Risk Management Policy

Introduction

Investment in securities is susceptible to market risks. While the risk of loss is inherent in the market, we at KLFS, seek to minimize the risk of loss through a dynamic risk management policy which is an essential feature of our product offering. As our customer, it is important for you to be aware of our Risk Management Policy and how the Policy would operate to regulate your transactions. It is also important to note that the Risk Management Policy is not an insurance against losses; these are measures and precautions that are adopted to contain risks to the minimum. The Policy is subject to change according to our risk perceptions of the market and relevant regulations for the time being in force.

Clearance of Debit balance

1. Clients who have opted for monthly or quarterly settlement should also ensure they abide by the same failing which we will settle their account by selling the holdings in case of continuous debit balance.
2. The debit to be considered for selling may be for trading (MTM losses and obligations) and NON-trading debits (DP Dues, other charges etc)
3. SEBI guidelines (November 2022 onwards) with regards to the unpaid securities state that the securities that have not been paid for in full by the clients; should be transferred to respective client's demat account followed by creation of an auto-pledge (without any specific instruction from the client) with the reason "unpaid" in favour of a separate account titled "client unpaid securities pledgee account", which would be opened by TM/CM. Accordingly, we may at our discretion on a case-to-case basis create the pledge for unpaid securities for any debit balance with approximately 150% of the debit value (or as per regulatory guidelines) to take care of any movement in market prices of securities. Such securities may be liquidated to clear any debit before release of pledge. In case there are multiple securities; "First in First Out" (FIFO) logic will be followed wherever. However, in case the stock basis FIFO logic could not be sold due to less liquidity or due to security in lower circuits or any other reason, then we may sell any other security to clear the outstanding debits.

Imposition of penalty/delayed payment charges

1. The Clients are required to settle the pay-in/ provide margin on T day or latest by 7.00am on T+ 1 day
2. Any amount which are overdue from the clients towards trading or on account of any reason to us will be charged with delayed payment chargers at the rate up to 18% per annum notified by us from time to time. Such interest on delayed payment shall be directly debited to the account of the client at the end of every month/week/daily basis.

3. We may impose fines/penalties for any orders/trades/deals/actions of the clients which are contrary to this agreement/ Rights Obligations rules/ regulations/ bye laws of the exchange any other law for the time being in force, at such rates and in such form as it may deem fit.
4. Further where we must pay any fine or bear any punishment from any authority in connection with/as a consequence of/ in relation to any of the orders/trades/deals/actions of the client, the same shall be borne by the clients.
5. Further we may restrict the clients to trade or take further positions.

Margins

Collection of Margin is very important in prudent Risk Management System. Since providing service in the financial market in instruments like Securities, Futures and Options etc. is carrying high risk to Intermediaries as well as clients. It is important to have proper guidelines with reference to this subject.

We are collecting margins as per Exchange circular, Byelaws, Rules and Regulations. We are giving utmost priority to comply with the said regulations which is the Core of the Risk Management System of any organization.

Margin Limit in Cash segment: KLFS Provides Margin based limit following the VAR and Extreme loss margin applies to scrip as defined by the Risk Management team time to time at its discretion. Hence Exposure for intraday and delivery transactions can be multiple (varying from scrip to scrip based on VAR (Margin rates) applies to scrip) of the ledger balance, value of collateral benefit after applying haircut on holding lying in the client account and credit for sales.
The value of the "multiple" and the "haircut" shall be decided by KLFS based on market volatility and quality of collaterals. Limit on the basis of unsettled sales and uncleared cheques will be at discretion of KLFS.

Cash Intraday trading is given VaR+ELM or 25% whichever is higher {credit balance available + after haircut stock value} Intraday position gets squared-up by us @ 3.10 p.m. of T day.

We also consider client relation, past history of trading and fulfilling obligations, financial strength, etc apart from Exchange Norms of Margin. So, it is overall combined decision of collecting margin based on above mentioned points.

Margin Limit for F&O segment: KLFS provides margin limit in F&O segment based on availability of initial and exposure margin upfront available into the client account in the form Ledger, cash collateral and non-cash collateral.

