

RISK MANAGEMENT POLICY

(Internal Procedures and Conduct)

CASH SEGMENT

Introduction:

SEBI, vide Circular No. **MRD/DoP/SE/CIR-07/2005** dated **23rd February 2005**, has advised that Members should have a prudent Risk Management System to protect themselves against client defaults. Margins are likely to be an important element of such a system. The Risk Management Policy, including the margin framework, shall be well documented and made accessible to clients as well as the Stock Exchanges. However, the quantum of margins and the form and mode of collection are left to the discretion of the Members.

Further, this policy has been framed and updated in compliance with the requirements and observations communicated by **MCX** vide Circular/Inspection references **MCX/INSP/123/2025** dated **05th March 2025** and **MCX/INSP/236/2025** dated **06th May 2025**.

In order to improve the risk management at the members- brokers level, it is advisable to have "Risk Management Policy" which will safeguard the financial interest of the broker member. Collecting margin from the client is the way to mitigate risk of loss on account of non-receipt of dues from clients.

The margin shall be in the form of Cash or Approved Securities (valued after prescribed haircut).

Securities that are approved by the Exchange towards additional capital / base minimum capital / margin, etc. would be treated as approved securities for maintenance of up-fronts margins / deposits from the clients.

The margin so collected / pledged by the client shall be kept separately in the designated client's bank account and shall be repledged and may be utilized for making payment to the Exchange for margin and settlement obligation with the written consent of the client.

When client pledges or deposits securities to the broker as a margin, it is to mitigate the risk of settlement default by the clients and is in the form of collateral which can be utilized by broker only in the event of default by the client.

The beneficial ownership of securities therefore continues to be with the clients and the broker only hold a lien thereon and in case the client was to default on his commitments, then only can the broker after giving a notice of demand / sale of 2-3 days or any no of days as decided by the management to utilize the securities to cover the dues.

Purpose of Risk Management Policy:

The basic motive of Risk Management Policy is to minimize the losses / prevent the occurrence of loss due to the "Credit Risk" to which company is exposed to while dealing with the clients on day-to-day operations. The Company is committed in adopting appropriate mechanisms.

Kredent Trading LLP (herein after referred to as "the Company") hereby notifies that this Risk Management Policy is to be followed by all directors, officers & designated employees.

Part A

Definitions:

'Risk Management' is the identification, management, measurement and oversight of various business risks and is part of a firm's internal control structure. These risks typically arise in such areas as proprietary trading, credit, liquidity and new products. The elements of a comprehensive risk management system are highly dependent on the nature of the broker-dealer's business and its structure. Due references can be made to factors such as senior management's involvement and oversight of the process, the internal audit function and other elements of an internal control system.

'Company' means **Kredent Trading LLP**

'Compliance Officer' means the person appointed under Regulation 18A of the SEBI (Stockbrokers and Sub-brokers) Regulations, 1992.

'Director' means a member of the Board of Directors of the Company.

"Securities" includes:

1. shares, scrips, bonds, debentures, debenture stock or other marketable securities of a like nature,
2. such other instruments as may declared to be such by the Compliance Officer from time to time.

Notional Margin (Base Capital) is ad-hoc margin allowed to all clients irrespective of actual margin received.

Additional Capital shall consist of Actual Margin received from the client, Ledger Balance lying in Client Ledger Account (credit) and other related balances of clients (if any).

Part B

Due Diligence of prospective clients

- Due Diligence of prospective client shall be carried out before registering him/her/it as a Client in terms of their Financial Background, Investment Experience, Income Range/Level, Net worth of corporate, etc
- Supporting documents provided by prospective client should be verified with originals. Also, PAN card details should be cross verified with Income Tax site.
- Account for prospective client who has ever been convicted of offence involving moral turpitude or any criminal offence or has any criminal background should not be opened.
- The prospective client should be either introduced by someone like, director / Designated employee of trading member, sub-broker, etc. or interview should be carried out of prospective client by the designated employee of the company.
- All the documents, information required by SEBI / Exchanges should be obtained and maintained.

Categorization of clients:

Client shall be divided into following categories after considering the factors like Income Range, Investment Experience, Trading Preferences, etc.:

I) Retails Clients

Presently retail clientele is only through reliable references hence exposure will be decided by the management / compliance officer / authorize person of Equity Desk at the time of placing order if trade value exceeds 50 lacs.

II) Group Companies/ Firm / Family Clients

Exposure limit for Group Company / Family clients of company will be set after taking into account sufficient collaterals and cash margin.

