

**RISK MANAGEMENT & SURVEILLANCE SYSTEM -POLICY**

Baljit Securities Pvt. Ltd. (BSPL) is a professional broking house having retail as well as HNI active clients on its rolls doing transactions in the cash /futures / currency segment and in both Exchanges, NSE & BSE.

With such a clientele base, it is imperative that a proper risk management service is in place to prevent untoward losses for both the Clients as well as the Broking entity. In order to avert the risk of client's default, presently, following system is followed.

**Definitions:**

**Cash:** The clear balance available in the customer's ledger account in our books

**Margin:** The underlying stake provided by the customer in the form of cash and FDR to mitigate market (price) or settlement (auction) risk.

**Exposure :** The aggregate of the customer's obligations arising out of the buy + sell trades awaiting settlement in the cash segment and profit/loss amounts that are yet to be settled on the closed positions.

**Exposure multiple:** The number of times that exposure is allowed on the underlying margin on each segment would have to be made either on the availability of cash margin or on the availability of the stocks (which are to be sold) in our margin account, by executing a transfer before any order is initiated.

**Total Deposit:** The aggregate of client deposit available with us in the form of cash and FDR.

**NATURE OF CUSTOMER TRANSACTIONS :**

**Intraday – Cash Segment:** The amount of purchase (or sale) in a scrip on any trading day that is reversed by the end of the day by making a contra sale (or purchase) of exactly the same quantity, thereby nullifying the original position.

**Delivery Trades:** The net purchase or sale of scrip in a client account that is settled by way of a delivery on T+2 (or as per settlement schedule). Delivery in respect of sale transactions in the cash segment has to be settled by the client by tendering securities in demat form before the pay-in deadline, failing which the client faces risk of auction.

**Sell against Buy before delivery:** A purchase order executed on the Exchange today and the (undelivered) purchased stock sold in its entirety on the next trading day. In this case the first transaction would be settled on T+2 while the sale would be settled on the third business day after the purchase transaction.

Note – BSPL is not responsible for any Short payout of security from exchange.

**F & O / Currency Segment:**

Derivative Segment is a Margin driven segment. Margin will be collected as per the requirement of the Exchange. i.e. SPAN Margin + Exposure Margin+ Additional Margin ( if any made applicable by the Exchange ). In case of panic market additional margin can be collected by BSPL looking at market conditions.

**RISK MANAGEMENT :**



BSPL makes it a point to determine and fix exposure limits to each client, based on his financial and risk taking ability. This is determined from the financial documents collected from and the background of the clients. For the Cash Market segment, since, the settlement period is shortened to one day, its generally collects maximum payments for purchases or full delivery of shares for sales on T+1 basis from clients. Shares or payments are held back till the payment of cash or shares have been made by the client. For clients who trade on daily basis, margin is collected in the form of cash / FDR. In the derivatives segment, cash/FDR, is collected upfront from the client. MTM losses are collected on T+1 basis else the collateral margin is reduced to that extent and therefore their exposure limit.

These limits are also set in the CTCL trading system which immediately stops further trades of any client once the limits are exceeded. The Front End trading software has a sophisticated system of setting limits based on exposure, scrips allowed to trade in and etc. Scripts can be excluded from trading if they are on ban list or upon the discretion of the Management based on risk perception.

Online surveillance is carried out to see whether mark to market loss of client is crossing a set limit or if it is exceeding the credit balance in client account. In such cases, additional margins are called for from the clients or clients are advised to reduce the exposure. While allowing trades in Odd lot and T2T category shares, necessary permissions are obtained by Risk Management Department / Management to avert the possibility of synchronized / circular trading. The client's trading track record regard to his financial capability and dealing in such scrip is looked into

#### **AP/ Sub brokers – wise Margining System:**

Generally Authorised person(AP) / Sub brokers (SB) gives some deposit which is initially treated as margin, on the basis of which limit is provided to its terminal. Client introduced by them are mapped under AP/SB and the client get the limit based on their deposits. The risk of clients belongs primarily to the AP/SB. Hence, in the worst case scenario, BSPL can withhold the Terminal Margin given by the AP/SB to recover any outstanding of the client. However, such extreme action is taken in rare cases and that too after due intimation and consent of the AP/SB.

#### **Communication:**

Though the client has to be aware about his/her position and Risk, the AP/SB are also responsible to communicate to the client about their shortfalls. The communication would generally be through Telephone / Email subject to the correctness and availability of the data in the system. Clients also have the facility to access the online backoffice to check its position.

