

# **FORTUNE CAPITAL SERVICE P LIMITED (FLATTRADE)**

## **Risk Management (RMS) Policy- EQUITY & COMMODITY**

**FLATTRADE is the online brand of FORTUNE CAPITAL SERVICES P LTD.** This risk management policy document has been designed to understand the margin policies of the company in the Equity and Commodity trading segments. Risk Management is an integral part of any organization. Various risks include credit Risk, Market Risk, default Risk, liquidity Risk, delivery risk etc.,

With a view to enhance customer knowledge and safeguard investor interests, has devised a comprehensive Risk Management & Surveillance (RMS) Policy to make sure that customers are aware of the criteria based on which FLATTRADE monitors risk and initiates actions to safeguard the interest of FLATTRADE and client.COM

### **What is Margin and what are the various kinds of margins for Trading.**

Margin is the minimum amount required to buy/sell equity/ derivative instruments. Margins are collected upfront and for various segment minimum required. Various margins applicable are:

1. **SPAN margin:** SPAN Margin is the minimum requisite **margins** blocked for futures and option writing positions as per the exchange's mandate.
2. **Additional/ Exposure Margins:** 'Exposure Margin' is the **margin** blocked over and above the **SPAN** to cushion for any MTM losses.
3. **VAR Margin** - VaR Margin is the Value at Risk, and these margins is collected upfront for the Equity Cash trades and MTF trades.

The entire Initial Margin (SPAN + Exposure) is required by the exchange to buy the Contracts. (Span margins varies from Index/ stock to stock. Use [margin Calculator](#) which is published in our website to find out the margins for various securities & commodities Contracts. )

### **FLATTRADE offers the following Trading Platform's and exchange segments for trading.**

| <b>Trading platform- EXE</b> | <b>Exchange &amp; Segments offered</b>   |
|------------------------------|--|
| FLATTRADE - Mobile           | NSE/BSE (Equity / Equity Derivatives /Currency Derivatives), MCX Commodity and Margin Trade Funding (MTF). |
| FLATTRADE - Web              | NSE/BSE (Equity / Equity Derivatives /Currency Derivatives), MCX Commodity and Margin Trade Funding (MTF). |
| FLATTRADE – EXE              | NSE/BSE (Equity / Equity Derivatives /Currency Derivatives), MCX Commodity and Margin Trade Funding (MTF). |

Listed below are the products available for the trading and the Exposure / margin required for trading in various segments of the exchanges for both delivery / carry forward & Intraday.

| Products | TYPE     | Exposure - Equity | Exposure - Derivatives | MCX- Derivatives |
|----------|----------|-------------------|------------------------|------------------|
| MIS      | Intraday | 5X**              | Span + ELM             | Span + ELM       |
| CNC      | Delivery | 1X                | NA                     | NA               |
| CO       | Intraday | 5X**              | Span + ELM             | Span + ELM       |
| BO       | Intraday | 5X**              | Span + ELM             | Span + ELM       |
| MTF      | Delivery | 4X***             | NA                     | NA               |

\*\* Margin considered for Equity Intraday / CO / BO Orders as per exchange regulation i.e. VaR + ELM with subject to minimum of 20%. In case if VaR+ELM is higher than the minimum margin, then actual margin considered.

\*\*\* For MTF, Margin considered as VaR + 4 ELM for F&O Stocks and VaR+6ELM for Non-F&O Stocks. If the margin is below 25%, then 25% applied as minimum margin and all other cases actual margin is considered.

Any order placed under MIS and CO & BO will automatically be squared off within fifteen minutes before the market closes for respective exchange segments or the Intraday MTM reaches 70% whichever is earlier.

**FLATTRADE** offers Commodity trading only in the non-agri products in MCX exchange and does not allow the delivery of commodities and Contracts are closed before the commencement of the tender period (One day prior to the tender period).

**FLATTRADE**, as per the rules and regulations of the Exchange / Depository shall allow the clients to pledge their demat shares with the Company and there by re-pledge the shares with the Clearing Member (CM) or Clearing Corporation (CC) to avail the collateral margin based on these shares and trade in the market. Further FLATTRADE shall levy interest on the Collateral margin amount funded by the Company @ 18% per annum.

