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: 26/10/2024

PLACE: Mumbai

B.D. SHAH SECURITIES LTD.

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
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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	ICMTM	CIR/MRD/DRMNP/008/2018	15-02-2018
3	Background	CIR/HO/MIRSD/DOP/CIR/P2019/139	19-11-2019
4	Account Deactivation	SEBI/HO/MIRSD/DOP/CIR/P2020/73	24-04-2020
5	Addition of Clause in Clause no.2nd and 3rd	20241004-61 Dt 04-10-2024(BSE Circular) NSE/INSP/64315 Dt 01-10-2024 (NSE Circular)	26-10-2024

R. D. SHAH SECURITIES LTD.

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

1. 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, **Intra-day Crystallized Loss Margin**, special margin , additional margin 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 all segments as per the prescribed rates of the respective Stock Exchanges.

2. The entire EPI value of sold securities without reduction of 20% upfront Margin shall be available as Margin for other positions across all the segments. Thus, the aforesaid provision stands revised as under:

   "In respect of sale of shares by a client for which early pay-in (EPI) request via Block mechanism has been accepted by depositories, the same may be considered as margin collected towards peak margin for the said sale transaction. Further, in respect of sale of shares by a client for which early pay-in (EPI) request via Block mechanism has been accepted by depositories and credit entry is posted of the sale value of the shares in the ledger account of the client, EPI value may be considered as margin collected towards subsequent margin requirement of the client. The entire sale value up to 100% of such securities (EPI value) shall be available as Margin for other positions across all the segments."

   Further, in view of the aforesaid change, Members are advised to report value of EPI accordingly in column numbered 20 "Credit entry in ledger in lieu of EPI for clients / TM Pro" of the daily submission of segregation and monitoring of collateral at client level to Clearing Corporations.

3. Further it has been decided that penalty levied by clearing corporations of short/non-collection of upfront margins may be passed on to client if short/non collection of upfront margin is on account of following reasons attributable to client:

- Cheque issued by client to member is dishonoured
- Increase in margins on account of change in hedge position by client/ expiry of some leg(s) of the hedge positions of the clients

However with respect to point number II mentioned above, members are requested to note that penalty can be passed only if member in its Risk Management Policy, has informed their clients of potential situations resulting in a hedge break / loss of cross margin benefits like square off by the clients / expiry of some leg(s) of the hedge positions of the clients, leading to higher margin obligations on the open position(s).

4. The company at any point in time may retain upto 125% of the actual margin over and above the actual margin. 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.
5. 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 led 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 bank accounts of the company or pledge of securities or deposit approved securities with 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.

Account Deactivation

The clients who have not done any dealing with the Member for more than one 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 as per the circulars from SEBI and Stock Exchanges from time to time, unless specifically informed by the client in writing. Further such clients will be activated only on written request from the client within 1 year from the date of deactivation and if after 1 year of deactivation the client shall have to provide fresh proofs of income, address and identity along with account activation form.

End of Document

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