Client-wise differential limits: KLFS shall have the prerogative to allow differential limits in Cash, F&O segments varying from client to client, depending upon credit worthiness and past conduct of each client or any other criteria which KLFS may find suitable.

KLFS Discretions on limits:

1. KLFS has discretion to change the limits on the basis of risk perception and other factors Considered relevant (such as broker level/exchange level limits in specific securities or Income declaration or volume Specific exposures based on surveillance measures)
2. KLFS shall not be able to inform the client of such variation, reduction or imposition in advance.
3. KLFS shall not be responsible for client's inability to execute any order on account of any such variation, reduction or imposition of limits.
4. 10% above & 10% below Strike price options are not allowed to trade on our terminal. Far options should be traded through KLFS HO dealer on basis of having of client's clear funds.

Scrips blocked for trading

We shall not be responsible for non-execution/delay in execution of orders in restricted scrips and contracts and consequential opportunity loss or financial loss to the customer. We shall have the discretion to place such restrictions, notwithstanding the fact that the customer has adequate credit balance or margin available in his account and/or the customer had previously purchased or sold such securities / contracts on our platform earlier. We shall have the right to revise the list of such securities / contracts on a periodic basis.

Block Type	**Exchange**	**Scrip group / Series**	**Comments**
Buy	NSE and BSE	GSM Scrips	GSM Scrips stage 2 and above
Buy and Sell**	NSE and BSE	Unsolicited messages Current Historical	Stock Tip/ Recommendation circulated
Buy and / or Sell	NSE and BSE	Various series	As per internal policies some series may be allowed only for selling (fresh buy blocked) or both buy / sell may be disabled e.g. stocks where physical settlement is possible / Z group stocks / SME stocks / Debt and fixed income stocks / Periodic call auction (PCAS) stocks etc.
Fresh Buy	NSE and BSE	IBC and Corporate Insolvency Resolution process	Company in process of insolvency / corporate resolution

Any securities as per regulatory mandate / communication or at the discretion of the company might be blocked on case-to-case basis.

Intraday and leverage products
(restricting exposure and square-off and important points)

1. Time based Intraday Square off – Daily – Starting from 15 minutes before close of normal trading session.
2. This includes all types of intraday products i.e. Cover order, bracket order and stop loss order.
3. Everyday system will stop allowing any further intraday order any time after 3:15 pm. System first removes all pending orders and then squares off all Intraday orders. At the time of intraday order square off trigger, all pending orders would be cancelled, and orders will be sent to the exchange for square off. The orders sent to the exchange will be executed at the best effort's basis.
4. This is irrespective of the target reached/profit and loss position.
5. In case of any price movement >80% of circuit limit, further exposure in intraday products will be blocked by the system of that security.
6. In case of any price movement > 80% of circuit limit, open positions will be squared off in case of adverse MTM of that security. For stocks included in F&O segment the initial dummy circuit will be 30% till 3:05 pm and after that it will be as per exchange defined temporary circuit (currently 10%). Eg. 1) In case of circuit limit being 20% for any 16% up movement, all short positions will be squared off. 2) For F&O stock the circuit filter being 30% before 3:05 pm the square off will happen at 24% move (80% of 30%) and after 3:05 pm the square off will happen at 8% move (80% of 10%)
   - In case the positions cannot be squared off due to lack of liquidity, the trade will result in delivery trade and will be settled accordingly.
   - In case of Non-squared off short positions, 30% (or above) extra margin will be blocked till auction settlement is completed.
   - In case of Non-squared off long positions, client needs to pay the balance amount to the extent of entire obligation on T Day only. We will initiate a square off of non-paid up obligations on T+1 day from the start of market hours.
7. This is in addition to the MTM based square off across products and exchange segment.
8. As a client, you should be aware of the Intraday Product has risks associated with higher leverage in the Intraday Trading Facility as compared to trades in the regular market positions and therefore, while the opportunity for making profits on the investment is magnified, the risk of loss would also be enlarged correspondingly.
9. Client agrees and accepts that enlisting him/her for the intraday Trading Facility shall not oblige him/her to place Intraday orders requested in any scrips even though margin requirement for placing a trade order under the facility is available in the account.
10. Client also understands and agrees that the option to convert Intraday trade positions to carry forward positions is subject to full margin being made available upfront unless such margin is already lying to the credit of the account.
11. Client agrees and accept that if for any reason beyond our control, like force majeure causes, disruptions in the communication network, system failure, slow or delayed response from systems, trading halts, or the exchange applying circuit filters because of which the open

