM	<a href="https://www.bseindia.com/markets/equity/EQReports/graded_surveil_measure.aspx">https://www.bseindia.com/markets/equity/EQReports/graded_surveil_measure.aspx</a>
NSE SCRIPS (UNSOLICITED MESSAGES)	<a href="https://www.nseindia.com/regulations/unsolicited-messages-report">https://www.nseindia.com/regulations/unsolicited-messages-report</a>
NSE SCRIPS (UNSOLICITED MESSAGES)	<a href="https://www.bseindia.com/downloads1/List_of_scrips.xlsx">https://www.bseindia.com/downloads1/List_of_scrips.xlsx</a>

## 7. Margin Call cash

As per Policy

## 8. Cash Ageing Debits –Settlement / T+5 Day

On T+5-day overdue of the client, the account will be in square off mode for the day. However as per new regulations, no further limits can be assigned in case of overdue above T+5 on any

exchange. In a scenario where there is overdue on any exchanges then the client status remains in square off mode on all the exchanges.

SMS intimation will be sent to client w.r.t debit T+5 days.

Clients are supposed to transfer funds or reduce their positions on T+5

In case a client fails to clear the debit, RMS will sell the stock to clear the ageing debit on T+6.

The selling of scrips will be done on FIFO basis i.e., scrips bought on T Day will be sold first by RMS to clear the debit.

## **9. MTM Loss monitoring during trading hours**

During the day, if the client's loss exceeds 50% of the total available margin, warning alerts will be sent to the client at 60%, 70% as a margin call to top up with additional margin. If the client fails to bring in adequate margin, all open positions would be squared off at 80% by RMS Team at market price of the client with or without intimating the clients. If MTM loss breaches 80%, positions will be liquidated at the market rate on a best effort basis and clients will be liable for any such losses resulting due to such orders. All open positions of the clients excluding the CNC buy position and option buy position would be squared-off by RMS Team once MTM is triggered.

The MTM square-off would also consider brokerage and other taxes and charges which are levied. These charges would not be exact but be levied on an ad-hoc basis so as to cover a part of the actual amounts. Actual brokerage will be charged as per agreed brokerage after billing process.

The above mentioned liquidation will be on a best-effort basis and will be solely at discretion of RMS

Further the above square off will also be based on the extreme volatility in the market which may have severe impact on the client and the company. The Company may or may not inform the client on the same in case of potential fluctuation. This would occur at the discretion of the Risk team. It would be client responsibility to ensure that sufficient margin is available at all the times.

Positions which do not have sufficient funds can be squared off any time at the discretion of our RMS desk. There may or may not be a margin calls or intimation from our RMS desk. Positions would be squared off proportionally by the risk team to bring down your margin shortfall.

## **10.Timer based Auto square off.**

Clients are required to square off their (Intraday) positions up to 3:12pm (the system will be in square off mode from 3:12pm to 3:15pm). Client will not be allowed any fresh positions in Intraday after 3.15 pm. All intraday positions will be squared off at 3.15 pm. The above is applicable for Cash Segment.

The above mentioned liquidation will be on a best-effort basis and will be solely at discretion of RMS

## 11.Password reset request

For password reset, client can do it online by clicking on “forgot password” option on the Login page.

## 12.Action during connectivity failure

We will have Direct TWSs (Trade Workstation) at RMS in Chennai and we shall ensure that the TWS is switched on every day.

Type of Risk	Risk Description	RISK MITIGATION MEASURE
Market Risk:	Risk arising due to high volatility in the market and value of scrips. These risks arise due to adverse market rate movements	<ul style="list-style-type: none"> <li>Upfront margins are collected from the clients before allowing an order to go through. Upfront margins are in the form of cash and / or approved securities with haircut and / or in any other form.</li> </ul>
		<ul style="list-style-type: none"> <li>Mark to Market square-off: For clients having a debit balance, constant portfolio valuation based on LTP will be done and MTM square-off initiated at prescribed cut-off limits.</li> </ul>
Financial Risk:	Risk arising when the client doesn't meet the financial obligation	<ul style="list-style-type: none"> <li>Position will be squared off to maintain the margin after intimation to the client on best effort basis. Limit against uncleared cheque / NEFT is not allowed.</li> </ul>
Liquidity Risk:	Risk arising from the difficulty in Squaring off of Intraday Position and selling the securities to clear the debit	<ul style="list-style-type: none"> <li>Scrips are allowed for trading with leverage based on value, volume, VAR %, market cap, etc.</li> </ul>
		<ul style="list-style-type: none"> <li>Haircuts on collaterals: Based on risk perception of a security and based on its historic data, appropriate haircuts are imposed</li> </ul>



Operational Risk:	Risk of loss arising due to procedural errors, mission, or failure of internal control system.	<ul style="list-style-type: none"> <li>System based file preparation.</li> </ul>
	Operational risks that as may be associated by generating or uploading wrong files with risk management.	<ul style="list-style-type: none"> <li>Changes in the client risk profile is done by Admin.</li> </ul>
	<ul style="list-style-type: none"> <li>Generating wrong files</li> </ul>	<ul style="list-style-type: none"> <li>Limit, position, margin and stock will be checked after uploading BOD files before market opens</li> </ul>
System Risk:	Risk of loss arising due to failure of systems or due to wrong punching of orders	<ul style="list-style-type: none"> <li>Back-up lines in case of failure</li> </ul>
		<ul style="list-style-type: none"> <li>Single order value and quantity limits have been placed so that large quantities or prices that are away from the market are not placed erroneously.</li> </ul>

### 13.Dos and Don'ts

In case of any connection being lost, rates not being updated please contact the Customer care department.

In case of any problem in the client positions displayed, please contact the Customer care department.

If there is any delay in funds update or any difference in the ledger value, preferably the client can seek clarification from the Customer care department.