#### **Surveillance at BSPL**

To aid in the task of Risk Management, it is essential to have an online mechanism that would alert us of the change in the Clients position. Our RMS department tracks the trades of client and analyses the margin utilized and alerts us if the position exceeds the limit set for him/her. This is monitored by a team of 2 people who then instruct the Dealers to take appropriate action against the Client.

#### **Scrip-wise Surveillance**



#### *A. Online Surveillance.*

1. The surveillance team watches the online trades as they are executed, and extraordinary volume in the particular scrip or client is immediately investigated by calling up the client/sub broker / AP and asking for details of clients and as per the details made available, the clients previous purchase or sales transactions are looked into, by viewing the ledgers.
2. Trading in illiquid scrips are discouraged and allowed on a case to case basis, based on the level of confidence in the client. Any limit accretion requests are first enquired and then upon being satisfied with the bonafide of the trade as well as the client, limits are accordingly increased.
3. Since the same staffs are monitoring the trades daily, any pattern in trading / limit enhancement is reported to the Management for further investigation as applicable.

#### *B. Offline Surveillance*

1. Unusually large volume is checked especially if the client has incurred a loss, or unusually high profits.
2. Where volumes are unusually high, they are compared with the total volume in the exchange for the day in that particular scrip, and such reporting is done to the Management.
3. After due investigation, Surveillance Team reports to the Management its finding and thereafter such scrip is disabled for trading for that client / branch and in some cases on the whole network.

#### **Client-wise Surveillance**

All the clients who have traded in the scrip placed in where there is unusual volume vis a- vis average volume are scrutinized for their other scrip dealings.

Looking at the general quality of scrips that they are dealing in, Surveillance Manager reports to the Seniors / Management for further action on whether we want to continue to deal as a broker for that client or not.

The bank account of each and every client is updated in our back office software. Also when a client gives us cheque a due care is taken that he gives us cheque only from the account(s) mentioned in his KYC.

We track the clients where cheques are being dishonored regularly. We also monitor where clients short sells on regular basis and which subsequently leads to auction of shares. No clients are allowed to trade who have not provided us PAN details.

#### **Other Miscellaneous Steps:**

Apart from all the above, SMS is being sent to clients regarding their trading on daily basis which includes their billing for the day and their net positions. Clients having Debit balance are also being sent SMS regularly, mentioning their debit balance. Clients having Email Ids are also sent ledgers and other positions on a daily basis. Running Account Settlement of client balances is done on a monthly / quarterly basis as per client preference. RMS Department is a well-staffed team containing competitive personnel who have been well trained and groomed to deal with AP/SB and clients.



Exchange also gives downloads of transactional alerts as per circular no. NSE/INVG/22908 dated 7.3.13. The said alerts are also verified and checked and explanation from such identified client are called for and reported to exchange accordingly.

**Important Details:**

CRM desk: 033-40511199 , Dealing Desk: : 033-40511123

Email address: [crm@baljitgroup.com](mailto:crm@baljitgroup.com), [dp@baljitgroup.com](mailto:dp@baljitgroup.com), [ashokmajee@baljitgroup.com](mailto:ashokmajee@baljitgroup.com),  
[response@baljitgroup.com](mailto:response@baljitgroup.com)

Website address: [www.baljitsecurities.com](http://www.baljitsecurities.com)

Ver: 1.1

BSPL



Setting up Client's Exposure Limits:

M/s. Baljit Securities Pvt. Ltd. (hereinafter referred to as "BSPL") may give an exposure limit which would be a multiple (based on Exchange VAR file) of the clear ledger balance in the account plus compulsory cash margin component (% to be decided by BSPL time to time) plus value of the shares given as collaterals computed after applying appropriate haircut. In F & O segment exposure is given on the value of initial margin, after applying appropriate hair cut on the securities given as collateral. The exposure limit may be changed based on the volatility in the market and quality of collaterals.

BSPL may set different exposure limits varying for different clients depending on the credit worthiness, integrity and past conduct of the client. The client agrees that BSPL shall not be responsible for such variation, reduction or imposition or the clients inability to route any order through BSPL's trading system on account of any such variation, reduction or imposition of limits.

BSPL at its sole discretion can give extra exposure or intraday limit to the client, such extra exposure will automatically be squared off by trading mechanism without any further reference to the client approx. 15 minutes before the scheduled closing.



## INTERNAL CONTROL SYSTEM

### 1. Back Ground of the Company

The Baljit Securities Pvt. Ltd. having its registered office at 7A, Pretoria Street, Kolkata-700071 is a Private Limited company incorporated under the Companies Act, 1956 on 18.07.1991 by the Bubna Family. Baljit Securities Pvt. Ltd. is the active trading membership of NSE, BSE, MCX-SX and doing business on the services/products available on the Exchanges.

