Tip Sons
Creating Value
Since 1993

Tipsons Stock Brokers Pvt. Ltd.

Risk Management Policy

Tipsons Stock Brokers Pvt Ltd (TSBPL) has more than 29 years of reputation and legacy for having a stringent risk management system and high compliance standards to ensure clients' investment safety and security with maximum transparency.

We have built efficient risk control parameters for exposure, mark to market, and turnover limits to attain the objective of handling Trade as well as Non-trade Risks. This has enabled us to become one of the most trusted financial services providers in India.

Risk Management is an integral part of any organization. An organization in stock broking services needs to manage risks like Credit Risk, Market Risk, Default Risk, and Liquidity Risk. In the Securities Market, clients have to be alerted with respect to their obligations, open positions, market conditions, margin requirements, regulatory requirements, and steps are initiated by the brokers in case of changing market conditions. With a view to enhancing customer knowledge and safeguarding investor interests, Tipsons has devised a comprehensive Risk Management & Surveillance (RMS) Policy to make sure that clients are aware of criteria based on which TSBPL monitors risk and initiates actions to safeguard the interest. The parameters of the RMS Policy are mentioned below:

1. Setting up Clients' exposure Limit:
At Tipsons Stock Brokers Pvt Ltd we will be using the following clients' exposure limit formula as standard procedure compliant with market regulators.

Clients' available margin constitutes of the following = Customers' Ledger Account Balance

(+)	Add	Margin Pledged Securities Value – After approve haircut.
(-)	Less	10% additional Haircut from Ledger Account Balance & Margin Pledge Securities Value for reduced Risk
(-)	Less	Unclear value of cheques
(-)	Less	Open Payin Securities Value (Securities yet to pay into the exchange)
(-)	Less	Previous day's MTM profit in Cash Segments

(Here, Securities Values will be considered after deducting appropriate hair cut of Exchanges or TSBPL)

Trading Limits will be allowed on the basis of available margin as specified by exchange for all segments at combined level i.e. Equity + Equity Derivatives + Currency Derivatives + Commodity Derivatives + SLBM (Securities Lending and Borrowing Mechanism). Margin will be collected as per the requirement of the Exchanges. i.e. Total Margin comprises of VAR Margin (Value at Risk) + Extreme Loss Margin (ELM) + SPAN (initial) Margin + Additional Margin + Tender Period / Delivery Margin + Special Margin (if any made applicable by the Exchanges from time to time). TSBPL at its sole discretion may collect additional margins onthe basis of risk perception or any other factor considered relevant.

As per exchange guidelines, only approved lists of securities for margin will be accepted as the net value of securities after applying the prescribed haircut (Only way of Pledge, Re-pledge mechanism). The haircut will be considered based on exchange haircut or TSBPL haircut (20%) whichever is higher. TSBPL at its sole discretion may revise the percentage of haircut as deemed fit from time to time.

Scrip wise Exposure Limits:

Cash Segment:

To keep in mind the surveillance measures and also to stop unusual activities in illiquid stocks, scrip wise limits will be set on the basis of the following parameters at the TSBPL

Scrip Group	**Available Limit**
Illiquid Scrip	Limit is restricted to 12.50 % of the Exchange Volume on T-1 day
Graded Surveillance Measure (GSM Group Scrip)	Zero Buying / Selling Limit subject to risk team approval
Additional Surveillance Measure (ASM Group Scrip)	Buying / Selling allowed with additional margins as per exchange norms.
All other Securities	Limit applicable as per the available margin.

- The scrip on which unsolicited news circulations are taking place (SMS Scripts) may be banned for transactions.

F & O Segment:
Far month future, stock, and options contracts, i.e. Third-month contracts onwards are not allowed for derivative trades. For selling In-the-money (ITM) options, the available exposure limit will be 100% of its intrinsic value.

Collection of Margin in Equity and all Derivatives Segments from clients
As per SEBI directives, the collection of upfront VAR and ELM margins from clients is required mandatorily for the cash segment also. The clients must ensure that the VAR margins and ELMs are paid in advance of trades failing which the exposure may not be approved or assigned.

As per revised framework of upfront collection of margin, members are also required to ensure peak margins in addition to the above mentioned margin requirements. Peak margin is the maximum of clients' intraday upfront margin requirements across various snapshots provided by exchanges.

