



# Antique Stock Broking Limited

## RISK MANAGEMENT POLICY

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|-----------------------------------------------|----------------------------------------------------|
| <b>Policy Created by: Compliance Officer</b>  | <b>Policy approved On: 10.04.2011</b>              |
| <b>Policy Reviewed by: Compliance Head</b>    | <b>Policy Last Reviewed On: 08.02.2023</b>         |
| <b>Policy Reviewed by: Compliance Head</b>    | <b>Policy Last Reviewed On: 11.03.2025</b>         |
| <b>Policy Reviewed by: Compliance Head</b>    | <b>Policy Last Reviewed On: 09.04.2026</b>         |
| <b>Approval Authority: Board of Directors</b> | <b>Periodicity of Review: As and when required</b> |

The below mentioned policy on RMS has been approved by the Board of Directors in their meeting. All the employees are required to follow the same and take due care for its proper implementation.

The operations of the company are in a very controlled manner and the company has strict system in performing all its activities. In case of registering a client the concerned department analyzes the clients and only if the client meets the various parameters, then only an account is opened. The risk management systems considering the current operations of the company are:

1. Persons are added as clients only after they have had a meeting with the director / employee of the company.
2. The Application forms for opening an account are issued only when the management is satisfied with the client's financial capacity to trade in stock market and after the prospective client provides the valid references for his account.
3. Every client is designated a proper dealer/s, and the dealer/s before accepting the order for the client is given the background of the client so that the dealer is in a proper position to analyse the capability, the risk appetite and the investment pattern of the client so that proper risk assessment can be made considering the client.
4. The completed form is then received and only after proper verification of the documents and checking the genuineness of the person, the account is opened.
5. The senior management knows the risk appetite of the clients and accordingly the overall exposure is determined for the client on the basis of the financial capability and on the money lying with us in the client ledger account.
6. We try to ensure to have adequate advances in hand to be taken from client before the transaction is executed.
7. The dealer regularly assesses the risk with respect to the trades done by the client. The dealer being regularly interacting with the client is aware of the trading pattern and thus in a position to determine the risk vis a vis every trade done by the client.



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8. The client shares are tracked to have been received only from the designated DP account only so as to nullify the risk due to receipt of shares from any third party demat account. Shares received from the third party are returned back to the same demat account from where the shares have been received.
9. The exposure with respect to every dealer's terminal is controlled through the office risk management team.

### 10. Limit Setting:

- Limit setting plays an important role with respect to the operation of the broking house and considering the risk associated for inputting trades in this electronic and dynamic market conditions the member should put limits for every client, every order, every branch, all terminals put-together, etc as may be applicable.
- With respect to limit setting & execution of orders in the various segments of the exchange, the Board of Directors has finalized the following policy
  - The trading member should fix the limit which would indicate the maximum value of transaction that can be inputted through any order. ASBL authorizes the risk management team, in consultation with the director to decide on the limit that can be set vis-a-vis every client / terminal and the following limit controls are being implemented. The limits would be set for the following:
    - o Quantity limit for each order
    - o Value limit for each order
    - o User value limit for each user ID
    - o Branch value limit for each branch ID
    - o Spread order quantity and value limit

11. The risk management team regularly assesses the trades being executed by the clients / sub-brokers / sub-brokers client to check the trades in illiquid / risky stocks. The past operations are also tracked, to assess the risk level of the company in dealing with such clients. The trades in Z category stocks as specified by BSE are not allowed, unless a special permission has been taken & only after due consideration, the RMS head will allow temporarily a specific exposure limit for dealing in Z group stocks.

### 12. **Conditions under which a client may not be allowed to take further position or his existing position may be closed**

ASBL shall have absolute discretion and authority to limit client's volume of business or to close any existing position of a client without giving any prior notice to the client under following conditions:

- SEBI or Exchange imposing restrictions on further exposures in cases of extreme volatility in the market or in a security or group of securities.
- Client or the Broker exceeding or touching exposure limits set by the Exchange in the particular scrip.
- Reasonable doubt as to bonafide of the transaction or identity of the client in the light of the financial status and objectives as disclosed in the KYC form.
- Reasonable doubt as to the transaction being cross trade, circular trade, fraudulent practice or connected with price manipulation or market rigging.
- SEBI or other competent authority issuing a debarment order against the client from buying, selling or dealing in securities, unless the order is vacated.