### **1. Square off /close out off the Positions/ Stocks etc by FLATTRADE.**

FLATTRADE reserves and retains the right to sell/liquidate or square off the client's open positions at any time to meet the trading obligations/ Margins/ MTM/ Debits etc, including the CUSA account stocks/ Collateral' s (Pledged shares) / demat account stocks with POA etc. Under no circumstances FLATTRADE shall not be held responsible/liable for any loss/opportunity losses/ charges due to the square off /non-square off positions as per this policy. It is the responsibility and onus of the client to continuously monitor his positions and square off them well before the stipulated cut off time for time-based square off.

Details of the indicative Intraday margin square off Timings are -

| Equity /CM | Futures & Options   | Currency | Commodity                             |
|------------|---|----------|---------------------------------------|
| 3:15 PM    | 3:15 PM<br><br>For Monthly Expiry Stock Options – On the day of Expiry, square off the open positions at 2:00 PM. | 4:45 PM  | 15 minutes before the market closure. |

## 2. ONLINE MONITORING / RMS FUNCTIONS: Cash, F&O, Currency & Commodities

- FLATTRADE is continuously monitoring the MTM profits / losses of the client and if the losses of the client have reached the thresh hold level of 70% or more (inclusive of Brokerage, Statutory Levies & Other Levies etc., as applicable) of the Fund / Pledged Securities of the clients, all the open position/s of the client is/are squared off **without any intimation** to the client and pending orders are canceled.
- In case where positions available in client account but don't have sufficient margin due to increase in the margin during the day, FLATTRADE reserves rights to square off position for shortfall margin. Further, FLATTRADE will provide necessary margin calls through SMS and EMAIL to the clients.  
It is responsibility of the client to have adequate margins for both existing and new positions and if any reaches above 100 % of margin or 70% of MTM reaches, FLATTRADE will have rights to square off positions **without any further intimations**.
- Square-off order initiated when the MTM reaches 70% of loss and the order can be matched only on the available price in the market and we can't guarantee the square-off taken place at 70% all the time. The % can vary depending on the matched price of the square off order. Further, since some of these actions are not automated in the system, FLATTRADE can only square off positions on a best effort basis. It is possible that due to extreme volatility / high leverages used by the clients / market/scrip freeze or any other conditions, the MTM loss may exceed even 100% of capital / margin placed by the client before FLATTRADE can square off the positions.
- The client will be kept in the square off mode, once the Margin/MTM reaches the thresh hold level and squared off the positions. Further trading can be allowed on any segments by transferring the funds online to the account.

In all / any events FLATTRADE cannot be held responsible for such losses or charges incurred and it is the responsibility and onus of the client to continuously monitor his positions. Under no circumstances can the client transfer his/her responsibility to monitor his/her positions to FLATTRADE and if at any time, if the MTM loss exceeds 100% of the capital / margin, FLATTRADE reserves the right to liquidate the client DP stocks in any manner and at any time it deems fit.

### **3. Square off due to Margin Shortfall exceeds 100% or more on the Carry forward positions**

If the client margin shortfall exceeds 100% or more of the required margins, client margin could have reduced due to MTM loss incurred or increase of exchange margins required on carry forward positions. FLATTRADE shall reduce or completely square off the client's open positions to reduce the margin shortfall/deficit. It is possible that due to extreme volatility / high leverages used by the client's/ market freeze or any other conditions, the Margin shortfall may exceed much beyond 100% of the required capital / margin placed by the client before FLATTRADE can successfully square off / reduce the positions **without any intimation to the client**.

In case if there is a margin shortfall in the clients account due below reasons, the penalty levied by regulators for such shortfalls will be passed on to the clients.

- i) Cheque issued by client to Flattrade is dishonoured.
- ii) Increase in margins\* on account of change in hedge position by client / expiry of some leg(s) of the hedge positions of the clients
- iii) Other margins such as consolidated crystallized obligation, Delivery margins, Mark-to market & additional margins etc.

We request you to maintain sufficient balance in your trading account.

