



Risk & Surveillance

A sound risk management system is integral to an efficient clearing and settlement system. Stock Exchanges define trading exposure/limits up to which their members can trade. The exposure limits are based on the security wise margin requirements and deposits furnished by the members to the Exchanges. The type of margins and the time of its payment are defined by the exchanges. The margins are imposed on real-time basis and the member can recover margin from the clients. Recovery of margins from the clients is primarily guided by the Company policy in this regard. Institutional trades are exempted from margins by the exchanges as per the SEBI norms. Since the company is a member of multiple stock exchanges, and has separate Institutional and retail divisions, monitoring the status of the exchange-wise exposure limits and their recovery/adjustment assume an important role. The activities related to trading exposure/limits are taken care by Risk & Surveillance Department.

Procedure for monitoring the exposure limits

This section prescribes the procedures that are required for monitoring the exposure limits assigned by the Exchanges.

No.	Tasks	Responsibilities	TAT
1.	Record the details of Base Capital (along with the components) maintained with the Exchanges where the Company is a member. The details of Base Capital maintained should be done separately for each Exchange. Record and monitor the real-time position of Base Capital (BC) and Additional Base Capital (along with the components) kept with NSE/BSE as Margin for the purpose of getting Trading Limits for each Exchange. The components include: <ul style="list-style-type: none"> ➤ Cash ➤ Bank Fixed Deposits (FDRs) ➤ Bank Guarantees (BGs) ➤ Government Securities with hair cut ➤ Approved Equity Shares with applicable Hair Cut 	Executive/Asst. Manager- Risk & Surveillance	
2.	Generate BOD files from back-office software as mentioned below & upload the same in CTCL for determining exposure limits of clients. Exposure limits comprises of the ledger balance and stock valuation	Executive/Asst. Manager- Risk & Surveillance	



	<p>(haircut as prescribed by the exchanges for approved securities and 50% for the rest of the securities).</p> <p>BOD Files:</p> <ul style="list-style-type: none"> ➤ Available ledger balance ➤ Asset Report (stock balances) ➤ FO positions ➤ BTST Reports (BSE&NSE) ➤ Client master details 		
3.	<p>For F&O segment determine the initial and exposure margins utilized for the previous day. The details of the margin can be taken from MG11 & MG13 files</p> <p>FO Margin for the current day is calculated by the CTCL on the basis of SPAN Risk Parameter files provided by the exchange</p>	Executive/Asst. Manager- Risk & Surveillance	
4.	<p>After completion of BOD process, following files should be checked with the actual data files:</p> <ol style="list-style-type: none"> 1. Ledger balance 2. Stock balance 3. FO positions 4. BTST positions <p>In case of any discrepancies, the same should be rectified before opening of market</p>	Top Management & Head-Risk & Surveillance	
5.	<p>Intra-day limits are set as the number of times of the available ledger and stock valuation in CTCL. This multiple is to be decided by the Top Management.</p> <p><u>Enhance the intra-day trading/exposure limit of Clients on real-time basis as and when the deposit is received.</u></p> <p>Ensure that the data on exposure limits is updated / modified, as and when new limits/formulae for computing the limits,</p>	Executive/Asst. Manager- Risk & Surveillance	



	are notified by the Exchange. If the utilized exposure limits exceed alert levels fixed by the exchange, generate report on the status of the exposure limits utilized vis-à-vis limits available with the company. Forward a copy of the report to the Top Management.		
6.	<p>Review the report regarding limit alerts given by the Exchanges and formulate the strategy for executing further orders during the day/settlement. E.g. The strategy could be to increase the exposure limits by depositing additional base capital with the exchange or by unwinding/reversing the position taken up during the day/settlement. This could be achieved with the help of details on exposure; limits on retail clients. The decision could include the following:</p> <ul style="list-style-type: none"> ▪ Unwinding client specific positions ▪ Unwinding scrip specific positions ▪ Unwinding certain value of open trades across all clients. ▪ Any other suitable measures <p>Instruct Dealers to stop accepting orders for the clients who are defaulters with respect to:</p> <ul style="list-style-type: none"> ▪ Pay In of Funds/Securities. ▪ Payment of Margin 	Executive/Asst. Manager- Risk & Surveillance	
6.(i)	Implement the strategy dictated by Top Management. Where a decision is taken on enhancing the company's exposure limits, request F&A department to transfer the fund to the concerned exchange for enhancing the exposure limits of the company. Update the fund transfer details in the spreadsheet file containing data on total exposure available to the company.	Management & Head-Risk & Surveillance	
6.(ii)	In case a decision is taken to reduce the company's exposure by unwinding open	Head-Risk & Surveillance	



	trades in the prevailing settlement, ensure that appropriate steps are initiated to reverse trades in the concerned scrips or for the concerned clients/sub-brokers		
7.	Ensure that prompt corrective action is taken well before the total exposure limit allowed by the Exchange to the Company is reached. This will eliminate the occurrence of terminal shutdown by the concerned exchange. These measures would also reduce the risk of the company being named by the concerned Exchange as a Member in default due to exposure violation.	Executive/Asst. Manager- Risk & Surveillance	
8.	Monitor and analyse the reports from Branch Office, on real-time basis with regard to: <ul style="list-style-type: none"> ➤ Circular Trades ➤ Rigging of Prices ➤ Creation of Artificial Market for illiquid Scrips ➤ Genuineness of Orders 	Head-Risk & Surveillance	
9.	Give explanation to Compliance Team when there is any query in relation to abovementioned situations	Head-Risk & Surveillance	
10.	<u>EOD Process:</u> EOD process is done after market hours and following files are saved on daily basis for future reference: <ol style="list-style-type: none"> 1. Audit Log. 2. Client Activity. 3. Client Margin. 4. Net Position. 5. Pending Order. 6. Trade Log. 		



