Way2wealth RMS Policy

Version No. Nov 2020-21/005

Way2Wealth RMS Policy

Introduction

Way2wealth follows a very well defined and structured Risk policy. The same has been defined with the market standards, exchange regulations and a pre calculated risks as the paradigm. The policy covers in depth process of margins collection/payments and has effectively established a three tier approval system. The policy will cater to various categories of clients i.e. Large Corporate, Private equity groups, and High Net individuals & retails investors.

In orders to keep the risk policies in sync with the market standards the policy is reviewed periodically by Operations Committee (constituted by CEO, Compliance head and Ops Head) and necessary revisions are initiated from time to time depending up on the market volatility.

B. Collaterals

The following collaterals only will be currently accepted

- Cash & Cash equivalent collateral securities
- Shares with haircut as approved by the Exchange through margin pledge.
- The upfront & / or total margin for the stock will be defined based on the basket in which it is mapped. We have created 5 baskets mainly Group1, Group2, Group3, T2T, Illiquid & New listing. The Margins for these baskets are reviewed regularly with minimum being 20% and or Exchange VAR+ELM + Adhoc Margins.
- The exposure limits will be set based on the ledger balance, margin pledge collateral securities. The cash component for utilization of collateral securities (Noncash component) will have the minimum 50% as per Exchange Margining requirement at Broker level. However, any lower percentage of cash equivalent component may be considered for clients based on relationship and agreed terms at sole discretion of W2W RMS/Committee on request. The lower cash component is at the sole discretion of W2W from time to time.

C. Client categories:

- Non-Institutional

Clients will be broadly divided into 3 categories, which will define the level of flexibility over current regulations:

1. Retail
2. HNI/PEG
3. Corporate / Non-Individual

- Institutional

The branches need to specifically mention the client category on the application and the registration department will allocate a specific code for HNI&PEG. A common registration department has been created for Depository, Equity & Commodity trading.

C.1. HNI / PEG Clients / Corporates / Non-Individuals.

- The minimum criteria for becoming an HNI/PEG client are that they should have a minimum margin amount of Rs.10 lacs in cash / securities.

- Operations Head and CEO would review the status of such clients periodically and recommend addition /deletion based on parameters like business generated as well as financial discipline.

C.2. Institutional Trading:

- Cash Segment: Risk Management Team will set single order value limit of Rs. 5 Crores and single order Quantity limit of 1,00,000 for each client. Overall limit in this segment for each client is also same as above. These limits would be reviewed real time based on various parameters like trading pattern, business generated, financial discipline, market conditions etc. on case to case basis.

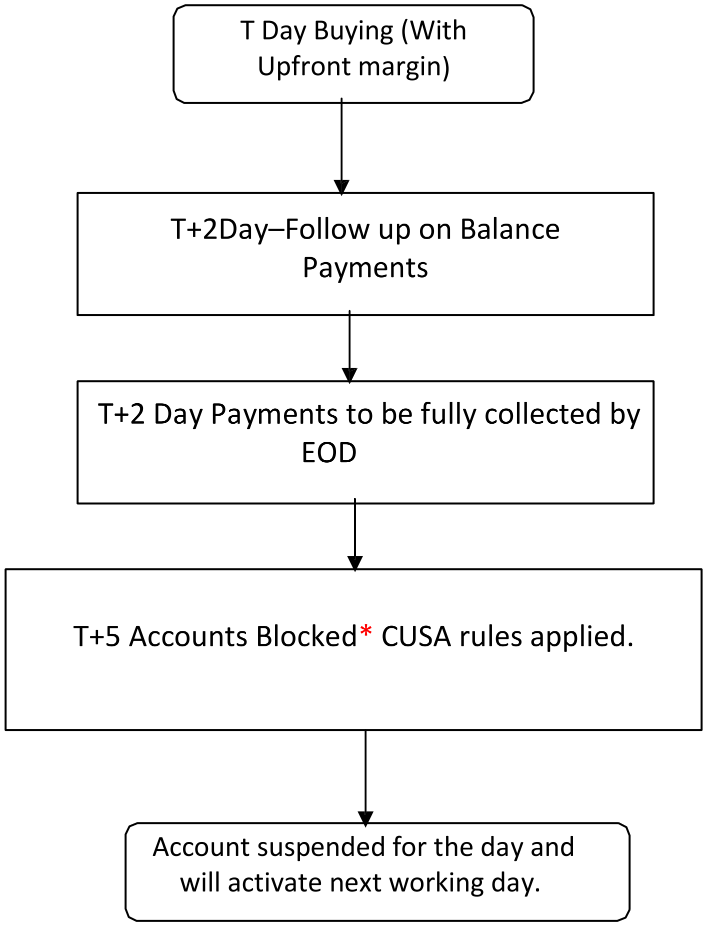
- Currency Derivatives: Risk Management Team will set single order value limit of Rs. 2 Crores and single order Quantity limit of 300 lots for each client. Overall limit in this segment for each client is also same as above. These limits would be reviewed real time based on various parameters like trading pattern, business generated, financial discipline, market conditions etc. on case to case basis.

- Equity Derivatives: Risk Management Team will set single order value limit of Rs. 2.5 Crore and single order Quantity limit of 125 lots for each client. Overall limit in this segment for each client is also same as above. These limits would be reviewed real time based on various parameters like trading pattern, business generated, financial discipline, market conditions etc. on case to case basis.