intraday position could not be squared off and are carried forward, client is expected to square them off on a best effort basis, as soon as may be, and any or all. Loss arising out of such events will be to clients account.

12. Client also agrees and accepts that he/she will not hold the broker, their directors, officers or employees liable for any loss that they may sustain because of availing this facility.
13. Maximum permissible exposure limit to a client for a day may be capped irrespective of Ledger and collateral.

Real time Risk based forced Square-off

1. We may initiate square off for a particular client without prior intimation due to market volatility, intimation by regulators or as prescribed in any other rules or regulation.
2. We shall have no obligation of communicating the same to the client although as a measure of good governance all possible steps will be undertaken subject to market volatility and time for timely communication.
3. We shall not be responsible for any losses incurred by the client due to such squaring off the open position of the client.
4. Positions created would be subject to either client himself squaring off or Risk based square off (MTM loss for all products across segment @80% of the Total deposit – Ledger /Funds + Holdings after haircut) or time based square off for intraday products.
5. At MTM loss the position will be reduced on the best effort basis and customers will be liable for such losses.

Trading limits and caps

We may levy certain limits (either mandated by regulator or as per our internal policies) on trading on our platform. These are to ensure no fat finger error is multiplied and results in systemic risk for either the client or us. Below are the most common limits and caps we have on our platform. We shall not assume any liability in respect of orders rejected by reason of their quantity or value exceeding the cap value.

1. Single order quantity and value cap
2. Turnover Limit at client and script level
3. Product Level cap at script level
4. Concentration capping for collateral limit at client level and script level
5. Basket orders will not be allowed

Shortages

As per the prevailing guidelines, clients are required to make securities pay-in on or before settlement day as per our policy. However, we are not obliged to deliver any securities to the client unless and until the same has been received by us from the clearing corporation/ clearing house or other entity liable to deliver their securities. In case of default in security pay-in by the client, we as per the internal settlement guidelines, shall debit an amount known as valuation debit to the clients. In case of default in security pay-in by the client there is a possibility of internal shortages at our end. These internal shortages are marked against clients randomly at the sole discretion of the broker. In case of internal shortage, the obligation will be closed out at the highest traded price in Exchange from the day of trading till the auction day or at a percentage as applicable from time to time above the official closing price on the auction day, whichever is higher, as a penalty on the defaulting client and the benefit will be passed on to the respective beneficiary client. The close-out rate excludes any penalty levied due to short selling of securities/ Non-delivery of shares. Scrip which is settled on a Trade-to-Trade basis at Exchange does not fall under the above-mentioned policy.

Internal Shortage

If a client has short delivered any securities against his/her pay-in obligation towards a counter party who is also a client of the Stock Broker and the same has resulted into internal shortage, the following policy is applicable:

1. The Stock Broker shall do the close-out which shall be T day highest price +20%.
2. The above additional 20% will be debited to the defaulting selling client and credited to the buying client.

The Company reserves the right to amend/modify any of the policies/procedures mentioned above from time to time depending upon regulatory, market, external conditions and our internal risk management framework, and the customers can obtain such change/ modification from the Company’s website / app.