'a' (Short-collection/non-collection of margins perclient per segment per day)	Per day Penalty as %age of **'a'**
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0

Clients, at any point of time, are required to maintain adequate margins as prescribed by the exchanges. In case of short collection or non-collection of margins, the client will be levied the following penalty:

If short / non-collection of margins for a client continue 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.

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.

2. Handling of Client's Securities:

Customers **having no outstanding debit** ledger balance/margin obligations / other dues, on the payout date, TSBPL may transfer the securities purchased by its customers to their Demat account irrespective of whether POA/DDPI is there or Customers **having outstanding debit** ledger balance/margin obligations / other dues, TSBPL as per SEBI directives Circular SEBI/HO/MIRSD/MIRSD-PoD-1/CIR/2022/153 date of November 11, 2022 for **"Handling of Clients' Securities by Trading Members (TM) / Clearing Members (CM) "** transferred to the respective customer's demat account followed by the creation of an auto-pledge (i.e., without any specific instruction from the client) with the reason "unpaid", in favour of a separate account titled – "client unpaid securities pledgee account.

If the client fulfils its funds' obligation within five trading days after the pay-out, we shall release the pledge to make the securities available to the client as a free balance.

TSBPL shall dispose off such unpaid securities in the market within five trading days after the pay-out. Before disposing of the securities, we shall give an intimation (email / SMS) to the client, one trading day before such sale.

TSBPL shall invoke the pledge only against the delivery obligation of the client. On invocation, the securities shall be blocked for early pay-in in the client's demat account with a trail being maintained in the TM/CM's client unpaid securities pledgee account

The unpaid securities shall be sold in the market with the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account

Once such securities are blocked for early pay-in in client's demat account, the depositories shall verify the block details against the client level obligation in accordance with the SEBI Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/595 dated July 16, 2021 and SEBI/HO/MIRSD/DoP/P/CIR/2022/109 dated August 18, 2022.

In case, such pledge is neither invoked nor released within seven trading days after the pay-out, the pledge on securities shall be auto released and the securities shall be available to the client as free balance without encumbrance.

Such unpaid securities pledged in the client's account shall not be considered for the margin obligations of the client.

3. Right to sell clients' securities or close clients' positions on account of non-payment of dues:

It is the clients' obligation to settle the dues on T+1 days (T indicates Trading day). In case the client falls short of providing clear funds on or before 2nd trading day of pay-in/pay-out day or due date in case for derivatives segments, TSBPL has the right to sell the clients securities which are under CUSPA and/or Margin Pledge mechanism and the right to close the open positions of the clients in derivatives segments to the extent of shortfall amount and/or settlement dues and other dues.

TSBPL at its sole discretion may hold the debits beyond T+1+5 days and liquidate the customer securities from CUSPA and/or Margin Pledged securities on the basis of the net risk position of the client. TSBPL may liquidate the client positions in case of a shortfall in margin obligation by giving a Margin call to the client.

TSBPL at its sole discretion may not liquidate the securities and/or allow exposure, where there are no dues outstanding against the settlement obligations of its clients. Such debits may arise because of charges against brokerages, value-added services, delayed payment charges, and any other charges as applicable.

TSBPL may liquidate securities by prioritizing 1) FIFO (First in First Out) securities from the CUSPA account. 2) Low VAR and the highest value margin pledged securities. For more than one security having the same VAR margin, the script with the highest closing price on T-1 day may be selected first for liquidation. However, in case, the securities are not sold due to any legitimate reasons like low liquidity or lower circuit, or any other reason, then TSBPL may liquidate other securities to clear the outstanding debits. 3% additional amount of the stock or Rs. 1000 whichever is higher is marked on outstanding Debit obligations for liquidation of the securities. TSBPL reserves right to change the formulas base on market conditions if need be and inform the client by possible mode of communication.

TSBPL may not allow further exposure if client ledger debit is not cleared on or before T+1+5 days. Delayed payment post-settlement day will carry an interest charge up to 18% per annum on actual debit balance inclusive of clients' open margin obligations.

TSBPL may liquidate the client position in the future and option segment in case of the mark to market (MTM) loss and/or margin shortfall by liquidating collaterals as provided by the client and also recover losses from the sale of such collaterals.

TSBPL at its sole discretion may revise the procedure without giving any reason and informthe clients by possible mode of communication.