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- The client has taken or intends to take new position in a security which is in the banned period
- Due to abnormal rise or fall in the market, the markets are closed.

ASBL shall also have a right to close existing positions of the clients in the abovementioned circumstances.

ASBL shall not be responsible for any loss incurred and the client shall indemnify ASBL in this regard.

### **13. Following are the basic risks involved in trading on the Stock Exchanges in Equity and other Instruments, which the clients should be aware before commencing the trade / operation of the trading account.**

#### **Risk of Higher Volatility**

Volatility refers to the dynamic changes in price that securities / F&O Contracts / Currency Derivatives Contracts undergo when trading activity continues on the Stock Exchange. Generally, higher the volatility of a security/contract, greater is its price swings. There may be normally greater volatility in thinly traded securities/contracts than in active securities/contracts. As a result of volatility, order may only be partially executed or not executed at all, or the price at which order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.

#### **Risk of Lower Liquidity:**

Liquidity refers to the ability of market participants to buy and/or sell securities / contracts expeditiously at a competitive price and with minimal price difference. As a result, order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all. Buying/selling without intention of giving and/or taking delivery of a security / contract, as part of a day trading strategy, may also result into losses, because in such a situation, stocks may have to be sold/purchased at a low/high prices, compared to the expected price levels, so as not to have any obligation to deliver/receive a security.

#### **Risk of Wider Spreads:**

Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a security / contract and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid securities / contracts. This in turn will hamper better price formation.

#### **Risk of News Announcements:**

Issuers make news announcements that may impact the price of the securities / contracts. These announcements may occur during trading, and when combined with lower liquidity and higher volatility, may suddenly cause an unexpected positive or negative movement in the price of the security / contract.

#### **Risk of Rumours:**

Rumours about companies at times float in the market through word of mouth, newspapers, websites or news agencies, etc. The investors should be wary of and should desist from acting on rumours.

#### **System/Network Congestion:**

Trading on NSE/BSE 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 the control of and may result in delay in processing or not



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processing buy or sell orders either in part or in full. Clients are cautioned to note that although these problems may be temporary in nature, clients having outstanding open positions or unexecuted orders, these represent a risk because of their obligations to settle all executed transactions.

### **Risk of Option holders**

1. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time
2. The Exchange may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.
3. In case of close out, STT applicable for in the money contracts is substantially more than the normal trading / square off trades. Hence, amongst others, the clients need to monitor their positions especially on expiry day and square off their in the money contracts before the closure of the market.

### **Risks of Option Writers**

1. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risk of losing substantial amount.
2. Transactions that involve buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors.

## **14. Risk Management Process:**

**The process of managing the Risk includes the following:**

- 1. Identify the Risks:** Risks in the company are identified through 1) inquiries to management and other senior personnel 2) Observation/inspection and 3) By performing analytical procedures.
  - a) Inquiries are done regarding their operating style, incentive plans, budgets etc.
  - b) Inspection is done for business plans / strategies, internal controls, reports available in accounting software, minutes etc.
  - c) Analytical procedures include comparing trends, growth and other quantitative data related to key risks.
- 2. Evaluating and assessing the Risks:** Risks are evaluated keeping in consideration their significance and likelihood of occurrence. Significance is assessed by the impact of it on profit / compliance / governance. Likelihood is judged by viewing the historic events of the occurrence of such risks and probability of its occurrence taking into consideration the weakness of internal controls leading to its frequency of occurrence.

Accordingly, the risks identified are categorized in Low / Medium / High.

- 3. Handling/Controlling the**
- 4. Risks by—**
  - Risk Prevention,
  - Risk Avoidance,
  - Risk Transfer,
  - Risk Retention and
  - Risk Control.
- 5. Monitoring/Reporting:** As per NSE vide circular dated April 28, 2021 (NSE/INSP/48109) & NCL/CMPL/48236 dated May 10, 2021 we ensure the compliance of the aforesaid circular with respect to reporting of Client Level Cash & Cash Equivalent Balances by trading member to clearing member.