Futures and Options (Equity Derivatives)

A. Contracts available for trading:

1. Derivatives trading is offered in the Equity-Derivatives segment offered on NSE/BSE.
2. Index Futures and Options
    - Contracts outside the range of +/- 20% range of underlying price will be blocked for trading. Square-off for existing positions will however be allowed.
    - Any contracts within the +/- 20% range might be additionally blocked based on the open interest and liquidity as per the discretion of KLFS. Square-off for existing positions will however be allowed.
    - Contacts will be allowed for an expiry period of 3 months (current and next 2 only. Contacts for later months may be opened nearing the current month expiry at the discretion of KLFS.
3. Stock Futures and Options:
    - Contracts outside the range of +/- 10 % range of underlying price will be blocked for trading. Square-off for existing positions will however be allowed.
    - Any contracts within the +/- 10% range might be additionally blocked based on the open interest and liquidity as per the discretion of KLFS. Square-off for existing positions will however be allowed.

- Contacts will be allowed for an expiry period of 2 months (current and next) only. Contacts for later months may be opened nearing the current month expiry at the discretion of KLFS.

B. Market Orders:

1. In case of option orders, the market orders will be placed as a limit order after applying a certain market protection percentage (in the range of 5 to 25% depending on liquidity and price). In case of non-availability of prices, market order may not be allowed altogether, and the client needs to place a limit order. For other instruments in F&O segment (futures / option selling) Allowing / disallowing market orders will be at the sole discretion of KLFS.
2. Due to exchange-imposed member level open interest restrictions, not all strike price for option contracts may be available for trading in case the Open Interest (OI) Level is hit.
3. On the last day of monthly expiry for stock derivatives (Stock options and Stock Futures) only square off orders will be allowed for open positions till 2:30 p.m on expiry. After 2:30 p.m onwards for the rest of the trading day – trading will be blocked and open positions (if any) will be squared off by us as per physical settlement policy.

C. Margin and Margin Collection:

1. Margin is the minimum amount which is required to take a position in the equity derivatives segment as prescribed by stock exchanges from time to time.
2. This includes all the exchange mandated margins (E.g Span, Exposure, Delivery, Additional etc) and any additional margins as levied by KLFS at its discretion
    - For buying options: The premium amount + Any other delivery margin as charged before physical settlement
    - For Shorting options and for Futures: Span + Exposure + Delivery margin charged during physical settlement + Any other additional margin as levied by the exchange / KLFS.
    - Hedge benefit (if any) may be provided on Span margin only as per the relevant positions of the client and as per the hedge benefit calculation available from exchange mandated Span margin.
    - KLFS at its sole discretion may levy additional margin which is over and above the margins already levied by the Exchange from time to time.
3. Clients need to give upfront margins which are defined by stock exchanges before taking positions in the derivatives segment. KLFS reserves the right to charge higher margin than the margin stipulated by the stock exchanges based on our internal Risk Management policy from time to time.
4. Clients are advised to monitor their positions on a real time basis and never keep any shortfall.
5. The clearance of shortfall based on the timelines if any given by KLFS for liquidation in case of shortfall being continued should be strictly followed.
6. The payments are accepted only in the electronic forms and may include NEFT/RTGS/UPI or any other mode of transfer which is made available by KLFS.

7. Any Shortfall in margin may result in penalties from the exchange which may be transferred (for the type of shortfall penalties transferrable to the client as per regulations in force) to the client's ledger. This includes penalty levied for margin shortfall arising due to a hedge break / loss of cross margin benefits like square off by the client of some leg(s) of the hedged positions or expiry of some leg(s) of the hedged positions of the client, leading to higher margin obligations on the open position(s).