Time-based Intraday Square off (Daily 3.15 pm onwards)
All positions (Cash and derivatives) which are created in a special 'INTRADAY product' will be squared off after 3.15 pm. This includes all types of Intraday i.e. Covered Order, Bracket Order, and Stop Loss Every day at 3.10 pm, the system may automatically stop allowing any further intraday orders. The system would first remove all pending orders and then square off all Intraday Orders. Clients can see all squared off orders in their mobile app or Web or exe platforms.

Real-time Risk-based Square off (Anytime during the Day)
Whenever markets are volatile and price movements become very erratic because of some events which can be pertaining to a particular stock or stock market as a whole, TSBPL Risk Management systems may monitor such volatility in real time. If the losses arising out of carry

forward derivatives open position, Intraday trades in Cash, Derivative, Commodity and act. segments erodes more than or equal to 85% of the Net worth of the client, then the Risk team may square off all open positions for the client(s). Open Position includes all Intraday Trades in Cash and Derivative segment and all Overnight Open Positions in the Derivatives Segment.

Note: This is an automated system and excludes all delivery holdings held by clients.

Margin Shortage in F&O (equity derivatives + currency + commodity) and Equities Segments: The Margin Shortfall intimation is sent to the clients via SMS for all segments. Clients need to deposit the cheque or make an online fund transfer to TSBPL on the same day of intimation. In case the client fails to transfer the funds, as per exchange guidelines the client has to bear the penalty on the shortages from 0.5% to 5%. If required, TSBPL may liquidate positions to the extent of shortfall for clients in critical situations. In case of a shortfall due to high fluctuations insecurity price during the day, TSBPL may liquidate any open position to mitigate MTM lossor to ensure sufficient margin for clients. The client has to deposit cheque or transfer funds for shortfall amount, ledger debit and any other dues as per regulation to avoid position liquidation.

For reporting the available margins of clients to the exchanges will be prioritized as per mentioned segment; 1. Equity Derivatives, 2. Currency Derivatives, 3. Commodity Derivatives and 4. Equity.

Physical Settlement in Equity Derivatives: (Current month expiry)
Based on the criteria specified in the SEBI circular, Exchange shall identify securities which shall be settled through delivery on expiry. Exchange publishes a list through a circular from time to time. The clients whose positions are open in physical equity derivatives contracts before T-1 day of the current expiry day, an intimation will be sent on/before T-1 day to square off of the position and avoid physical settlement. In case the positions are not cleared by the clients, the contract will be settled physically for long futures, and short futures, ITM options, and short options. In case of short options and short futures if clients do not have cash holding of that particular stock to the extent of short quantity then short quantity will get auctioned and client will have to bear the penalty as per exchange guidelines.

Higher Margin Requirement in case of physical equity derivative contracts before T-4 days for current expiry

Clients can trade in physical settlement option (buy) derivatives by utilizing 10%, 25%, 45%, and 70% of available margin respectively till 4 days before current month expiry and physical settlement of future or option (sell) derivatives as per exchange applicable margin. In case F&O shortfall arises due to delivery margin charge, the client has to deposit the shortfall amount on the same day of intimation else, client has to bear the shortfall penalty as per exchange guidelines. If required in critical situations, TSBPL may initiate square off from T-3 days till current month expiry Any Other Square Off TSBPL may initiate square off of positions for a particular client without prior intimation due to market volatility, debarred by SEBI or any regulatory authority or as prescribed in any other rules and regulations.

Commodity Segment Physical Delivery
Physical delivery commodities with compulsory delivery will be closed from the start of their respective tender period / delivery intention if clients are not willing to take delivery as per required margins. All the deliverable contracts of MCX and NCDEX enter “Tender Period

positions” as mentioned by exchange from time to time. Clients’ positions will be squared off from the start of the “Tender Period” till the expiry date, where the compulsory delivery period of the contract is applicable and if the intention of the client is not submitted to take / give delivery of the said contract. No positions will be allowed to carry over in Tender Periods except clients having Demat a/c complied with GST registration for commodity segments (COMRIS, CCRL OR NERL A/C).

5. Other Surveillance Actions:

i) Refusal of order for penny stocks / illiquid contracts:
TSBPL may refuse or restrict a client in placing the order in certain securities depending on Various conditions like volume / value / part of illiquid scrip's / Z group of securities although a client may have credit balance or sufficient margin in the trading account. However, TSBPL under exceptional circumstances may execute clients' orders. TSBPL has the discretion toreject execution of such orders based on its risk perception.

