

## **Risk Management Procedures**

### **Company follows following policies with regard to Risk Management**

#### **A. Risk Management:**

A sound risk management system is integral to an efficient clearing and settlement system. Clearing Corporation/Clearing House has put in place a comprehensive risk management system, which is constantly upgraded to pre-empt market failures. The Clearing Corporation ensures that trading member obligations are commensurate with their networth.

Risk containment measures include capital adequacy requirements of members, monitoring of member performance and track record, stringent margin requirements, position limits based on capital, online monitoring of member positions etc.

The Company follows prudent risk Management policies by collecting requisite margin money from Clients in selective cases which is decided based on track records of the clients, trading pattern etc and the decisions are taken on case to case basis

The decisions about setting limits for the trades are decided by the Management and the same is not allowed to the Dealers to avoid any vested interest. The Company is maintaining proper accounts of all its clients so that no mistake will occur while effecting securities pay-in and pay-out and funds pay-in and pay-out.

Company never indulges in client funding as a measure of prudent risk management.

While effecting trades on behalf of Institutional Clients, Company follows the time schedule as prescribed by the Securities Regulations.

Company also takes care that it is not violating any of the provisions of applicable laws, rules or regulations.

#### **B. Margin Trading:**

Company does not indulge in to Margin Trading.

#### **C. Exposure:**

Exposures are decided by the management for every client only after considering their previous trading habits, track record and financial status. These limits are reviewed periodically. The authority to set or change the limit for the clients lies with the management and not with the dealers to avoid any vested interest.

#### **D. Margin Collection**

The company follows the policy of collecting the margin money from the clients based on their nature of trading and payment in form of cash/securities.

#### **E. Pay-in of funds and securities**

There is a system in place to ensure that there are no third party pay-in of funds and securities. A separate person has been designated to track the pay-in of funds and securities and who is constantly engaged in the follow-up regarding the same with the clients to ensure timely pay-in of funds and securities.

#### **F. Offline Mode of Trades**

**Risk Management measures followed by the company pertaining to the offline mode of trades:**

##### **1. Trading Limits:**

The Company considers the following factors before assigning the trading limits to its clients:

- i. Financial Details
- ii. Past trading habits of the clients
- iii. Delay in payment for more than 4-5 days
- iv. Instances of Cheque bouncing.

##### **2. Third Party Funds or Securities:**

The Risk Management Team follows an adequate system to ensure that the company does not accept third party funds or securities.

##### **3. Real Time Basis:**

There is adequate system in place through which Risk Management Team can check and keep track of the client position limits and mark to market (M to M) on real time basis.

##### **4. Message pop-up facility:**

If the client maintains a demat account in our In-house Depository Participant and if they inadvertently give an instruction to sell the shares not lying in their demat account with us, then a message is popped up on the screen of the dealer. It doesn't mean that the clients cannot trade in the shares maintained in the demat accounts of other depository participants. Also in case, the clients attempts to trade in excess of the exposure given to them, then a message is popped on the screen and the system restricts them to trade.

## **G. Online Trades or Internet Based Trading (IBT)**

**Risk Management measures followed by the company pertaining to the Online mode of trades:**

### **Trading Limits:**

There is a system in place to ensure that the Trading Limits assigned to the IBT clients are restricted to the funds transferred by the clients from their bank account. Clients can sell only those shares which are lying in their demat account maintained with our In-house depository participant.

### **Prohibition of trading in Z ,T, TS, BE, BT group of shares:**

The company follows the policy of restricting IBT Clients from trading in the scrips of aforementioned groups. Special Permission is required from the risk management team to trade in the scrips of aforementioned groups.

### **Requirement for IBT Clients:**

IBT Clients are mandatorily required to have the demat account with our In-house depository participant and bank account with any one of Axis Bank, HDFC Bank or ICICI Bank for availing Internet based trading facility.