D. Shortfalls and Risk based force square off:

1. Markets are volatile and price movements can be very erratic especially in the F & O segment. Events can be pertaining to a particular stock or stock market as a whole. This may result in shortfalls and also liquidation in case the shortfall is not met. Square off orders for margin shortfall in F&O will be placed in maximum lots of 20. In case of open position to be squared off is more than 20 lots, orders will be split to avoid high impact cost and exchange surveillance.
2. Shortfall can arise due to increase in margin required (e.g. increase in margins due to volatility or additional margin levied for physical settlement etc) OR fall in margin available (e.g. pay-out of funds, Mark to Market (MTM) losses etc) OR Both.
3. Shortfall = Margin Available – Margin Required
   - Margin Available = Adjusted Ledger Balance after considering successful pay-in and pay-out (complete or initiated) of funds + post haircut value of pledged securities (if any) – Unrealised and Realized losses for all exchange segments (note that profits — realized and/or unrealized will be ignored till it is posted in the ledger where it will then be considered in the form of ledger balance) + Net stocks sold from demat (-considered for Early pay in / lying in Pool A/c) – applicable brokerage & charges
   - Margin Required = Margin blocked for any trades in Equity segment + Span margin + Exposure margin + Delivery margin (for physical settlement if any) + any other exchange mandated / additional margin imposed by KLFS
   - (Margin available) / (Margin Required) = Margin Available %
4. Clients position may be squared off if any of the following 'Time based' square off:
   - Client will be duly intimated about the shortfall amount after clearance as the clearance of shortfall is immediately on any amount of shortfall on real time basis post the peak margining norms.
   - Positions will be squared off to the extent of covering the entire shortfall. In case of extreme MTM loss due to movement of prices, the positions will be reduced on a best effort basis and customers will be liable for such losses.
5. In case of increase of margin by the exchange post trading hours, the customer should fund the account before the end of day on the same day else there might be a penalty for short collection of margin which will be passed on to the client (as permitted by the regulations in force).
6. All losses from daily settlements and losses from square off which are not paid shall be recovered by selling available shares of the Client and Client shall be liable to pay the remaining balance forthwith.

7. In case the net premium for open positions of options is eroding the margin available of the client by more than 80% (margin available post the net buy premium remains at 20%), the positions for short options will be squared off.

E. Intimation of Shortfall:

1. KLFS may initiate communication through email / sms or any other mode of communication for intimation if shortfall along with the stipulated time for reducing the shortfall either through infusion of funds / squaring off of positions
2. In case the timeline is not followed, KLFS reserves the right to liquidate the positions to cover the entire shortfall.
3. Note that the intimation of shortfall is at the discretion of KLFS and we shall have no obligation of communicating the same to the Client although as a measure of good governance all possible steps will be undertaken subject to market volatility and time for timely communication. Clients should monitor the position at all times.
4. We may initiate square off for a particular client without prior intimation due to market volatility, any shortfall where there is penalty by exchange, intimation by regulators or as prescribed in any other rules or regulation.
5. In any case, if the available margin falls below the threshold for forced square off, the positions may be liquidated by KLFS without further notice.
6. We shall not be responsible for any losses incurred by the Client due to such squaring off the open position of the Client.

F. Ban Period: No fresh positions OR Roll over of existing positions will be allowed if the security is in ban period. Clients can square off their existing positions. If any open position is created in ban securities, any penalties from exchange & additional penalties from KLFS shall be passed on to the client.

G. Limits and Caps:

There will be certain restrictions on placing transactions and for total turnover as per the internal policy of KLFS as updated from time to time. Some of the most relevant caps are highlighted below.

1. Single order limit (in Quantity and value in Rs) 1,00,000 Qty / Rs. 1,00,00,000/- value
2. Exposure and Turnover cap at client level
3. Exposure and Turnover cap at underlying level
   Client wise position limits
   - Stock Underlying: As per exchange prescribed limits
   - Index Underlying: NIFTY: 160000 Qty
   - BANKNIFTY: 70000 Qty
   - FINNIFTY: 160000 Qty
   - MIDCAPNIFTY: 305000 Qty
   - SENSEX: 50000 Qty
   - NIFTYNXT50: 55000 Qty

H. Other points:

1. Premium received from option selling will be allowed to buy options and not for any other purpose including taking positions in futures. This is to ensure the margin reporting framework and avoid short margin collection penalties.
2. Any Mark to Market profit on T day (Realized or Unrealised) will not be considered for exposure and also for monitoring purposes. This is to ensure that the benefit of profit is given only on settlement. However, losses will be reduced from available margin (both – realized and unrealised).