Sr. No.	Tasks	Responsibility	TAT
1.	<p>Payment of margin to exchange and recovery of margins from clients/ sub-brokers</p> <p><u>In case of additional amount payable by the company towards margins, identify trades from the trades done during the day, in the following manner:</u></p> <ul style="list-style-type: none"> ▪ Identify trades executed on proprietary account. ▪ Identify DVP trades since that will attract daily margins. ▪ The balance trades represent retail trades executed for clients and sub-brokers. 	Asst. Manager- Risk & Surveillance	
2	<p>Ascertain the margin money attributable to proprietary and DVP trades. (The balance margin money is attributable to retail trades). Forward and request details of margin money pertaining to F&A department requesting for funds payable towards margin money.</p>	Head-Risk & Surveillance	
3	<p>Identify the branches and sub-brokers whose clients trades attract margins from trade data download from the respective exchange. Determine the margin money receivable from each of the clients of branches and sub-brokers on the basis of the margin money recovery policy adopted by the company. (Margin payment to the exchange may be independent of margin recovery from clients / sub-brokers). The margin includes:</p> <ul style="list-style-type: none"> ▪ Value at Risk Margin(VaR) ▪ Extreme Loss Margin ▪ Mark to Market Margin 	Executive/Asst. Manager-Risk & Surveillance	
4	<p>Receive confirmation from the F&A department regarding:</p> <ul style="list-style-type: none"> ▪ Transfer of funds to the bank account of corporate office for payment of margin money demanded. ▪ Branch wise and Sub-broker wise client details 	Asst. Manager- Risk & Surveillance	



	<p>of margin money credited to the bank account.</p> <ul style="list-style-type: none"> ▪ Details of clients who defaulted in making payment for margin money demanded, with the quantum of shortages. <p>5 Follow up with the branches/sub-brokers for clients who have defaulted in payment of margin money to the exchanges. Ensure receipt of funds from the concerned clients. Report to Head-Risk & surveillance regarding instances where margin money is outstanding despite active follow-up.</p> <p>6 Review instances where clients relating to particular branches/sub brokers have failed in their commitments to pay up the margin money demanded, despite follow-up. Where considered fit, proceed to take appropriate action against the defaulting clients. The appropriate action to be initiated against defaulting clients as also branches/sub-brokers, should be guided by company policy. This could include:</p> <ul style="list-style-type: none"> ▪ Instruction to the dealing teams to disable/reverse the position of the concerned clients/sub-broker till the margins are received. ▪ Any other suitable measure formulated by the company. <p>7 If margin is to be received in the form of early pay-in of securities against delivery based trades of clients/sub-brokers, liaise with the settlement team regarding receipt of securities in the demat pool account of the company. (The settlement Team should issue delivery instruction to transfer the securities received as margin from the pool account to the delivery out account for paying of the securities to the exchange).</p> <p>8 Compare margin files received from the exchange with details maintained for margins paid to the exchanges. If there is any discrepancy, resolve the same with the exchange officials.</p> <p><u>Note:</u> The amount paid towards margin will be released by the exchange at a stipulated time.</p>	<p>Dealing Team & Executive/Asst.Manager-Risk & <u>Surveillance</u></p> <p>Head-Risk & Surveillance</p> <p>Asst.Manager-Risk & Surveillance</p> <p>Asst. Manager-Risk & Surveillance</p>	
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9	Review all the margin payment and recovery operations for each settlement on each exchange. Identify exceptions that occurred and the reason for such exceptions. Ensure that the dealing team/ F&A Team have taken timely action to resolve each exception. Where necessary, formulate strategy to reduce the occurrence of such exceptions in future. Report significant deviations/exceptions in margin operations to CEO and the action taken to resolve such deviations/exceptions.	Asst. Manager- Risk & Surveillance	
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Client Control Statement Report:

Br Code	Client Code	Client Name	Final Dr.Cr	Span Req.	Overall Dr.Cr	Stock Valuation	Stock valuation@50%	Risk at gross Valuation	Risk at net Valuation	Comfirt%	T+5Dr	T+10Dr
1	2	3	4	5	6	7	8	9	10	11	12	13

Debtors Ageing Report:

The debtors Ageing Report has the following Sub-Reports:

1. Consolidated Report
2. Risky Client Report
3. Exception Report
4. Overall Debit Report
5. Comfort Level Report

1. Consolidated Report:

Br. Code	Client Code	Client Name	D0-6	T - 7	D7-14	T - 15	D15-29	D7-29	D>29	Total Dr	Span Reqd	Overall Debit	Stock	Comfort %
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

2. Risky Report:

Br. Code	Client Code	Client Name	D0-6	D7-14	D15-29	D7-29	D>29	Total Dr	Span Reqd	Overall Debit	Stock	Comfort %	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14

3. Exception Report:

Br. Code	Client Code	Client Name	D0-6	D7-14	D15-29	D7-29	D>29	Total Dr	Span Reqd	Overall Debit	Stock	Comfort %
1	2	3	4	5	6	7	8	9	10	11	12	13



5. Overall Debit Report

Br. Code	Client Code	Client Name	D0-6	D7-14	D15-29	D7-29	D>29	Total Dr	Span Reqd	Overall Debit	Stock	Comfort %
1	2	3	4	5	6	7	8	9	10	11	12	13

6. Comfort Level Report

Client Code	Client Name	D0-6	D7-14	D15-29	D7-29	D>29	Total Dr	Span Reqd	Overall Debit	Stock	Comfort %
1	2	3	4	5	6	7	8	9	10	11	12