Additional Capital / Margin:

- Additional Capital / Margin shall include the following:
 - Actual Margin Received from the client (kept in separate bank account namely Client Margin account) Normal Cash Segment Ledger Balance of the client (NSE & BSE)
 - Collaterals received from the client in the form of pledged also (after deducting appropriate hair cut based on VAR Margin Rate or any other rate decided by the management from time to time) kept separately in account as prescribed by the exchange on time to time (NSE & BSE).
- Additional Capital shall be calculated on End-Of-Day (EOD) basis.
- Peak Margin is also collected from the client and reported for the highest peak margin during the day as per respective exchange snapshots.
- Normal Cash Segment Ledger Balance means T-1 day Ledger balance on EOD basis. Example: For calculating Exposure for Tuesday, Closing Balance of Monday shall be taken.
- Posting of Bill for the trade shall be done on T Day basis. Example: Bill for Trade done on Monday should be posted on the same day itself.

Note: while calculating ledger balance net balance should be considered. Example: Client is having Credit balance in NSE Cash segment Rs. 1,00,000/- & Debit balance of Rs. 60,000/- in BSE Cash segment, then for additional margin purpose only Rs. 40,000/- should be considered. Also, note that shares held for debit balance of Rs. 60,000/- should not be considered for additional limits purpose.

Collaterals:

- Margin can be accepted in the form of Collaterals i.e., approved securities, Bank Fixed Deposit, Bank Guarantees, etc.
- Collaterals for the purpose of additional capital / margin are securities specifically given by the client for the purpose of Margin.

- Scrips which are under the approved list of the exchange are only considered for the purpose of collaterals Margin.
- Collaterals should be transferred to company's designated client demat account only from the notified demat account of the client.
- Collaterals should be valued at Market Rate i.e., closing price of T-1 day. However, management reserves the right to value the securities on CMP in exceptional cases.
- The haircut for each scrip shall be applied on the basis of VAR Margin Rate declared by the exchange from time to time.
- **Example:**

Scrip – Wipro Ltd.	10000 Shares
Closing Market Rate on T-1 day	Rs. 515/-
Total Value of Shares	Rs. 51,50,000/-
Haircut – VAR Margin Rate 7.50%	Rs. 3,86,250/-
Collaterals (after Hair cut)	Rs. 47,63,750/-

Funds Received for Margin:

- In case of Funds Received for the purpose of Margin, amount received shall be considered as Additional Capital / Margin received from the client, provided Cheque or Demand Draft received from the client is deposited into designated Client Bank Account.
- Additional Capital / Margin shall be considered for Funds received for Margin irrespective of clearance of those cheque or demand draft.
- In case funds received during the trading time, manual intervention shall be made for changing additional Capital / Margins in system only after taking prior approval of Compliance Officer / Managing Director of the company.

Monitoring & Reviewing of Limits

- Exposure limit will be monitored by authorize person of Equity Back office.
- Exposure limits needs to be reviewed at least once in a month or other shorter period.

- Exposure limits may be frozen in case of doubtful accounts where amount receivable from the clients is outstanding and there are no movements in the account.

Reporting Requirements

- Exception transactions done with or without the approval of authorized person also shall be reported to Compliance Officer on daily basis.
- Follow the practice of reporting all pay in defaults to the top management & decide whether to deal with the said clients in future & also appraise the category of client.
- **FUTURE & OPTION:**
- Allocation of Notional Limits based on categorization of clients
- Span Margin software specifies scrip-wise margin requirement (F&O).
- Before taking position in Futures (buy & sell) & option (sell) refer to that span margin requirement & inform client to deposit said amount in the client bank account. Further in case of buy option (put or call) premium margin needs to be paid till the premium settlement is complete.
- Example. Mr. A wants to buy 20 lots (each lot having 200 shares) of ACC spot price Say Rs. 550 & Initial margin requirement is 18%. Thus, initial margin requirement comes to Rs.396,000. Thus, exposure can be given to Mr. A, whose limit is. Rs. 400,000.
- Said margin requirement can be adjusted against margin given by client if any.
- Margin can be accepted in the form of cash and/or fixed deposits and /or bank guarantee and /or approved securities.
- Collaterals in the form of Security should not be more than 50% of total margin provided by client.
- In addition to Initial Margin, 25% to 30% of Total Exposure may be collected to cover Mark to Mark Loss, if any.
- Ensure that MTOM profit/loss has been paid or received on daily basis.
- Report the Initial Margin and Peak Margin collected to the exchange as per the format prescribed.

- Initial margin and Peak Margin amount changes on daily basis & therefore collect the difference from client on daily basis or whenever require.
- In case of non-receipt of Initial Margin and Peak margin / short receipt of Initial Margin and Peak Margin or non-receipt of MTOM loss, square off the position after consulting Managing Director / Compliance officer / Authorised person & recover the dues from client.
- Follow the practice of reporting all pay in defaults to the Managing Director / Compliance officer & decide whether to deal with the said clients in future & also appraise the category of client.
- Further exposure not allowed to client if the debit continues (T+2+5) as per Sebi circular dated 26.09.2016 in all segments.