I. Physical Settlement:

1. All open position(s) in the F&O segment (except those who have opted for physical settlement) should be squared off before 2:30 pm on expiry day (Monthly expiry).
2. We will square off all open positions from 2:30 pm onwards on expiry day, for all open positions (in stock derivatives) for that expiry irrespective of margin availability in case the client has not opted for physical delivery successfully.
3. For all clients who want to avail the option for physical settlement, express request needs to be given by 4 PM on T-1 working day (T day being expiry).
    - Further, the client needs to have the entire margin for the notional contract value by 4 PM on T-1 working day (T day being expiry).
    - This is in addition to the Span and Exposure Margin and the exchange mandated Delivery margin for ITM Long options
    - No hedge / spread benefit will be given on this and notional value will be gross notional value for all legs.
    - Limit Available = "Cash Margin Avail" + "Notional Cash" + "Pay in Amount" - "Pay-out Amount" - MF / IPO / SGB / Bonds etc purchase - CNC Buy + CNC Sell - Net option premium paid - Net Realized MTM Present - "Brokerage Present" - "CNC Brokerage Present" + Realized profit + Unrealised MTM
    - **Notional Value =
      For Futures → Lot size*No of Lots*(101% of LTP)
      For Options → Lot size*No of lots*{Strike+ (Premium amount at LTP x 101 %)}
    - If (Limit Available >= Notional Value) then user 'Physical Settlement' is SUCCESS else it will be marked as FAILED
4. For all clients who have not submitted consent and who do not square-off their positions before 2:30 PM on expiry day:
    - Positions will be squared off by us at prevailing market rates. Such square-off orders will be placed by our team as "Market Orders" and / or Limit price protected orders as per regulations in force and we shall not be liable for the rate at which they are executed.
    - If we cannot square off your positions due to any reason including lack of liquidity, positions will be physically settled by the Exchange, and you will have to bear the costs (penalties & losses) arising from it.
    - For a long open position (Long Futures, Long Call Options, Short Put Options) : This will result in Buy Equity Delivery obligation; and you will be liable to pay the entire settlement amount as per Equity segment settlement.

- For a short open position (Short Futures, Short Call Options, Long Put Options) : Your short position will get converted into; Sell Equity Delivery Position, and you will be liable to deliver the shares. In case of short delivery, an auction obligation will arise and all the costs / charges / losses will have to be borne by you.

5. Policy regarding Close to Money contracts (CTM) and Do Not Exercise (DNE) facility: NSE has discontinued the DNE facility from March 2023.
6. We encourage squaring off all open F&O trades which might result in physical delivery to avoid these hassles.

J Hedge Positions – Preventive Square Off based on projected shortfall:

1. In case of any hedge (e.g. calendar hedge) where one leg of the position is expiring on (trading day) T-day and any/all other legs are expiring on later days, there exists a possibility of margin shortfall at the end of the day when the benefit of the leg expiring on T-day is not available.
2. In such cases there might be a shortfall and resultant penalty from the regulators or exchange for upfront margin /peak margin. Any penalties arising due to shortfall will be passed to the client.
3. To avoid shortfall or levy of penalty, clients should ensure that sufficient margin is available including the hedge benefit (assuming that the hedge benefit for the leg(s) expiring today is no longer available) 30 minutes before the market close on any given T-day.
4. Any failure to maintain adequate margin may result in squaring off those leg(s)of the position expiring at a date later than the T-day to regularize the projected shortfall based on simulation of positions excluding the positions expiring on T-day.
5. We reserve the right (but not an obligation) to square off your open positions where your positions are hedged and our Risk Management System foresees a margin shortfall in your account (based on simulation) when one leg expires.
6. Kindly note that we shall not be liable for any loss, damage etc caused to you as a result of such square off.