All provided margins will have to be in form of clear funds or clear credit ledger entry against any deposited cheque or Flattrade approved pledged stocks provided as collateral. Any unrealised funds will not be considered.

\*There can be higher margin obligations on the open positions due to the following reason but not limited to:

- a. Square off of 1 leg resulting to break of hedge position.
- b. Expiry of one or more leg(s) of the hedge open position on expiry day.

For more details, You may refer NSE Circular [49929](#) and NSE Circular [64315](#) in this regard.

### **4. Intraday Square off - MIS / Cover Order (CO) and Bracket order (BO) -Time based Square off:**

Any positions taken under MIS / Cover Order (CO) and Bracket order (BO) product shall be automatically squared off, at any time within the last thirteen minutes of market close for the respective exchanges and segments if the positions continue to be open at that time. The clients when taking such positions under the MIS / Cover Order (CO) and Bracket order (BO) product for availing higher leverages is aware of the risks involved in such time based square off. Client has the option to convert MIS position to normal position (NRML) at any time before the auto square off time, (i.e. last fifteen minutes of Market close) if adequate margin is available in the trading account.

### **5. MTF - Margin Call square off – Funding account:**

Currently FLATTRADE uploads the MTF purchases as Positions in the trading terminal, and shall initiate the margin Call under the MTF trading account as per SEBI guidelines. As long as there is a MTF position in the client account, MTF margin report would be emailed to client on daily basis. All PURCHASE Position under MTF, FLATTRADE process the trade in the EOD and create the OTP for pledge confirmation of the purchase position to be pledged as FUNDED STOCK in the CDSL System. If the client has not confirmed the OTP for the pledge on or before 1.30 p.m. on the settlement day, the shares will be transferred to CUSPA account and squared off as per the CUSPA policy. If there is a margin call, the client is required to fund the shortage margin either in the form of funds or pledged securities. If the client does not bring in the required margins on time, FLATTRADE have

right to liquidate/sell the shares (funded shares and Pledged collateral) if the client fails to meet the margin call requirements.

FLATTRADE shall not fund the charges and booked losses and if these amounts are not paid by the client, FLATTRADE, as a process, shall monitor and adjust the MTF cash margin if any or transfer the credit if any from the Normal account to the MTF debits or liquidate the collateral shares to clear these debits.

If there is any position taken during the day under MTF product and the same position closed during the day, then the client needs to maintain sufficient margin in his Normal account. In case of sufficient amount available in MTF ledger the same needs to be transferred into his Normal account by him during the day before order placing. If it is not done, then penalty will be levied as per the Exchange Norms.

#### **6. Liability clause due to square off / non square off the positions.**

FLATTRADE shall not be held liable for any loss that arise due to the above intraday square off the positions/ Close out of the positions/ squaring off the positions/ selling of the stocks due to the Nonpayment/ margin shortfall/ Mark to Market loss breaching the thresh hold limit of the risk level etc. Further, the client agrees that FLATTRADE shall not be held responsible and liable for any loss /damage that arise in case where FLATTRADE has not squared off / not closed out the positions / covered the positions on time, due to any reason as per the above square off policy.

FLATTRADE reserves the right to change the above policies at any time in general or in particular case within the Exchange guidelines.

#### **7. Physical settlement of the derivative contracts in the Future/ Option segment.**

FLATTRADE shall not allow any physical settlement of the derivative contracts in the future and option segment. FLATTRADE shall block any new positions for all the current month physical settlement derivative contracts (**MCX- four days prior to the expiry & NSE – 1 day prior to Expiry**). Further, FLATTRADE shall monitor and square off the entire open positions in these derivative contracts on or before the expiry day and on expiry day all these expiry positions will be uploaded as (MIS) intraday position instead of NRML, which would be compulsorily auto squared off by the risk management system(RMS) up to 30 minutes prior to the market closing, if not closed by the client. For stock options, on last day of contract expiry, In the money and Out of the money stock option contracts will be squared off by FLATTRADE by 2:00 PM, if the same not closed by the clients. Call N Trade charges would apply if the position is auto closed by the RMS.