Further, NSE vides its Circular No. NCL/CMPL/49287 dated 13th August 2021 has advised that Members should establish systems and procedures for strengthening the oversight. To adherence to the Compliance Requirements, the following guidelines are made effective in the Policy:

- **Monitoring pay in timelines by the TMs:** Ensuring and monitoring that the Pay in is timely receipt from the Trading Member.
- In case of any Shortfall or of repeated Instances, the same shall be escalated to the Compliance Officer and Managing Director and shall be treated as per companies RMS Policy.

Monitoring penalties levied to clients of the Trading Members:

- To check and analyse the penalty if any levied on the client of Trading Member and TM also and the steps taken by the TM for the same.

Monitoring misuse of client collaterals by TM for proprietary trading:

- Ensuring that the TM has proper segregation for his Own and that of client funds and that the same is not comingled and misutilised for own purpose.

Assessing the Correctness of data submitted by TMs to CM:

- Assessing and ensuring that the correct data has been submitted by the TM to the company before making any submissions to the respective exchanges and CC.

Inspection of TMs:

- The company may carry out the surprise inspection of the TM as such or based on any rumours or any news etc or may rely on the Half Yearly Internal Report which is submitted to the respective exchanges by the TMs.

Formation of Risk Management Committee:

- Forming the Risk Management Committee to monitor the various risks involved in the business and how to mitigate the same and also Periodic Report (on quarterly basis) shall be submitted to such committee for the clearing activities undertaken for the clients.

Reporting of alerts by Clearing Members:

- In case of any suspicious transactions, the company shall report the same to the CC who in turn if required shall be reporting to the respective exchanges.

Internal Audit of Clearing Members:

- The company shall be monitoring the activities w.r.t. that of TMs and CP of whom the clearing activities are undertaken and in case of any defaults or non-compliance observed, the same shall be escalated to Compliance officer and Managing Director for further course of action.
- On Periodic basis, the performance evaluation of the TMs and CMs shall be carried out not later than that of quarterly basis.
- In case of any shortfall observed in margin reporting margins on Consolidated Crystallized Obligation or governance issues etc. or any repeated instances of the same w.r.t. TMs and CPs, the company shall ask for the additional data and to update the same to Compliance Officer, Managing Director and CC for the same.
- Ensuring that there is proper procedure and clear segregations of Trading Members Prop account and that of client account of the respective trading members. Further, ensuring that the TM has proper segregation for his Own and that of client funds and that the same is not commingled and misutilised for own purpose.
- The company on periodic basis shall carry out the inspection of TMs or shall rely on the Half Yearly Internal Audit Report of the Trading Member.

- As per internal policy, the company shall have cap w.r.t collateral in the form of securities and that of Cash (BG, FD and normal Cash balance) to 50:50 for the clients.
- FDR and BG shall be accepted from the TMs in the favor of the company from all the schedule banks.
- Only client stocks appearing on the approved list of NSE and BSE (after removing the illiquid scrips as appearing on NSE and BSE (Illiquid list) shall be considered for margin purposes. However, the Risk Head can decide any specific inclusion or exclusion from the collaterals based on exceptional circumstances by giving prior approval in writing.
- The cash component, as recognized by NCL (National Clearing Limited), includes ledger credits, fixed deposits, bank guarantees, and similar forms of cash equivalents. The non-cash component comprises approved listed securities (after applying a haircut) in pledge re-pledge form, approved mutual funds (after applying a haircut), or any other securities accepted by the Stock Exchanges periodically.
- The company shall be accepting the collateral in the form of cash and non-cash form (i.e., in the form of FD, BG, Securities, Cash etc.) as per the internal policy of the company and that as minimum ratio as prescribed by the respective exchanges. In any case, cash component should not be less than 50%.
- For the purpose of client margin collection and reporting, the applicable haircut shall be based on the VAR Margin Rate of the security prevailing at the beginning of T Day. The Company shall adopt the VAR Margin file of the designated Exchange (NSE/BSE) for determining the applicable VAR Margin Rate, and the selected methodology shall form part of this Risk Management Policy and be followed uniformly across all clients.
- Ensure that the collaterals received are from the client's designated DP account and not from third party.
- A maximum limit will be imposed on you, and/or all members collectively, based on quantity limit for accepting securities. This limit can be in absolute terms or on an overall basis, aiming to mitigate concentration risk.