Pledge

1. Collateral margins will be made available from T+1 day i.e. next trading day.
2. The list of securities accepted as Collateral along with applicable haircut will be displayed at the time of accepting pledge. The amount of haircut will be applicable as per the internal risk policy (which will be as per the exchange defined margins or stricter) and the rate of haircut may change from time to time at the sole and absolute discretion of KLFS including but not limited to removal of securities from approved list. E.g. A haircut of 10% would mean that if you pledged stocks worth Rs 1 lakh, Rs 90,000 (90% of 1 lakh) will be added as collateral margin.
3. Collateral value will be calculated in real time and the worst case is considered for valuation. (Worst case means lowest of LTP or previous day's closing price).
4. For the purpose of margin Reports and exchange margin reporting, standard margins (VaR + ELM or any other rate of margin as defined in regulatory guidelines from time to time) will be applicable as the haircut. Thus, Collateral valuations in the margin report will be as per regulatory margins whereas on the trading platform for the purpose of collateral limit, it will

be as per internal haircut policy which may be stricter/higher than regulatory applicable margins.

5. Further exposure will be blocked from T+5 trading days in case of ‘ageing’ debit. 'Ageing' debit may be liquidated beyond T+5 as per the due date defined internally (currently this will be liquidated on T+7 days) which may be changed and duly communicated whenever changes made are applicable.
6. In case of MTM loss / steep fall in value of pledge collateral affecting coverage, the pledge collateral and the open positions will be squared off without any further notice and the client shall be solely responsible for all the costs and consequences arising therefrom. The threshold of square off may be defined and changed as per internal policies which may be changed and duly communicated whenever changes made are applicable.
7. Collateral Margins will not be available for exposure in “Delivery product” in the Equity segment. Further allowing collateral margin for option buying may or may not be allowed as defined and changed as per internal policies which may be changed and duly communicated whenever changes made are applicable.
8. Margin calls / liquidation communications will include the collateral value post haircut / at LTP depending on the liquidation parameters.
9. For regulatory shortfall reporting - the valuation will be post haircut as per the rate (LTP or previous close) mentioned in regulatory guidelines.
10. For MTM loss on open position And / Or Steep fall in collateral valuation to the extent of more than 70% (or any other threshold as per internal policies which may be changed and duly communicated whenever changes made are applicable) , the calculation will be based on LTP and positions will be liquidated without any further notice to the client and the client shall be solely responsible for all the costs and consequences arising therefrom.
11. In case of corporate action / removal from the approved list, collateral may be removed from the approved list to mitigate the price risk. In such a case if any other collateral / funds are not provided as replacement for coverage / margins, the collateral will be liquidated to prevent shortfall / debit and the client shall be solely responsible for all the costs and consequences arising therefrom.
12. KLFS reserves the right to make any changes in the policy with due intimation to the client and the client will be bound by the same.

Graded Surveillance Measure Securities

In GSM securities the Company would be Blocking of the scrip under GSM from grade I – grade VI. Exchanges has vided their respective circulars have provided for guidelines on GSM security. The client can refer to the same in the case of the explanation required. Newly listed shares usually do not have a DPR and hence, the chances for rate fluctuations are higher. The dealing in newly listed shares will be restricted to the available credit balance after considering the Mark-to-Market (Mark-to Market) levels.

Refusal of orders for penny stocks

1. Although, the term 'Penny Stock' has not been defined by BSE / NSE or any stock exchanges, & SEBI. A penny stock generally refers to a stock which has following mentioned characteristics:

- Has small market capitalization;
- Trades at a price less than its face value;
- Has unsound fundamentals;
- An illiquid (A list if illiquid securities are jointly released by NSE / BSE from time to time.)

