Risk Management Policy

The company is regulated by the Securities and Exchange Board of India (SEBI) as a stock broker. Further, we are regulated by stock exchanges through their notices, circulars, rules, regulations, and bye laws.▪

Risk is the potential harm that may arise from some present process or from some future event. It is often mapped to the probability of some event which is seen as undesirable.

Risk Management is process of measuring, or assessing risk and then developing strategies to manage the risk. Typically involves utilizing a variety of techniques, models and financial analyses. ▪

MEMBER is exposed to variety of risks including market, credit, liquidity, operational and other risk that are material and require comprehensive controls and ongoing oversight.

The risk management framework of MEMBER for its business is based upon the different client segments, applicable settlement mechanism and SEBI/Stock Exchange/Depository regulations.

We set out below the principles of our risk management framework:

1. RISK MANAGER

For smooth operational efficiency, a full time Risk Manager will be available with full control a tool that manages the surveillance system. However Risk Manager is bound to perform some of the operations which are listed below

- There may be cases when client is not able to connect the online trading program, may be because of Internet failure, system breakdown etc. At these situations, it will be responsibility of Dealer to execute trade on telephonic conversation with respective client, if the client wants to do so.
- If the total margin required at the Commencements of the day falls short by more than 10 % (Expressed as a % of margin required i.e. IM + EM), the risk manager will be Inform Clients To Reduce Their positions Or Deposit the Shortfall.
- Risk Manager is required to give Margin utilized details, M2M details, account position details etc. at any time to the clients who requires the same.
- Risk Manager will be available to monitor the operations and for solving queries arising during trading hours.
- Risk Manager is liable to restrict the client if he is not following trading standards set.
- Risk Manager shall take proper steps to prevent clients from trading in illiquid scrip.
- Risk Manager shall be authorized to refuse acceptance of orders in penny stocks.
- It shall be the duty of risk manager to report any significant event, which may have adverse impact on company's business, to the senior officer.
- Risk Manager has to continuously monitor margin utilization of the company and report immediately to the senior officer or designated person if it crosses beyond 80 %.

2. REGISTERING A CLIENT

While registering a client, due care is required to be taken regarding identity of clients. Due diligence process as enumerated in the Anti Money Laundering Policy with regard to registration of clients and continuing updation of client information shall be followed.

3. CLIENT ADMINISTRATION

Any changes, locking, unlocking, swapping in Client Profile, and Segment shall be done by Sr. Executive – Risk under specific approval from Risk Head.

4. EXPOSURE AND LIMIT SETTINGS

Risk control parameters are inbuilt in the front end system on the basis of which the clients are prevented from taking further position and risk.

Such parameters are;

- Gross Exposure Limits
- Turnover Limits
- Mark to Market Limits
- Buy and Sell Limits

Above parameters are expressed as multiplier of deposits.
Deposit Means: Available Ledger Balance only

Client wise deposits and multiplier are required to be inserted in the front end system . On the above deposit, different limit multipliers are set base on the risk profile of the client. Collection of upfront margin in the cash segment is at the discretion of dealer. The above

- o Signed contract notes / bills ;

monitoring is done on a daily basis and at the end of trading day, value of deposits and multiplier are set for the next trading day.

Exposure shall be provided to clients on the basis of available deposit and client risk profile. Such Exposure Value shall be derived from Value at Risk (VAR) Margin and/or pre-defined margins by member.

Further In cash segment collection of Margin in cash segment for non institutional clients' is at the discretion of dealer as they are the best persons to judge the financial positions and trading activity of the clients.

5. LIQUIDATION/SQUARE OFF:

All outstanding intraday position shall be squared off daily at 3.10 pm at Market rate. All pending intraday order in Cash Segment shall be cancelled prior to Intraday Square off execution.

For Intra Day Trades, Warning shall be issued to clients when 60 % of available margin is eroded. Further, In case Margin Eroded Exceeds 80 % , client is informed to make RTGS of amount equal to margin eroded to carry forward his position, and if he fails to do, Trades shall be squared off by member.

6. CLIENT DEFAULT & OUTSTANDING

Contract notes/bills Must be signed properly by the clients/authorized representatives. Proper authorization letter should be taken in case client sends Somebody else for collection. Contract Notes are to be sent within 24 hours of execution of trades.

In case of default, if client is not able to pay his/her/its dues immediately adopt following procedure:-

- Try to take post dated cheque/s for amount due;
- Get the ledger and contract notes signed by the client;
- Obtain letter from the client covering the schedule of future payments;
- Preserve
    - o Proof of sending of bills/contracts by courier etc.; and
    - o Proof of delivery of bills/contracts by courier etc.
    - o Arrangement for recording of telephone conversations with defaulting client should be made covering Amount/s, Due Date/s, Date of recording Exchange/s and major scrips.

If hopes of recovery by follow up have faded, inform the designated department immediately but not later than 15 days in case of cheque bouncing and within 4 months in other cases. Also send original above mentioned documents to designated department. For small amounts i.e. below 50 ,000/- offer the client to settle the payment for lesser amount and close the business with him since it is not economical to initiate such cases.
Major defaults older then 6 months may also be intimated to the designated department for civil recovery.
When default has already occurred, do not pass JV for transferring funds. Obtain letters for all the inter exchange, inter segment, inter family/friend transfers and third party payments should be backed by proper authorizations singed by all the parties.

Outstanding more than 90 days shall be closely monitored and recovery procedure shall be initiated for the same. Further, client shall not be provided Buy Limits and only Sale Limits shall be made available if shares are lying with us. Account Department shall take all reasonable steps to clear such debits.

7 . INTERNAL SHORTAGE & CLOSE OUT

Due to Internal shortages, com pany might not be in a position to deliver the shares purchased by the Client. In such circum stances, on T+1 day, company may buy the shares from the market and deliver the same to the client The Client undertakes that it will not hold company responsible for any loss/damages arising out of the same

Similarly, if the client fails to deliver shares against its sale transactions, the appropriate amount will be debited to the Client's ledger equal to the buy value of such undelivered shares. Such Amount shall include internal auction or close out charges @ 1% of Auction /Close out rate.

In case where such buying is not possible from the market due to reasons beyond control viz circuit breaking, etc., exchange guideline for internal shortage and close out shall be followed.
Internal auction or C lose out shall be done on T + 2 day.

8. RISK COVERAGE

The C o m p a n y should have adequate insurance cover for different types of exposures, including but not limited to fidelity insurance, and replacement of equipment and other business and data processing devices.

To reduce the systematic risk, Stock Broker Indeminty Policy of Rs. 5 Lacs Which Covers losses on account of trading as well as back office losses shall be obtained.

The company's risk policies and measurements and reporting methodologies are subject to regular review on annual basis or when there are significant changes to the products, segments, services, or relevant legislation, rules or regulations that might impact the company's risk exposure.