

Policy for Risk Management System

Risk Management

- 1) We have to place a system, whereby it is ensured that exposure for trading is given only after it is ascertained that the branches/clients are having sufficient margin in his account. If any deficiency is observed in margin account of the client then such deficiency shall be intimated to the client and HOD with immediate effects.
- 2) Trade in F&O segment shall be allowed only after taking span margin (initial margin) from the client/Branches.
- 3) No third party securities/payments will be accepted. The Software installed in the back office generates an alert in case third party securities/payments are received for the purpose of pay-in/debit ledger.
- 4) All activities relating to receipt and payment of cheques shall be under the control of Head-Accounts.
- 5) Surveillance officer will be appointed, in the surveillance department to take care of the limit setting process and other areas of risk management.
- 6) Compliance Department shall update respective dept for all circulars published by NSE, BSE, Commodities, SEBI, etc.... All guidelines issued by them should be followed strictly and proper steps shall be taken for their strict adherence.
- 7) Daily back up of all servers shall be taken and a copy of the same is also stored at a remote place. (IT Dept.)

Limits to Clients

- Presently every client is allotted a predetermined/specified limit as per the available cash balance in its respective account. In order to ascertain the same, an exposure file is being prepared with the help of Back office software and there after the necessary limit is determined and fixed in the buying code of the client which corresponds to the actual balance available in its account.
- Client wise position file is also uploaded in the system, wherein client is allowed to sale the stocks lying in their margin a/c or DP account.
- Manual intervention is required, if client desire to sale shares other then those lying in Margin or DP account, to increase the allotted limit.
- On the basis of cheque confirmation or credibility of the client some additional limits are also provided.



Collection of Margins :

The client has to pay the exchange prescribed margin (Initial / VAR etc). special margin or any such margin as considered necessary by the Member / Exchange or FMC as the case may be.

By keeping the volatile nature of the market in mind India Advantage Commodities Pvt. Ltd. may ask for an additional margin which may be up to the contract value of the Commodity. This additional margin may be asked particularly for Agri Commodities and client is obliged to pay the margin if asked for.



Other tools Available for RMS

Dormant account: We should a system in place for identifying the client codes where trading has been done after long interval. In these cases necessary intimation is being sent to the client about the respective trade to confirm that it is a genuine trade and the client is aware of the same. (SMS for Dormant)

Simply Buy and Sale: Through this we identify clients who continuously trade during a particular period but do not make any cheque transaction. Proper follow up work is then performed through our surveillance team and due care is taken. Clients ledger balance should be zero once in a month.

Third Party cheque: The bank account of each and every client is updated in our back office software and the same is also printed on an instrument whenever any cheque is issued so that the client cannot deposit the cheque in any other account. Also when a client gives us a cheque, due care is taken to ensure that cheque is issued from the same account as mentioned in the KYC.

Client Trading statistics: We should a system in our back office through which we can identify the trading pattern of the client if it is involved only on delivery or intraday or F&O transactions.

Cheque Dishonour: We have to regularly track the clients, where cheques are being dishonored on regular basis as well as those who are regularly doing short selling of the shares which leads to auction of shares.

PAN missing details: In cases where Pan Card details are not provided by the client, the respective client code is suspended and the client is not allowed to trade till the furnishing of the same.

Apart from whatever stated herein above, we shall ensure that daily communication via SMS is being sent to the clients regarding their trading activities on daily basis which includes their billing for the day, their net positions etc..

The clients having debit balance are being sent regular SMS indicating their debit balance. Details relating to cheque receipt and payments are also being sent through SMS on daily basis.

Emails are also being sent to clients on daily basis which contains their ledger, trades and margin details.



Customer acceptance policy

The prospective customer visits our nearest branch or office for opening of new trading or demat account. Account opening form is given to the client for filling up along with the requirement to furnish all documents as prescribed therein. After receiving the completely filled Account opening form with all documents, our own employee shall visit for the in person verification and also verify the original documents.

If we feel that the party is a genuine and documents submitted are found satisfactorily then the Account opening form is accepted and sent to KYC department for further processing. The KYC department makes a phone call to check for second verification. Thereafter the trading code is allotted and a photocopy of agreement with welcome kit is sent to the clients' correspondence address. Apart from this we should send welcome SMS at the clients mobile and also mail a welcome letter electronically at his email id with all details our bank/Pool-Principal accounts, contact person name, Branch name, contact numbers for branch & HO, etc...

Clients from the Terrorist prone area i.e. North Eastern India, Gujarat, J&K etc are handled carefully with utmost caution. Again due diligence is exercised in the matter of Pan Card and proper verification from the respective site is being made by the employees.

We should maintain the 3 levels risk of clients on the basis of income of prospective clients.