FLATTRADE in principal shall not allow any scrip to be settled for physical delivery on the expiry day, but as per the exchange circular No. NSE/INSP/47293/08/2021 dated February 10, 2010, Physical delivery is allowed on the specific request of the client, who is having the sufficient margin to take the delivery of

the products. Hence FLATTRADE shall square off all the current month option positions (Both in the Money& Out of the Money) on the expiry day if not squared off by the client.

#### **8. Policy on Client Unpaid Securities Pledge Account (CUSPA)**

With respect to SEBI, Circular No. SEBI/HO/MIRD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022, FLATTRADE shall require to transfer the client's securities received in pay-out (T+1) to

clients demat account within one working day. If the securities received in pay-out are not fully paid by the client, then FLATTRADE will create auto pledge those securities in "**CLIENT UNPAID SECURITIES PLEDGEE ACCOUNT (CUSPA)**" and these securities will be transferred to the client's respective demat account upon the fulfillment of funds obligation in the account.

Further if at any time if the client fails to meet the funds pay-in obligation within five trading days (5) from pay-out day(T+1), then FLATTRADE shall liquidate the securities in the market (Not FIFO Method) to recover the debits/dues in the account including the penalty/interest/ accrued interest/DP charges/ any other un-cleared charges etc.

#### **9. Policy on Continuous Debit accounts, under Enhanced Supervision:**

The following is the extract of SEBI circular No. SEBI/HO/MIRSD/MIRSD2/CIR/ 2016 / 95 dated 26th September 2016 Clause 2.6

*"Stock brokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in."*

It is inferred that when clients fail to clear their debit balance beyond 5 days from the date of pay-in or in other words 6 days from the date of trade i.e. T+1+5 trading days, then FLATTRADE shall block such client accounts, and place them in the non-square off mode, to square off / close the existing position if any and shall continue to block till the debits are cleared.

#### **10. Delivery of Commodities**

FLATTRADE shall not allow take/ give delivery of any commodities and all the contracts shall be closed out before the commencement of the tender period.

#### **What is Tender Period in Commodity Trading and the Actions taken by FLATTRADE**

**Tender period** refers to the time **period** before the expiry of the Commodity contract and it is generally a few days (5 trading days) prior to the expiry. **Tender period** gives members of the contract, the flexibility to make decisions for delivery till the time the contract expires. This period differs from contract to contract in the commodity segment. Further, Natural gas/ Crude Oil contracts does not have the tender period for Futures and Options contracts having the tender period and these contracts will be squared off on the expiry day. Flattrade does not allow the delivery of any contracts irrespective the expiry.

#### **11. Settlement of the Commodity Options Contracts & Devolvement Process.**

The term Devolvement means conversion of a commodity **option in the money (ITM) / Close to money (CTM)** contract to commodity futures contract on expiry day. If the options contracts are not covered / closed by the client, then exchange will charge the devolvement margin @ 25% (on T-2 day) and @ 50 % (on T-1 day) on the ITM/ATM/CTM Contracts.

In the view of the above devolvement process, FLATTRADE shall not allow any option contract to be devolved to the future Contract. Further, if there is any margin shortfall in these 2 days (T-2 day and T-1 day), due to increase in devolvement margins, the client position will be closed as per the margin shortfall policy as stated above and any margin shortfall penalty will be debited to client. FLATTRADE shall not be responsible for not debiting/ collecting the devolvement margin upfront in the trading terminal.

