

RISK MANAGEMENT SYSTEM

A sound risk management system is integral to an efficient working of a Stock Broking Entity where in the risk are inherent to the operations and the environment in which it operates.

The company has following risk management system policy:

1. Policy and Procedure for Identifying the Client:

Before registering an entity as client, measures are taken to identify the client. Copy of the identity of the client is checked and verified with the original. A copy of the identity proof is kept along with the client registration form. Only self attested copy of PAN Card, Voters identity card, passport, Driving license etc is accepted as identity proof. Following points are checked and steps taken to ensure in the best possible manner:

- i) The company officials take necessary steps to ensure identity of the client does not match with any person having known criminal background or is not banned in any other manner, as guided by SEBI/RBI/ Exchanges and other appropriate authority.
- ii) Client introduction is done by employees, directors or existing clients & proper in person verification is done.
- iii) KYC Form is thoroughly checked under the light of rules and regulations laid down by SEBI/ Exchanges and other appropriate authority.
- iv) Failure by prospective client to provide satisfactory evidence of identity are disqualified for opening the account.
- v) In cases of doubts regarding the veracity or the adequacy of previously obtained client identification data, additional documents are obtained from the clients.
- vi) The KYC Form are reviewed from time to time and additional documents are obtained from the clients.

Each Registration form and Agreement must be reviewed by a senior manager before allowing any client to transact with us and a client may be graded with High risk. All the clients of special category as mentioned below are expected to be High risk as per the suggested guidelines:

- 1) Non resident clients***
- 2) High networth clients***
- 3) Trust, Charities, NGOs and organizations receiving donations***
- 4) Companies having close family shareholdings or beneficial ownership***
- 5) Politically exposed persons (PEP) of foreign origin***

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- 6) *Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)*
- 7) *Companies offering foreign exchange offerings*
- 8) *Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.*
- 9) *Non face to face clients*
- 10) *Clients with dubious reputation as per public information available etc.*

However the company has divided its clients broadly into the following categories, keeping in the view the spirit of the suggested guidelines provided for Anti Money Laundering and existing client database as per the following table:

Categories	Clients included
Highest Risk	(a) HNI Retail Clients (b) NRI Clients
High Risk	(a) Retail Client
Medium Risk	(a) Employees
Low Risk	(a) PCG Clients (b) In House Category of Clients (c) Institutional Clients

All above classifications are based on risk perceived, experience and expertise of the senior management and risk assessment personnel of the company.

The company envisages the risk to systematic and structure the input, processing and proper analyzing of the relevant data in pursuance to PMLA recommendation through appropriate softwares. The company strongly believes that the process is dynamic and needs constant review for improvement and modifications to achieve the goal both in front end and back end software.

An updated list of individuals and entities which are subject to various sanction measures such as freezing of accounts ,denial of financial services as can be accessed from website United States <http://www.un.org/sc/committees> where should be counter checked before opening of account. Details of accounts bearing resemblance with any of the individual in the list should be immediately reported to FIU.

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2. Policy for Acceptance of Clients

As a measure of customer acceptance policies and procedures that aim to identify the customers the below mentioned factors are followed for accepting a client:

- a. Accounts are opened after due appraisal & diligence of documents vis-à-vis relevant Rules and Regulations laid down by SEBI & Exchange & appropriate authority.
- b. Appropriate persons are designated for KYC norms to check the compliance *prima facie*.
- c. The persons acting for/ on behalf of the clients shall have an authority / consent letter. Adequate verification of a person's authority to act on behalf the client is also carried out by the company officials.
- d. Necessary checks are prepared and followed to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.
- e. Any documentary requirement as per relevant law enforced are properly collected.
- f. Company transfers client to inactive status if a client does not trade for last 18 months. Any client trading after the lapse of such period has to submit relevant latest data and a letter of reactivation in prescribed format of the company.

3. Exposure and Margin

Exposure to a client is given on the basis of running account balances maintained with us or at the discretion of Management.

- 1) The Company does not collect any upfront margin from the clients of Capital Market segment, However the clients who have given running account undertaking & have the ledger balance, the exposure is allowed as per managements order from time to time.
- 2) In F&O Segment, we strictly follow the margin norms as prescribed by the Exchange. An amount over and above the initial margin on the basis of SPAN Margin is collected upfront from the clients and is cross checked with the margin requirement report of the Exchange. Further, the MTM amount is collected as per the requirement.

4. Clearing and Settlement

Pay in and pay out of funds/ securities are collected on or behalf of clients from/to designated bank and DP account provided by the client for the purpose only within stipulated time.

Short delivery from/to clients are dealt as per exchange provisions.

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In case of internal shortage, we deal as per the following conditions.

- If auction is held in exchange then at the same price debit and credit is done to defaulting clients and beneficiary client.
- Otherwise stocks are purchased on next trading days and defaulting clients are debited with the same amount and the stock is transferred to beneficiary receiving client on payment of same stock.

5. Due diligences for Z categories or Trade-to-Trade or Illiquid Securities.

We take necessary steps to conduct due diligences for Z categories, Trade-to-Trade scrip's and illiquid securities (list provided by Exchange) we have inbuilt system in our CTCL trading software wherein Trade to trade securities cannot be square off. Both purchase and sale has to result in delivery. We do not allow buying more than 500 shares or Rs. 100000/- (Rupees One Lacs) value of the shares in Z Categories scrip's or illiquid scrip's If any client willing has to take necessary permission and same is allowed on specific instructions from Director / Chief dealer only.

6. Payments

We collect payment from client on or before pay in of funds schedule. If on Pay -in date any client has default then his stocks are disposed off after informing client of the same and the consent for the same has been specifically obtained from clients while requesting the said client in writing.

7. Other business related risks:

We envisage risk apart from client such as major power failure, connecting delinks, server breakdowns, software malfunctioning, fire and natural calamities, HR related risks and etc.

Company has adequate business continuity plans to combat and cope with such mishaps and breakdown.