

Annexure - 5

Risk management system to protect our self from the default of clients

A sound risk management system is integral to/pre-requisite for an efficient clearing and settlement system. Risk containment measures include capital adequacy requirements of clients, monitoring of clients performance and track record, stringent margin requirements, position limits based on capital, online monitoring of client positions and automatic disablement from trading when limits are breached. The core of the risk management is the liquid assets deposited by clients to members *Cash Equivalents*: Cash, Bank Fixed Deposits, Bank Guarantees from banks, as specified by Exchange from time to time. The most critical component of risk containment mechanism is the margining system and on-line position monitoring. Members should charge an upfront initial margin for all the open positions .It specifies the initial margin requirements for each futures/options contract on a daily basis. Margins form a key part of the risk management system. In the stock markets there is always an uncertainty in the movement of share prices. This uncertainty leads to risk which is addressed by margining system of stock markets. To safeguard our self from those risk, adequate margin should be obtain by the member from the respective clients in form of Cash , Fixed Deposit Receipts . The financial soundness of the client is the key to risk management. Further, the member should maintains strict surveillance over market activities in dealing with the investors, further We are collecting margin for all the clients , and the respective pay –in , and payout is done for the respective client A/C , and on the basis of margin collected , clients are given appropriate exposure. In case of margin shortfall we communicate to the client during market hours via telephone and detail of short fall is given at E.O.D, and we insist clients to provide adequate margin in the form of securities or cheque. We separately maintain the margin ledger in our system, so that we can provide adequate details to the clients if and when so require.