

RISK MANAGEMENT POLICY

➤ **PREAMBLE**

The following Risk Management Policy is framed for efficient management of the risk in the Securities Market and for better survival of clients and company. RMS Policy provides framework for comprehensive risk management that helps in setting better and effective Compliance System and eventually contributes to positive branding of the company in the market.

➤ ***RISK MANAGEMENT : A BRIEF INTRODUCTION***

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 undesirable event.

Risk Management is process of measuring or assessing risk and then developing strategies to manage the risk.

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.

The principles of our risk management framework are as follows:

➤ **RISK MANAGEMENT SYSTEM:**

The following risk management system has been set to monitor, evaluate and mitigate risk.

- To install software that provides with controllable risk parameters like ODIN, NEAT wherever required.
- To have online real-time basis risk management software with well defined parameters installed in trading system provided by outside vendor.
- To follow the risk parameters as defined by the Chairman & Managing Director and the Risk Management Team at the Head Office .The executive personnel shall have no authority to change any risk parameters defined and instructed to them and installed on the software.
- Trade Surveillance : The trading activities of different constituents connected to the main server will be viewed and monitored on continuous basis and alerts, warnings shall be sent to the erring constituents immediately so that corrective actions are taken instantly.
- The day end reports of all branches are strictly monitored and there is follow up mechanism. If any warning or correction in security parameter on the risk management software is required with specific branch or a client, the same is to be taken before day end.
- The analysis of trading activity of major clients will be done on regular basis so as to ensure that no bad debt risk or faulty activity is carried out by any constituents.

- To reduce the systematic risk by obtaining an indemnity insurance policy that covers losses on account of trading as well as back office losses.

➤ **EFFECT OF SEBI CIRCULAR NO. CIR/HO/MIRSD/DOP/CIR/P/2019/75 DATED JUNE 20, 2019**

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SEBI CIRCULAR NO. SEBI/HO/MIRSD/DOP/CIR/P/2019/95 DATED AUGUST 29, 2019

Following changes have been introduced in the RMS Policy:

The clients having debit balance in excess of 7 days from the trading date shall be automatically be squared off and client must take a note thereof and no separate message or intimation will be provided to the client.

The client needs to clear the debit balance within T+7 days. In absence thereof, the stock will be liquidated to the extent of debit balance.

➤ **CONCLUSION:**

The above RMS Policy is designed for better risk mitigation and decision making based on various logics and parameters. The company's risk policies and reporting methodologies are subject to periodic review or as and when required.