

RISK MANAGEMENT SYSTEMS

Risk Management is an important tool for smooth operations in a Broker's office to keep off/minimize the default situations. Effective management of risk could ward off disastrous situations before they could explode and take a toll on the business itself. The following systems need to be religiously followed.

1. Know your Client :

Dealings need to be done only with those people whose identity can be sufficiently established and who have no track record of defaults. For this purpose, adequate precautions be taken both at the Head office as well as branch/sub brokers' level. A few steps to this objective are already included in the Internal Control Manual.

2. Adequate Margins:

Before executing any trade on behalf of the clients, it is incumbent on each dealer to match the order/s with the margin available, both in terms of funds and securities. The upper limit of the order could be 8-10 times for jobbing and 5 times for delivery. However, this limit will keep changing as per the prevalent market conditions and range of volatility.

3. Receipt of Payments:

All clients must make the payment for the balance outstanding in their account by the next day of the trade day or if the payment is being sent by post, the details of payment sent must be made available to the Back office via email, fax etc. by the next day of the trade day.

In case of non receipt of payment or intimation thereof, the Surveillance Incharge has the authority to square off the transactions subject to taking the following steps:

- a) Inform the client of the proposed action.
- b) The explanation and the reasons given by the client for non payment, if any, be discussed with the Group Head and both of them should assess the situation before taking the extreme step of squaring off.
- c) Once the squaring off has taken place, the client must be informed of the same immediately about the same.

4. Receipt of Delivery/ies

The shares sold by the client must be delivered to our Pool A/c before the Pay-in date.

The clients could be given the option to transfer the shares to our beneficiary account before executing the sale order, in case of his reservations about timely execution of delivery instructions directly to Pool A/c for the relevant settlement.

Auction taking place, due to non delivery of shares in time, be informed to the client immediately.

5. Risk of Punching errors:

Dealers must be cautioned against the serious financial implications of the punching errors. The errors, if detected, during the market hours, be corrected immediately after due intimation to the client or clients. Detection of such an error, after the market hours, should be reported to the Exchange, as per the Exchange norms.

Clients will not be held responsible for the punching errors of the dealers.

6. Risk of System failures:

All clients must be made aware of the fact the delay/non execution of any trade due to failure of connectivity for any reason whatsoever will not be the responsibility of the Trading Member. All losses suffered in this regard will be to the account of the respective clients only.

7. Risk of Viruses/data loss etc.

IT Engineer has to ensure that the back office systems, the trading workstations are free of all viruses by running anti virus softwares on regular basis.

Back up of all data will be regularly taken as per the procedure laid down for the same.

8. Unauthorised access to the trading terminals:

All dealers both at the head office and those at the branch/sub brokers offices must be warned to keep their password a secret so as to prevent any access to the trading workstations by any unauthorized person.