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### 6. Risk Management Policy and implementation

Objectives shall be set at the strategic level, establishing a basis for operations, reporting and compliance objectives. Identifying the most relevant risks based on situation, evaluate the level of risks based on probability and the significance of their potential impact. Decide appropriate management action to respond to assessed risk. Monitor the implementation and success of risk mitigation action plan. Report to the appropriate level to meet reporting requirements.

**RMS stands for Risk Management System - To manage the risk of the company from the volatility of the market.**

**(1) RMS works on the following concepts:**

- 1.1) Cash: The clear balance available in the customer's ledger account in our books.
- 1.2) Margin: The underlying stake provided by the customer in the form of cash, FDR and/or stock to mitigate market (price) or settlement (auction) risk
- 1.3) Exposure: The aggregate of the customer's obligations arising out of buy + sell trades awaiting settlement in the cash segment and profit/ loss amounts that are yet to be settled on the closed positions.
- 1.4) Exposure multiple: The number of times that exposure is allowed on the underlying margin on the cash segment would have to be made either on the availability of cash margin or on the availability of the stocks (which are to be sold) in our margin account, by executing a transfer before any order is initiated.
- 1.5) Stock qualifying for margin in cash segment transactions: Securities in the approved list of GCML.
- 1.6) Total Deposit: The aggregate of client deposit available with us in the form of cash, shares (after applicable hair cut) and FDR.

**(2) NATURE OF CUSTOMER TRANSACTIONS**

2.1) Intraday - Cash segment: The amounts of purchase (or sale) in a scrip on any trading day that is reversed by the end of the day by making a contra sale (or purchase) of the exact same quantity, thereby nullifying the original position.

2.2) **Delivery Trades:** The net purchase or sale of a scrip in a client account that is settled by way of a delivery on T+2(or as per settlement schedule). Delivery in respect of sale transactions in the cash segment has to be settled by the client by tendering securities in demat form before the pay-in deadline. Else the client faces the risk of auction.

2.3) **Sell against Buying:** A purchase order executed on the Exchange today and the (undelivered) purchased stock sold in its entirety on the next trading day. In this case the first transaction would be settled on T+2 while the sale would be settled on the third business day after the purchase transaction

(3) **MANAGEMENT OF RISK** We have margin based automated RMS system. Total deposits of the clients are uploaded in the system and client may take exposure on the basis of margin applicable for respective security as per VAR based margining system of the stock exchange and / or margin defined by RMS based on their Risk perception. Client may take benefit of "credit for sale" i.e, benefit of share held as margin by selling the same by selecting delivery option through order entry window on the trading platform, the value of share sold will be added with the value of deposit and on the basis of that client may take fresh exposure. In case of exposure taken on the basis of shares margin the payment is required to be made before the exchange pay in date otherwise it will be liable to square off after the pay in time or any time due to shortage of margin

Further in addition to above as per SEBI circular no. CIR/HO/MRDSD/DOP/CIR/P/2019/75 dated June 20, 2019 related to Handling of Clients' Securities by Trading Members/Clearing Members, following important changes included w.e.f. October 01, 2019:



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Securities purchased by client shall be transferred to client's demat account within one working day of the pay-out subject to clear credit balance in clients' trading account (Capital Segment).

With regard to securities that have not been paid for in full by client (unpaid securities), full/partial securities shall be transferred to a separate client account titled as "*Client Unpaid Securities Account*".

The securities kept in the "*Client Unpaid Securities Account*" shall be transferred to client's demat account upon fulfilment of funds obligation within five trading days from the pay-out date otherwise the same will be disposed off in the market by us. However, we may at its sole discretion, transfer all or part of the securities from Pool/Client Unpaid Securities Account to client's demat account even there is a debit balance in client/TM account subject to availability of sufficient collaterals.

If unpaid securities of the client are disposed off by us as per SEBI circular, then the client is not allowed to purchase the same securities on the same day unless the debit balance is cleared by the client/TM.

Objectives shall be set at the strategic level, establishing a basis for operations, reporting and compliance objectives. Identifying the most relevant risks based on situation, evaluate the level of risks based on probability and the significance of their potential impact. Decide appropriate management action to respond to assessed risk. Monitor the implementation and success of risk mitigation action plan. Report to the appropriate level to meet reporting requirements.

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