In the F&O segment, TSBPL may refuse or restrict the client in placing the order for far month Future & Option contracts.

ii) Regulatory conditions under which a client may not be allowed to take further position or TSBPL may close the existing position of the client:

In case overall position in a scrip / derivatives contract has reached the Regulators prescribed or any limit set by TSBPL / Exchange limit / Market wide open interest limit / Client level limit, then client may not be allowed to take further positions, till such time Regulators prescribed limit comes down to create a new position.

Further TSBPL may close the existing position of a client to the extent of debit balances to release the margin from the Exchange. In case if TSBPL has sufficient margin cover on behalf ofits clients, it may still decide based on the market conditions and risk perception not to allow further position or may close the existing position of a client.

iii) PMLA Guidelines:
A client will be categorized as High, Medium, and Low risk customer as per their risk appetite and their current profile as mentioned in Know your client form (KYC). The same will be reviewed at regular intervals as per PMLA Policy of TSBPL

Exposure to the client may also be governed by customer profiling mentioned above from time to time. The client needs to furnish their income details on a yearly basis. The following documents will be accepted as income proof

• Copy of ITR Acknowledgement
• Copy of Annual Accounts
• Copy of Form 16 in case of salary income
• Net worth Certificate
• Salary Slip
• Bank account statement for last 6 months
• Copy of Demat account holding statement

• Any other relevant documents substantiating ownership of the assets

If there is a major disparity between financial details and trading volumes, the client may be asked to furnish suitable explanations and based on the same further trading limits will be sanctioned.

iv) Suspension of Clients:
TSBPL may with hold the payout of a client and suspend trading account due to any internal surveillance (if client indulges in manipulative trade practice) / regulatory orders (debarring orders), etc.

v) In case the client has created any position in banned securities, penalty as levied by stock exchanges will be applicable.

vi) TSBPL may withhold the payout, if the client has traded in unsolicited SMS securities identified by exchanges periodically. Further trading on such scrips may be barred.

6. Quarterly / Monthly Settlement

The client may authorize TSBPL to maintain a running account for the settlement of funds. The actual settlement of funds shall be done by TSBPL, at least once in a quarter or month, depending on the preference given by the client. On the date of settlement, TSBPL may retain the requisite securities/funds towards outstanding obligations and may also retain the funds expected to be required to meet the derivative margin obligations, calculated in the manner specified by the exchanges and in addition of the same, client haven't executed any trade since last 30days, TSBPL release client Funds as per SEBI/Exchange Guidelines. Further where the client has not opted for running account settlement of funds, then securities, in excess of the margin obligation, if any, shall be immediately be released to the client.

7. Communication

As per regulatory requirements, we send 'Statement of Accounts of Funds and Securities', DP Statements, Contract Notes, Daily Margin Statements, Annual Global Statements etc. A client can view these statements also through his secured login on TSBPL website. The client has to be aware about his position, outstanding balance, and risk. TSBPL is under no legal obligation to send any separate communication but as a customer centric company, we may take extra efforts to ensure that clients are well informed about the risk and the possible actions.

8. System/Network Risk:

High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order confirmation and/or execution.

a. During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delay in order execution and its confirmations.

b. Under certain market conditions, it may be difficult or impossible to liquidate a positions in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / derivatives contract due to any action on account of unusual trading activity or security / derivatives contract hitting circuit filters or for any other reason.

c. Trading on exchanges is in electronic mode, based on satellite/leased line based communications, combination of technologies, and computer systems to place and route orders. Thus, there exists a Possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that although these problems may be temporary in nature, when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions.

9. Disclaimer

TSBPL has a discretion to alter/change any of exposure limit, margin limit, and/or liquidation/ close out parameters defined in this policy on the basis of prevailing market conditions, considering the dynamics of operations, business plans, and strategy of managements from time to time, and/or any risk perception with or without prior intimation and can use their discretion to grant any kind of exemptions/permissions in case they deem fit on case to case basis. In the time of extreme volatility or major impending event which might trigger such volatility, TSBPL reserves the right to withdraw the same. The company may modify or amend any of these rules without prior notice. The amended policy will be uploaded on the website of TSBPL from time to time.