- In case of non-receipt of Initial Margin and Peak margin or margins on Consolidated Crystallised Obligation / short receipt of Initial Margin and Peak Margin or non-receipt of MTOM loss, square off the position after consulting Managing Director / Compliance officer / Authorized person & recover the dues from client.
- Furthermore, the TMs/CPs is required to submit a compliance certificate within 15 days from the receipt of a non-compliance letter regarding any defaults or non-compliances by TMs/CPs. The certificate must be signed by any member of the board of directors and should include details of the corrective actions taken within the specified timelines as prescribed.

Further, the company shall submit the compliance w.r.t. above mentioned points including in case if there is any shortfall of TMs/CP level above 5 Lacs, the same shall be reported by the CM to CC within the timelines as prescribed by the CC. Also, the company shall be allowed to invoke the pledged securities in case of any clients having debit balance.

Generally, Client should be restricted to trade in penny stock. However, if the clients are allowed to trade in penny stock like in T, TS and Z group, 100 % margin shall be charged or recovered from the client as per discretion of RMS team and ensure that these stocks are not counted for giving exposure to the client.

Further, the management shall have the ultimate authority and can restrict the client for doing trade in particular securities including penny stocks.

Ensure that there is regular monitoring of clients' accounts who has been given collateral in the form of single stock.

Facility of voluntary freezing/blocking of Trading Accounts by Clients

Vide different circulars issued by SEBI & Exchanges it was decided that Trading Members must give the facility of voluntary freezing/ blocking of online access of client/s trading account/s in case any suspicious activity notice by the client. To implement the same the company has allotted a dedicated email id (support@kredentrading.com) and a land line number (033- 4000 2345) for its clients. Any such request received from clients registered email id or contact number during the trading hours (9.15 am to 3.30 pm) will be entertained immediately and online access of the client's trading account will be frozen within 15 minutes of receiving such request. If such request comes after the trading hours then online

access of the trading account will be frozen before the start of next trading session. Similarly clients have to give request to unfreeze the online access of his/ her trading account and the company will unfreeze the account within 30 mins of receiving of such request. The client will only be able to do the fund transfer/ withdrawal of funds from his/ her trade account, but, he/she will not be able to place any order or trade through his/her online access. An email for confirmation of freezing/ blocking of the online access of the trading account will be send to the client's registered email id. Details of open position/s (if any) should also be communicated to the client along with contract expiry information within one hour from the freezing/blocking of the trading account

SECURITIES OPERATION & RISK MANAGEMENT (SORM): -

SEBI issued Notification no. LAD-NRO/GN/2010-11/21/29390 dated December 10, 2010 according to which, following categories of associated persons associated with a registered stock broker/trading member/clearing member in any recognized stock exchanges, who are involved in, or deal with any of the following:

Assets or Funds of investors or clients
Redressal of investor grievances
Internal control or risk management
Activities having a bearing on operational risk

shall obtain the valid certification of NISM Series VII - Securities Operation and Risk Management (SORM) within two years from the date of such notification. Simultaneously, whenever the company employs any associated person specified as mentioned above, the said associated person shall obtain valid certification of NISM Series VII – Securities Operation and Risk Management (SORM) within one year from the date of his / her employment.

Definition - Associated Person

“Associated Person” means a principal or employee of an intermediary or an agent or distributor or other natural person engaged in the securities business and includes an employee of a foreign institutional investor or a foreign venture capital investor working in India.

Exemption

Associated persons handling the basic clerical / elementary functions in the aforesaid specified areas shall be exempted from obtaining the certification of NISM Series VII – Securities Operation and Risk Management (SORM).

For this purpose, the company considers following activities as basic elementary level / clerical level.

S. no.	Internal Control or Risk Management.	Redressal of Investor Grievances	Activities having a being on operational risk and dealing with assets of funds of investors of clients
1	Inwarding or collateral's /Cheques	Inwarding of complaints	Person performing maker entries
2	Person performing market entries	Seeking documents from clients	Maker entry in the database
3	Maker entry in the database	Person performing maker entries	Preparing of MIS
4	Photocopying, printouts, scanning of documents	Maker entry in the database	Generating of reports, Files
5	Preparing of MIS	Photocopying, printouts, scanning of documents	Photocopying, printouts, scanning of documents
6	Sending of letters / reports to clients, Exchanges, SEBI	Preparing of MIS	Dispatching documents to clients
7	Attending Calls, etc.	Sending of letters / reports to clients, Exchanges, SEBI updation, data entry, uploading on SCORES	Sending of letters / reports to clients, Exchanges, SEBI
8	--	Attending calls, etc.	Attending calls, etc.

However, any of the work (as stated herein above) being performed by such persons, obtaining, NISM- SORM Certification shall be optional provided that they are supervised by his / her supervisor who shall have to obtain / continue to have NISM – SORM Certification or such other prescribed certification at all times.

In case of any further queries or assistance please feel free to contact to RMS Team or mail on support@kredentrading.com

**Team RMS
Kredent Trading LLP**