RISK MANAGEMENT & SURVEILLANCE POLICY

Risk Management Policy

A sound risk management system is integral to smooth functioning of broking operations. Risk containment measures include credit worthiness of Clients & Sub-brokers, monitoring of clients/sub-brokers performance and track record, stringent margin requirements, position limits based on prudent norms, online monitoring of client positions and automatic disablement from trading when limits are breached, etc.

Risk Management for Derivative products are based on the norms of SEBI/Exchanges.

We have a prudent system of risk management to protect ourself from client default. Margins are likely to be an important element of the system.

Categorization of clients

Based upon financial background, experience in capital markets, references, trading pattern and payment & receipts of funds & securities, we categorize our clients as High Risk, Medium Risk and Low Risk.

Exposure & Limits

Exposure & limits are set at three levels:

1. Master Sub-broker level
2. Sub-Broker level
3. Client Level

Limits are set based on various factors like deposit including collaterals provided, credit worthiness, relationship, past history etc.

- Initially, once the account is opened, client is allowed to take exposure in delivery transactions Cash Segment to the tune of Rs.5000/- as default limit. Once the pay-in of the client becomes smooth, we will increase the limit for further delivery transactions.

- Limit will be set as per clients realizable amount (Realizable amt = ledger credit balance + stock value after haircut)

- In case of client ledger balance is zero but having stock in DP-POA a/c then limit will be given as per the stocks value.

- Intraday exposure will be given to client X times (as approved on case to case basis) of his realizable amount. Clients end of the day profit or loss will be adjusted in the ledger and accordingly the limits for the next day will be set.

- Internet trading clients will be given limits as per ledger balance.

- Futures in Derivatives segment can be bought only as per the credit available in the ledger. (Credit balance should suffice the Margin) / Collaterals - Securities

- MTM loss or profit in Futures open position should be collected from the Client on the Daily Basis.

- If the MTM Loss reaches 85-90% of the credit balance, client should be given a margin call to either to square up the position or top up the credit balance by selling stock or by giving cheque. If action is not taken by the Sub Broker / Dealer then the position of the Client will be squared up by HO and the stock will be sold to suffice required debit amount.

- For buying an Option, ledger account of the client should have the appropriate credit (to the extent of margin/ premium).

- Debit should be cleared immediately, otherwise the code will be blocked and won't be allowed to further increase further positions.

  Limit will be block if:

- the client is having debit in his a/c & if client does not clear the debit balance in stipulated time
- there is a Trade loss
- there is Margin shortfall
- there is a regulatory actions pending against the client/debarred by SEBI / Exchange / Regulatory authorities.

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- To unblock the Client codes which are BLOCKED, the client has to clear the shortfalls. Third Party cheques are not accepted whatsoever is the reason.

- Family accounts adjustments are not allowed at any point of time

However, above said norms will be relaxed (within in the regulatory framework) by Top Management on case to case basis.

Management of Login Ids of Internet Clients

Online trading facility is activated on specific request of the client. To create "login", client is required to submit activation form to the account opening department. After verification of duly signed form, the same goes to Risk Management Department and activation requests go to IT department. IT department adds the codes under online client database at BOD. Then, Limit / Exposure will be set according the guidelines. At EOD MIS reports with respect to logins / accesses are sent to Management for review.

Margin Collection

- Margin is paid or collected from client in two forms namely Funds or Securities.

- Acceptance of securities are subject to certain conditions:

1. Securities are not illiquid as per the Exchange norms
2. As a general rule, securities are valued at 55% (i.e. 45% haircut). However, the said haircut may be decreased on case to case basis on approval from the Top Management (AVP and above).

Settlement of client account: Funds & Securities

- Accounts of clients are settled either quarterly or monthly as consented by the client with the broader guidelines of SEBI / Exchanges. While settling the accounts, the funds & securities are retained to the maximum allowable limit as a general rule. However, on request of the client, we sometimes retain the funds and securities of client even less than the maximum allowable limit on case to case basis on approval from the Top Management (AVP and above)

Surveillance Policy

These measures are based on BSE Notice No. 20130307-21 dated 07 Mar 2013, NSE Circular Ref.No.: 831/2013 Download Ref.No.: NSE/INVG/22908 dated March 7, 2013 & MCX-SX Circular No. MCX-SX/ID/1053/2013 dated March 8, 2013 and guidelines issued by regulatory authorities from time to time.

The following activities are required to be carried out:

Transactional Alerts:

Exchange provides various alerts to monitor the trading activities of their clients in addition to internal transaction reports available in the back-office software. Compliance Department analyzes those alerts & reports and takes necessary action (if any). All such alerts are required to be closed within 9 months from the date of generation of such alerts/transactions. However, in case adverse observations are recored, inform the same to Exchange within 45 days of the alert generation or extended time period allowed by Exchange. Alerts include significantly increase in client activity, Sudden trading activity in dormant account, Clients/Group of Client(s), deal in common scrips, Client(s)/Group of Client(s) is concentrated in a few illiquid scrips, Client(s)/Group of Client(s) dealing in scrip in minimum lot size, Client / Group of Client(s) Concentration in a scrip, Circular Trading, Pump and Dump, Wash Sales, Reversal of Trades, Front Running, Concentrated position in the Open Interest / High Turnover concentration, Order book spoofing i.e. large orders away from market etc. and reports based upon volume, value etc.

UCC Information of Clients:

Due Diligence of client(s) on a continuous basis is required to be carried out by updating client details on a periodic basis (at least yearly) as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange. This can be done by requesting / informing the clients to update their registered details via monthly/quarterly statements/website/SMS. Based on this information Compliance Department takes all practical & possible steps to establish groups / association amongst clients to identify multiple accounts / common account / group of clients to the extent possible.

Analysis:

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on above alerts / information, the Compliance Department is required to :

a. Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions

b. Seek documentary evidence such as bank statement / demat transaction statement or any other documents to satisfy itself. 1. In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought. In case of securities, demat account statements of the Client(s) / Group of Client(s) from which securities pay-in has been met, to be sought. 2. The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.

c. After analyzing the documentary evidences, including the bank / demat statement, the compliance department shall record its observations like Suspicious / Manipulative activities for such identified transactions or Client(s) / Group of Client(s) and also, actions if any.

All such alerts are required to be closed within 9 months from the date of generation of such alerts/transactions. However, in case adverse observations are recorded, inform the same to Exchange within 45 days of the alert generation or extended time period allowed by Exchange.

Reporting & Record Maintenance:

A quarterly MIS shall be put up to the Board on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter and shall be apprised of any exception noticed during the disposition of alerts. The surveillance process shall be conducted under overall supervision of its Compliance Officer. Designated directors / Compliance Officer would be responsible for all surveillance activities carried out by the company and for the record maintenance and reporting of such activities. Further, based on facts and circumstances, the Compliance Officer / Designated Directors are required to exercise their independent judgment and take adequate precaution on case to case basis.

The above guidelines are not exhaustive and can be amended (within in the regulatory guidelines/ framework) by Management on case to case basis.

Prepared By	Approved By	Date	Version
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