## **12. FLATTRADE Risk Parameters - Important Notes.**

1. FLATTRADE shall square off all intraday positions/ except that are freeze within the last fifteen minutes of the trading of the respective exchange /segments, if not squared off by the clients. Call & Trade charges are applicable for all the admin square off.
2. FLATTRADE shall not allow carry forward of the positions taken under the MIS/CO/BO intraday products.
3. FLATTRADE shall not provide any intraday additional margin other than the ledger credit uploaded as the trading limits.
4. Clients are permitted to convert the product from MIS to NRML with the available margin before intraday square off timing.
5. FLATTRADE at its sole discretion has set restrictions on single order quantity and single order value on various exchange segments to prevent "fat finger errors" and is also a mandatory exchange requirement.
6. Flat Trade shall release the Credit for sale on T+1 days
7. Flat trade has restricted the same scrip buying through the CNC product, with the use of the CFS margin.
8. Flat trade allows the product conversion from NRML to MIS, MIS to NRML, NRML to MTF, with the margin applicable policy on each product. Further Flattrade shall not be responsible any loss/damage due to the product conversion / non conversion of the products.
9. FLATTRADE shall square off the CUSPA account position on 6th day (on T+1+5) if debit in client account is not cleared by the client or the credit coverage reaches the ratio of 100%, whichever is earlier.
10. FLATTRADE Shall block the Brokerages and other/regulatory charges in the trading terminal, and it may be less or more blocked as per the brokerages and charges rate card.
11. FLATTRADE shall do the virtual blocking of the accrued interest and charges in the Trading ledger and this virtual amount will be adjusted in the daily margin.
12. FLATTRADE has blocked the market order for the far month (3rd Month onwards) Future & Options contract. These contracts are the illiquid future & option Contracts.
13. Realized Intraday profits are not considered as the margin for the trading on the same day.
14. FLATTRADE Shall not allow the clients to trade in any segments, on the same day with the premium received on the carried forward option buy positions except for the trade in the same option segments.
15. Exchange uploads multiple margin files during the trading day, and if the Peak margin penalty if any will be debited to the client's respective accounts if sufficient margins are not maintained by the client.
16. FLATTRADE shall allow trading for Equity MIS in the [Group 1 stocks](#), and if not squared off due to the stock freeze/ market freeze, the client liable to pay the auction charges settled on T+1, days.
17. FLATTRADE shall not allow physical settlement of the Futures and options Contracts in the toequity derivative segment, exception handled as per clause 7 above. Further, all in the money Options \ Out the money Options of current expiry contracts on last day were compulsorily square off by FLATTRADE 2:00 PM if the same not closed by the client.
18. FLATTRADE shall not allow delivery of the commodities in the Commodity segment.
19. FLATTRADE shall not allow to devolve the commodity option contracts in the Commodity segment unless and until the clients specifically writes to FLATTRADE to devolve the contract and also should have the sufficient margins.
20. FLATTRADE shall not be responsible or held liable for the losses/ damages/ opportunity claims etc. that arises due to the technical glitches/ malfunctioning of the trading software during the trading hours or after the trading hours.

## 21. Protection from Illiquid Contracts :

- NRML or Carry Forward Orders:
  - Contracts with a strike price within a +/- 10% range of the spot price are permitted for trading. Only those contracts within this range with an open interest greater than 100 as on the previous trading day are eligible for trading.

Note: If a contract's open interest rises above 100 during the day, it will become eligible for trading on the following day.

- MIS or Intraday Orders:
  - ITM (In the Money) contracts with a strike price within a +/- 7% range of the spot price are permitted for trading.
  - OTM (Out of the Money) contracts with a strike price within a +/- 10% range of the spot price are eligible for trading.

Note: For both NRML and MIS orders, clients with existing positions outside the specified boundaries are permitted to square off these positions.

## **13. Risk Monitoring and other Surveillance Actions:**

1. Regulatory conditions under which a client may not be allowed to take further position or FLATTRADE may close the existing position of the client:
2. In case overall position in a contract has reached the Regulators prescribed Exchange limit/ Market wide open interest limit / then client may not be allowed to take further positions, till such time Regulators prescribed limit comes down to create a new position.
3. **PMLA Guidelines:** 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.
4. **Exposure to the client** may also be governed by customer profiling mentioned above as well as client's financial income made available to FLATTRADE from time to time.
5. **Suspending Client's trading account/Funds:** FLATTRADE may withhold the payout of client and suspend his trading account due to any internal surveillance (if client indulges into manipulative trade practice) / regulatory orders (debaring orders).
6. **Dormant Account:** If the client has not traded in any particular segment for a period of 365 days, (not traded for 12 months), the account will be treated as dormant and client trading account shall be suspended from further trading. Further client can activate the trading account if there are no changes to the KYC, by sending an e-mail from the registered e-mail id, and completing the IPV.
7. **Additional Surveillance Margin: (ASM) & Graded Surveillance Measures. (GSM).** In order to enhance market integrity and safeguard the interest of the investors, SEBI has introduced additional surveillance margin (ASM) on securities that witness abnormal price rise, which not commensurate with the net worth and fundamentals of the company. FLATTRADE as a risk containment measure shall allow trading in these shares only on Cash & Carry product (CNC) i. e 100% margin on the first stages, and trading in the ASM/ GSM stages of 2 and above are blocked and square off allowed.
8. **Interest on the delayed payment.** FLATTRADE shall charge the client with the delayed payment interest @18% (p.a.) for the funded amount T+1 day and short margin on T+1 day onwards in the normal account, and 18% interest in the MTF account. Call & trade charges applicable for those trades that are not closed by the client or squared off /executed/closed through the Admin & Dealer terminal including the intraday square off initiated by the admin/dealer. All MIS/CO/BO auto square off trades are executed through Admin terminal.



