

# EASTERN FINANCIERS LTD

## **Risk Management System**

The stock broking industry is associated with two type of risk, viz internal risk and external risk which includes very high risk in terms of volatility of stock prices, daily collection of payments from clients etc.

In view of above, to avoid such risks and to survive in this competitive environment, Company itself maintain Risk Management system follow up regular basis at the separate client level activities. To protect the capital & interest of the company for good self, the risk of the daily business is ascertained regularly by the separate department named Risk Management Department. Pursuant to the commitment of our business activity towards enhancing investor protection and providing greater transparency we have endeavored to bring out some rules & regulation of the Exchange and in house to the client and as well as update the system. The working activities are furnished below.

## **Registration of client**

The KYC (Know Your Client) form shall be complete in all respect. The form shall be duly signed and all the documents which are marked as mandatory in the Form shall be enclosed. Adequate Due diligence of clients shall be done, along with proper verification of the documents with the original. The name of the client given in the PAN Card should tally with the name mentioned in KYC. Also verify the PAN from Income Tax website. The form shall be scrutinized and then the client shall get registered.

Also, an internal audit shall be conducted in respect of all the forms, which has been executed for opening the Client Accounts. Any deficiency observed, shall be pointed out and it should be rectify with the immediate effect.

## **Initial Collection of Margin**

Initial minimum margin shall be taken from all the clients. Accordingly the exposure limit shall be set. It can be in the form of cheque or by share pledge.

At the time of share pledge, the value of closing price of share of the previous day shall be considered & effect of margin share capital provided to client for daily trading after deduction of haircut of 30-50 %.

Margin registers shall be maintained by the RMS (Risk Management System) Department (soft & hard copy) for cash margin deposit or share margin deposit. Bank clearance cheque shall be followed through accounting system and the effect shall be given to the right client account through proper scrutiny.

## **Day To Day Operation**

After opening of the client account in the back office, the capital limit for the client in the front

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office trading terminal server shall be set according to margin deposit.

Before market hour, the Exchange information for free fresh trading capital shall be checked on a daily basis

## **Front office Trading**

The trading exposure to the clients shall be allowed by 3 to 6 times gross exposure on cash or share margin deposit. For daily turnover it shall be allowed upto 10 times (buy + sale) against the margin deposit.

The RMS server, in which the client code is mapped, shall control the daily exposure of the individual client and if any time set limit cross by the client, then system shall be block by default.

Any time, when the exposure limit cross by the client then, fresh capital for trading exposure shall be set according to dealer request and side by side the scrutiny by the RMS (Risk Management System) Department shall be done on the fresh collate deposit by the client or current margin stock valuation after deducting hair cut. This fresh capital shall be treated as additional base capital.

The margin data as span margin & var margin data shall be provided to the client according to Exchange guide lines.

Client related data such as F&O ban report to be provided to all the Branches, Sub brokers and clients and particularly F&O ban script suspended for trading, shall be locked through server.

Exchange side operation - we follow up: The utilization of exposure shall be followed as per real time basis with the Exchange and according to the requirement with the custodian the necessary action shall be taken.

The track of gross exposure utilized by the client above 70 % utilization of the exposure shall be done through RMS server at the time of trading hour towards.

## **System Upload**

After trading hour, the trading data by the back office system shall be uploaded and electronic contract notes shall be issued and it shall be send through mail server.

Client related data as open position, exercise & assign report, etc. shall be provided to all the clients through mail server.

## **Debtor & Creditor Management**

Pay in & pay out of fund & securities operation shall be done within the time frame given by the Exchange. Securities shall be transferred to the respective clients Demat Account only on receipt of payment from them.

Also, in case of sale of shares by the clients, the payment shall be made to them only when the

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shares be delivered by them in the Company's demat account.

**Pay in fund - debit balance** - The cheque can be either collected from the client or if the client deposited it directly in the bank of the Company, the effect in the client account shall be done only after verification in the bank book or bank deposit slip.

The high value trade of both buy & sale side shall be treated cautiously and therefore early pay in & pay out funds or securities shall be done accordingly and also the benefit arises shall pass on to the client accordingly.

Any additional margin levied by the Exchange shall be informed to the client & if any credit balance is available in the client's account, it shall be utilized for utilization of margin.

If any cheque given by the client gets dishonored, it shall be taken care of before the fund pay out day. Also for the time being, client account shall be locked/freeze to avoid further trades by the said client and accordingly the client or the dealer shall be informed about the insufficiency of funds.

Pay out of securities shall be done to the system generated procedure & only after verification of the same, the shares should be released according to credit position or on receipt of cheque from them.

If any debit balance is lying in the client's ledger the shares shall be kept in the beneficiary account of the Company. These shares shall be released only on the receipt of payment by the client.

The analysis of the debit client management shall be done by the system generated ageing report on weekly basis.

The cheque shall be collected from client with in T+0 or T+1 day on day trading loss for trade or MTM loss.

## **Square Off Of Positions**

In case a client defaults in his dues/ margin call we give him reminder calls and in the extreme cases only square off his position.

## **Margin Collection & Margin Reporting**

Exchange data regarding margin levied by the Exchange for T+1 or T+2 days & in F&O segment, Span margin levied by the Exchange shall be informed to the clients via mail and margin reported MG 13 file shall be uploaded to the Exchange after collection of margin & updated figure according to client books shall be provided to the Exchange on a regular basis.

Separately from back office side, the information to the client for margin collection shall be sent with in T+0 or T+1 day end.

Any margin shortfall reported by the client shall be produced to the Exchange (for MG 13

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reporting) and side by side trade exposure shall be reduced by squaring up trade or by locking the client account and accordingly the information shall be sent to the client. Any penalty levied by the Exchange shall pass on to client account on giving prior intimation to the client.