

RISK MANAGEMENT POLICY

Assumptions:

- The proposed RMS is in line with market practices for a Broking Model.
- The framework is only for Risk Management System (Financial Risks), and other parameters like cost of funds, brokerages etc. do not fall in this preview for e.g. having established that a trade is risk free, RMS should facilitate execution without blocking or questioning on other parameters like cost etc. We assume that efficiency analysis should be by way of periodical MIS & not on case to case basis. The business works on trust and commitments and others have to support the commitments made by business people once risk call is positive.
- The framework suggested assumes upload of correct data in terms of client's assets etc in RMS system.

Actual Framework:

- As & when the Client A/c & DP A/c is to be opened the client will have to bring in assets by way of cash and/or securities.

Client Creation and Mapping

- Client Code would be created in default group i.e. HO Group. All the clients would be then mapped to the respective dealers of the location and all the client codes will also be mapped to one user at the HO, which will act as contingency for all the other locations.

Exposure Multiplier

- Generally default upload limits will be 4 times exposure of the deposit value (Composite Ledger + Stock Collateral).
- In FNO segment client's limit is based on the actual margin prescribed by the exchange time to time.

Trading in Z group & Physical stocks

- Trading in 'Z', 'T' & 'TS' group stocks are prohibited for all the clients. We are considering on case to case bases for the trade to be executed in above mentioned group stocks.
- We are not dealing in Physical Stocks.

Terminals Limits

- We are not setting the limits terminal wise as we are following the practice setting the trading limits client wise.

Hair Cuts

- Haircuts would be set scrip wise in the system as per the calculation after considering various factors i.e. liquidity, price movements etc. which would be made from time to time. Hence the rate of haircut would not remain static and would change with an intimation of a day's time or even with immediate effect in case of critical situations.

Cheque Dishonour

- In first instance of cheque dishonour the Client's A/c will be blocked for buying till the cheque is honoured. The client will have to make good first the obligation by providing us a new cheque. In second instance of cheque dishonour the limits to such client will be given only on the bases of clear funds.

Funds & Securities Release

- Funds & Securities releases will be approved by RMS. In case of fund release request received during the trading hours, RMS will check whether the client has not made any fresh purchases during the day. If there is any purchase made during the day then the release of cheque would be done on the balanced amount after deducting the current purchase value. In case of no fresh purchases are made then the payment would be processed and the limits for the value of the payment would be reduced from the trading system i.e. reduced from the clients upload limit.
- In case of securities release RMS would check the clear balance in the ledger and then only securities would be released. Securities Pay-out will be released on clear ledger balance. In case of ledger having debit balance, 300 % of the stock value will be withheld. In no other circumstances we would hold the stocks on behalf of the clients.

Intimation for Bulk/Block Trades

- Prior to execution of any bulk/block deals in any segment, RMS has to be informed. The RMS would check the availability of limits on the respective levels.

Intimation of Exposure Percentage

- RMS would send intimation/messages through the FT Admin to all the dealers informing the availability of exposure at the firm level for respective exchanges after reaching 70 %.The second intimation will be send when the level reach 80 %, at this point message will be send for going slow in trading in case of the respective segment. Third intimation will be send once the level reach 90 % level wherein fresh position would not be allowed till the time we reduce our exposure or enhance our firms limit with exchange. Only square off for open position will be allowed.

Password Policy

- In case of ODIN, default password would be allotted to the new user created in the system. If the user fails to log on in three attempts the password would be locked. The user will have to send an email to RMS team for resetting the password. The emails to be approved by the respective heads of the department. In case the request for the change in password is received from any person other than the users will be rejected by the RMS team.