- Equity Derivatives: Risk Management Team will set single order value limit of Rs. 2 Crore and single order Quantity limit of 50 lots for each client. Overall limit in this segment for each client is also same as above. These limits would be reviewed real time based on various parameters like trading pattern, business generated, financial discipline, market conditions etc. on case to case basis.

Operations head and CEO would review the status of clients periodically and recommended addition and deletion based on the parameters like business generated as well as financial discipline

D. Cash Market Delivery collection flow:



*Account having debit> Rs1000 will only be blockedforT+5.

D.1. Cash Market (Delivery & Intra-day)

The margin multiplier on basis of available collateral (cash +non-cash in acceptable ration) and adjusted for ledger debit balance will be as follows on basis of collateral as mentioned in Point "B". However, the new listing and stocks, which are in T2T & Z Group, will have differential margin from 50% to 100%.

S.NO	Category	Exposure Multiplier	Debit Collection
1	Regular clients Apart from the categories defined above	Based on Baskets	T+2, though limits for Identified clients can be open even with a debit in the previous settlement (Subject to margin payments)
2	HNI/PEG/Corporate/ Non-Individual	Based On Baskets	T+2, though limits for Identified clients can be open even with a debit in the previous settlement (Subject to margin payments)

D.1.1 Basket Margining

Basket margining concept has been used to maintain a strict control on the leverage given and the levels of exposure taken by the clients, across the securities traded on the exchanges.

Scrip categorization is done keeping the volatility, liquidity and the volumes traded in the scrip. Based on the categorization, the scrips are pooled into a basket and a margin percentage is assigned to it.

Thus, an order placed in particular scrip will check for the scrip basket assigned to it for calculating the margin requirements.

E. Derivatives (Intraday & Carry Forward)

Sl. No	Product Category	Margins / Exposure	Collec tion	Authority
1	All Clients	Span + Exposure	T-day Upfront	Default
2	MIS	As per Peak margin limit	Auto squared off at 3.15 pm	Default
•	MTM to be settled by T+1			

Example:

Day1-(Calculations are shown considering that the Client Transacts in Group 1 Scrips)

Ledger- Credit Balance	Stock Value	Margin Used	Margins Loaded	Max Exposure avbl CASH mkt	Margin Avbl–FO
50,000	0	0	50,000	2,50,000	50,000

- Client takes Delivery of Rs 2,00,000/-
- Margin AvblEq = (Stock Value + Credit Balance–Margin Used)*5
- Margin AvblFO=(Stock Value + Credit Balance–Margin Used)*1

MIS will be as per peak Margin Limit.

*The margin in one segment gets exhausted if the client uses the same in other.

Day2

Ledger-Debit Balance	Stock Value	Margin Used	Margins Loaded	MAX Exposure Avbl-CASH MKT	Margin Avbl–FO
150,000	200,000	30,000	20,000	1,00,000	20,000

As per the Grid on the second day the client has max exposure cash up to 1.00 Lakhs (i.e20000*5=1.00lacs) or 20,000 in F&O segment.

F. Delivery Sales

- CNC sale credit release 80% shall be provided considering EPI of Securities in CNC product and or in other product for identified clients & relationship basis.
  Any Other sale: Subject to Margin validation & EPI of Securities

G. Receivables

- In normal cases client outstanding will have to clear onT+2 basis and if there is enough margin comfort (125%) it can be extended up to T+5 basis (CUSA rules applicable).
- The overdue status report of more than T+3 days would be sent daily to BDM/RSM and National Sales Head.
- Margins for infrequent trade client account (No Trades in Last 3 months) / Fresh accounts will be provided only on the clear credit available. Cheque details will not be entertained for the same.

G.1.MTM margins

MTOM to be settled by T+1 for Derivatives & within T+2 for Cash Segment.

Cash Segment

- In case of failure to settle the ledger debits, CUSA rules applies. All debits of T day have to be cleared by the settlement date (T+2 currently) Positions will be held up to T+5 (Subject to that if there is no Margin Call) and position will be squared off on 6^{TH}working day under CUSA rule.

However, if the Margin comfort comes down below 125% of the total amount due the position will be squared off even before T+5.
For nonpayment of ledger debit applicable late payment charges will be recovered. Any statutory levies on LPC would be applicable at actuals.

G.3.With Hold of Stocks In case of late payment by the clients:

Would be treated as per CUSA rule.

I.Banking Regulations

- Cheques of only those banks, which are registered in our Back office, will be accepted and no third party payment will be entertained.
- Payment by Electronic bank credit should have the bank proof for making necessary entry in the system.
- Cheque received and deposited with bank acknowledgment proof from clients should be scanned and sent to H.O
- Demand Drafts accepted if the bank letter in specified format accompanies it Or the client's name is printed on the instrument.
- Margins will be reduced from the clients account immediately if payout request are processed during trading hours.

Holding in DP (With POA) will be uploaded as a holding file to the dealing terminal and a dealer can sell those stocks without any upfront margin requirement. Subject to exchange prescribe credit release percentage.

Note : The basket margining is defined based on the current market trend and depends upon the volatility. The margin %for the basket will be changed with one day advance notice.