

Risk Management Policy

Procedures And Aspects Of Risk Management From Client Trades

Introduction to Risk management:

- Risk management by definition is the systematic process that enables people and organizations to cope with uncertainty and protect their vital assets and resources.
- Risk management for a broking house would mean 'putting in place a strong mechanism to ensure that the organization is safeguarded against all kinds of uncertainty and risk.

Importance of Risk management:

- Efficient Risk Management is a reflection of strong operations and management.
- It is an iterative process that contributes to overall improvement by providing greater insight into risks and their Impact.
- The application of sound Risk management would mean achievement

Processes in Risk Management:

- Identifying risk
- Deciding on exposures to be given to clients
- Monitoring of risk on a continuous basis.
- Deciding on how much risk is acceptable
- Taking of timely corrective actions

The procedures to be adopted for maintaining Risk Management while executing trades with clients would broadly encompass the following:

Common :

- All order of the client are placed through IML system only
- Parameter is fixed for IML Client that the client should deposit margin before trading on that basis he will be allowed to trade
- Only the authorized dealer allocated for the client can execute any orders of the client
- The trades are confirmed by way of sms or calls after the market hours
- Client will get multiple 8 for intraday and multiple 1 for delivery on his deposit
- Client will get stock valuation benefit on stock which is lying with the firm, the "Z"/T/S group stock will not be applicable for valuation

The client will be intimated once his MTM loss crosses 80% and his position will be squared off once his MTM loss reaches 95% of the amount in margin plus his value of stocks (A hair cut of 40% will be applicable for the stock deposit with us)

- Deposits are taken from Sub brokers for any risks associated path respect to their clients
- Sub Brokers are timely intimated with respect to debits of their clients and in the event the same is riot received, the same is debited from their brokerage or deposit account

Limit setting:

Limit setting is done on the basis of margins available of the clients. Margins may be in the form of cash or collaterals. The process of limit setting ensures the following:

- Daily setting trade limits for the all the terminals at the Member, Group and User- levels before market opens; Modifying the same as and when required during the day
- Ensure Limits are set for trades executed on all Terminals; to monitor and to allow /disallow exposure to the market by relevant users

The process of limit setting is a two step process:

- Create & upload retail client list
- Generate & upload margin file

Monitoring and controlling of risk:

Risk management is conducted as follows:

Offline risk Management: Offline Risk management means analysis of clients' information as on the last trading date. Analysis of offline reports is conducted on a daily basis to identify the collections to be done at various levels. Also it helps in controlling margin violations. Daily studying of client's positions would help in avoiding any risk, projected at client/sub broker level.

Online risk management: Online system provides net position of each client and sub brother on a real time basis. Hence Risk management means identifying on a real time basic and controlling it on an immediate basis that is during market hours. Real time positions of clients should be considered while deciding on the exposures to be allowed at client as well as sub broker level.