2. KLFS recognizes that it is client's privilege to choose shares in which he/she would like to trade. However, KLFS like to have special attention to dealing in 'Penny stocks'. To this end,
   - Kalpalabdhi Financials Private Limited (KLFS) shall have absolute discretion to accept, refuse or partially accept any buy or sell order for execution from a client in respect of penny stocks, illiquid stocks, stocks having low liquidity, illiquid “options”, far month “options”, writing of “options”, and any other contracts which as per the perception of KLFS are extremely volatile or subject to Market manipulation without assigning any reason for the same and if its allowed then only against the clear fund balance of client lying with us on receipt of specific client request & management consent.
   - GSM scrips are blocked by us and clients are not allowed to buy the any stage of GSM scrip’s unless receipt of client request and agreed on exchange terms & condition as funds are blocked by exchange as 2 & 3 times accordingly & release after completion of quarter & review of same, whichever is earlier and it depend upon exchange circular updated by exchange from time to time.
   - KLFS may permit restrictive acceptance of orders in such scrips/contracts in controlled environments like orders received from clients being forwarded by branches to a centralized desk at HO instead of allowing trading in such scrips/contracts at branch level or through
   - online trading platform. KLFS shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the client.
   - Clients must ensure that trading in 'Penny stock' doesn't result in creation of artificial volume or false or misleading appearance of trading. Further, clients should ensure that trading in 'Penny stock' doesn't operate as a device to inflate or depress or cause fluctuations in the price of such stock.
   - KLFS may take appropriate declarations from the clients before accepting such orders.
   - KLFS shall have the prerogative to place such restrictions, notwithstanding the fact that the client has adequate credit balance or margin available in his account and/or the client had previously purchased or sold such securities/contracts through KLFS itself.
   - Clients are expected not to place orders in penny stocks at prices which are substantially different from the prevailing market prices. Any such order is liable to be rejected at the sole discretion of KLFS.
   - In case of sale of penny stocks, client should ensure delivery of shares to KLFS before the pay-in date.

Deregistering a Client

KLFS may in its absolute discretion, decide to deregister a particular client. The illustrative circumstances under which KLFS may deregister a client are given below:

1. SEBI or any other regulatory by has passed an order against such client, prohibiting or suspending such client from participating in the securities market.
2. Such client has been found & investigation by a regulatory body or any government enforcement agency in case of market manipulation or insider trading or any other case involving violation of any law, rule, regulation, guideline or circular governing securities market.
3. Such client is suspected found of indulging in illegal or criminal activities including fraud or money laundering.
4. Such client's name appears in the UN list of prohibiting entities or SEBI debarred list.
5. Such client's amount has been lying dormant for a long time or and the client is not traceable.
6. Physical contract notes are received back undelivered due to reasons like “no such person”,
7. “Addressee” left, refusal to accept mails, signature mismatch on POD’s or other reasons which may create suspicion.
8. DCN failed (bounced email) on more than 3 instances until client submits and registers new email id.
9. Non-delivery of the Statement of Account sent on periodic basis.
10. Non-Updation of communication details viz., email id, mobile no., landline details or it is found to be belonging to a third person.
11. Client lodges a complaint either directly with KLFS or through Exchange relating alleged
12. Unauthorized Trades being executed in the account.
13. Based on the recommendations made by the branch manager due to excessive speculations, unclear balances.
14. Any suspicious clients as address not found, email id bounce, number invalid
15. Such client has been declared insolvent by any legal proceedings to declare him/her.
16. Such client has been irregular in fulfilling obligations towards margin or settlement dues.
17. Such client has a tainted reputation and any business relationship with such clients is likely to tarnish the reputation of KLFS or may act as detriment to KLFS's prospects.
18. Client is reported as written request to or known to have expired.

Suspicious Transactions

RMS Department is authorized to take appropriate steps to identify suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. A list of circumstances which may be in the nature of suspicious transactions is given below.

This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

1. Client’s whose identity verification seems difficult or client appears not to or reluctant to co-operate
2. Assets of clients where the source of the funds is not clear or is not in accordance with client’s apparent standing /business activity.
3. Substantial increases in business without apparent cause;

4. Unusually large cash deposits made by an individual or business;
5. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash.
6. Transfer of investment proceeds to apparently unrelated third parties.
7. Off market transactions in the DP account of the clients in large number of share & various transaction.
8. High exposures taken by client as compared to income levels informed by clients.
9. Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.

Any Suspicious transaction should be immediately notified to the Money Laundering Control Officer or any other designated officer within the organization. The notification may be done in the form of a detailed report with specific reference to the client's transactions and the nature /reason of suspicion. However, it should be ensured that there is continuity in dealing with the client as normal until told otherwise and the client should not be told of the report/suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.