

Harjivandas Nemidas Securities Pvt Ltd

RISK MANAGEMENT POLICY

Capital Adequacy And Margin Release:

Maintenance of the Capital adequacy of the member with the exchanges is very essential for trading in the equities and derivatives segment. Capital is maintained with the exchange in the form of Bank guarantees, Cash, Securities and Fixed deposit. However the composition of the constituents of Capital with the exchange is to be defined by Harjivandas Nemidas Securities Pvt. Ltd. The same needs to be defined after performing a cost benefit analysis periodically. Currently a 25% capital cushion is being maintained on a daily basis to ensure adequate exposure availability after considering volatility of the market. A scenario analyses shall enable projecting the capital required with the exchange. Early pay-in is done by settlement 2 times a day to ensure release of margin blocked. An analysis of pay-in amounts vis-à-vis margin released shall be communicated to risk on a daily basis.

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Process:

- Everyday, the transaction files received from the Exchange are uploaded on the Back Office software registering the transactions to respective Client codes.
- On the basis of above, the Contract Notes and Bills are generated and sent to the respective clients.
- During the day cheques received from the clients for their pay-in obligations and cheques issued to the clients for pay-out obligations are accounted in the Accounting system. Cheques received from the clients are checked with the bank details provided by the clients and updated in the software in order to reject the payments by third party. The cheques issued by the company to clients are always crossed and marked as 'Account Payee'.
- Back Office processes the reports giving details of balances in the clients account, which are used for co-coordinating with clients for debit recovery. All cheques received from the clients are banked and details of the cheques like cheque No., bank name, branch, amount are updated in our software.
- Further, Client wise debit-credit summary is generated considering short sale of stocks, if any. The same is uploaded in our RMS System enabling the clients to trade within their available limits.
- In house Reports are also generated giving details of clients who have not paid their obligations and the outstanding amount in order to liquidate their positions to the extent of debit balances in their accounts. If the client is having debit balance, he will be allowed to trade only with the prior approval of the director.
- Exposure for any client at any point of time shall be commensurate with the VAR margin and margin available with us. For Eg. – If Rs 1 lakh credit is available with us, exposure in a highly liquid and approved scrip can be 10 times i.e. upto Rs 10-lakhs as also in another case where a liquidity is relatively lower in an approved scrip, where credit available with us is Rs. 1 lakh, then the exposure can be upto only 4 times i.e. Rs. 4 lakh.

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- Margin System: In Cash segment, the company has categorized scrips into 4 categories for upfront margin requirement. All scrips under 'Trade to Trade' need 100% upfront margin. The other scrips are categorized in A, B, C and D categories with margin rate of 25%, 33.33%, 50% and 100%, respectively. Margin requirement rate is reset every week on the basis of VAR Margin rate provided by the Exchange. In extreme volatile market conditions, margin is scaled up internally by some adhoc percentage.
- Square up is done once in a week as per the discretion of the director and on the basis of the credential of the client. Square up is done to the extent of debit balance in the respective clients' accounts.

Margin Collection Procedure

Combined Clear ledger Balance as on T date.

(+) Cheque received from client on T date and accounted in ledger on T date.

(+) Value of holding in CUSA account after appropriate haircut i.e. VAR rate

(+) Value of shares sold and provided in pool account towards margin obligation of such sell trade only.

(+) Early pay-in Credit available for shares sold and successfully processed under early pay-in to Clearing Corporation to the extent of 80% on T Date and 100% on T+1.

(+) Value of collateral pledged to TM CMPA Demat Account under pledge re-pledge system after the appropriate haircut i.e. VAR rate of T-1 EOD and T-1 Close rate.

Please note that
1. The Compliance Officer shall generate Risk Report and Combined Risk report at the EOD.
2. The Compliance Officer shall ensure that the Risk Reports are prepared on timely basis.
3. The Compliance Officer shall ensure that SPAN margins are collected upfront.
4. The total Gross Exposure and Turnover limits of Clients

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shall be reviewed and appropriate action shall be taken in case the risk exposure exceeds the limits as laid down by the management.
5. The Compliance officer shall be directly reporting to the Director.
6. The Risk personnel shall ensure that SPAN margins are collected upfront.