9. **Pay-in and Payout.** Clients can transfer the amount online at any time, through the fund transfer facility offered by Flattrade, i.e. UPI/ ATOM, /IMPS/NEFT/RTGS. The amount will be credited to the back office and trading terminal accordingly. (refer pay-in /payout policy in the web site).
10. **Payout of funds** are allowed during the trading hours, and if the clients places the withdrawal request, on any working day before 8:00 AM in any segments, funds will be processed and transferred to the client respective bank account on the same day. If the withdrawal request is placed on any working day after 8: 00 AM, the funds will be processed and transferred to the client respective bank account on the next working day.
11. **Payout requests** made on any bank holidays/trading holidays/ Saturdays and Sundays, will be processed and credited to the client respective bank accounts on next working day.
12. **Collateral Margin:** Flattrade will accept approved securities as collateral for client margin purposes. Clients need to give collateral through the Margin pledge mechanism and benefits will be passed on to the client as and when same received from Clearing Corporations post re-pledge of securities with clearing corporation. Further, collateral benefits may be available by the client to trade based on cash component (including cash) and non-cash component which is pledge created in the respective segment / clearing corporation only and margin benefits for depositing in one segment / clearing corporation will not allow him\her to take the position of another clearing corporation. (Eg: If client pledges collateral to NCL and will allow taking position by the client only in NCL and same not adjusted against his\her position or shortfall in other clearing corporation and \or vice versa). Further, for non-cash collateral client needs to maintain 50:50 CASH AND NON-CASH COLLATERALS in their trading account to get the benefits. For creating pledge and un-pledge charges will be collected as per DP tariff accepted at the time of account opening or subsequent rate revision from time to time. FLATTRADE will reserve all rights to charge additional margin or remove specific securities based on their internal policy. Further, if the client provides cash margin, the same will be placed with NCL / MCXCCL based on the segments / exchange enabled by the clients and the cash amount allocated accordingly to the respective clearing corporation. In case, if the client wishes to trade in other clearing corporation, move fund option provided to the clients in all our trading applications.

**Rights of FLATTRADE to Change the margins under any conditions without any notice.**

FLATTRADE shall withdraw /reduce the intraday (MIS/CO/BO) leverage /margin at any time, during the trading day or on any special day where FLATTRADE anticipates higher volatility in the market due to any of the following reasons without any notice,

- Exchange policy changes or regulation
- Government policy changes or regulation
- Stock broker internal policy changes
- Excessive or abnormal market movement / turnover / volatility in the domestic & Global Capital Services.
- Any upcoming election results/ Union Budgets / any other political changes.
- Any other Natural Calamities.

**Communication/Notices:**

Client can view details of his/her/it ledger, margin, shortfall etc. through the secured back office login portal on FLATTRADE website or by logging to the Trading terminal, and the client has to be aware about his position, outstanding balance and Risk on the positions client holds. Further, FLATTRADE is under no legal obligation to send any separate communication other than the contract note and margin details, which are communicated through SMS / Email id's registered with FLATTRADE.

**Disclaimer:**

FLATTRADE will have a discretion to alter/change any of the Exposure limit, selling/squaring off / close out of position's parameter defined under this policy on the basis of prevailing market conditions with or without prior intimation and can use their discretion to grant any kind of exemption/permission in case they deem fit on case to case.