The Baljit Metals Pvt. Ltd. having its registered office at 7A, Pretoria Street, Kolkata-700071 is a Private Limited company incorporated under the companies Act, 1956 on 17.10.1979 by the Bubna Family.

Baljit Metals Pvt. Ltd. is holding the active trading membership of the with MCX and doing trading activities on services/products available on the Exchange.

### 2. Client Code Modification

Client Code Modification means modification/change of the client codes after execution of trades. Stock Exchanges provide a facility to modify any client code after the trade has been executed to rectify any error or wrong data entry done by the dealers at the time of punching orders. However, such client code modification is subject to certain guidelines as to the time limit within which such modifications can be done etc. The facility is mainly to provide a system for modification of client codes in case genuine errors in punching the orders. It is to be used as an exception and not a routine to prevent misuse. Very few error has been found in the company.

The modification of trading code is done with the approval of top management hence modification generally done in head office/corporate office. The management is very strict to modify the code to take more cautious.

“**Error Trades**” means the trades which will be modified / to be modified / allowed to be modified subject to guidelines of the SEBI/ Stock Exchanges. For the purpose of this policy only the following types of trades shall be modified or allowed to be modified:

- (a) Punching error / typing error of client codes
- (b) Trade entered for wrong client due to communication error
- (c) Modification within family members (spouse, dependent parents, dependent children and HUF)
- (d) Institutional trades modified to broker error account

#### **General Conditions:**

1. The facility for Client Code Modification can be used only in case of Error Trade.
2. The Client Code Modification shall be carried out only on the designated system and / or as per the process as may be prescribed by SEBI / Stock Exchange.
3. Any client code modification approval has to be taken from Management.



Securities taken into ERROR A/C are liquidated in the same A/c.

### **3.PMLA**

The Company regularly reviews the policies and procedures in the light of the latest circulars issued by the concerned Government Bodies/FIU/Exchanges/other regulators. The Company has appointed Designated Director, Principal Officer, Compliance officer according to PMLA norms. The KYC and AML policies have been reviewed time to time with the norms of SEBI/Exchange /DP etc. The Company also follows the Acts/Rules/Regulation adherence to Anti Money Laundering.

The Company takes appropriate steps to enable suspicious transactions and have appropriate procedures for reporting Suspicious Transactions Report(STR) to the FIU or other appropriate authority.

The company takes the suitable steps to identify the volume of transaction and risk are categorized in High, Medium, Low depending on circumstances such as the customer's background, type of business relationship or transaction etc and reviewed time to time.

To obtain sufficient information in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement. (Ref PMLA3a)

### **4.Introduction /Registration of Clients**

The Clients are entertained who are came with reference to Employee/Director/Authorised person /Sub Broker/Remiser and solicitation by Marketing department & etc. On receipt of the KYC Documents, they are validated by the Marketing Department. The documents once validated are forwarded to the KYC department for further processing. The KYC department vets the documents as per the guidelines prescribed and then allots the Unique Client Code to the client. Further they are registered with Risk Management System (RMS) and the collection department and the same once completed is intimated to the client).

Before registering an entity as client, measures should be taken to identify the client. The identification of the client should be proper. Copy of the identity of the client should be checked and verified with the original. A copy of the identity proof should be kept along with the client registration form. Only self attested copy of PAN Card, Voters identity card, passport, Driving license, Adhar etc should be accepted as identity/Address proof. Following points should be checked and steps to be taken to ensure in the best possible manner. The inperson verification is done by the employee of the company /introduced Sub Broker /introduced Authorised person and incase of outside clients in person verification is done by the introduced sub broker/Authorised Person . Baljit does not entertain walk in clients .A copy of the KYC kit including Client registration form, Tariff Sheet, PMLA Declaration, Policies and Procedures, Right & Obligation , Risk Disclosure Document, Guidance Note, non mandatory document executed by client and at the time of receiving the KYC kit a copy of the same is provided to the client. Maker kept details in back office and check by the checker . After checking proceed for uploading the document for UCC. After allotment of UCC the same is communicated to the client on his registered Email ID and through the Welcome letter. Copy of KYC kit is provided to old the client on his request only. The client registration are done by the Baljit itself and no outsourcing is done. The KYC documents are kept in bind of a bunch of KYC according to account opening date. Email ID and phone numbers are changed on request by registered Email/physical letter. In case of change of address , contact details and others



physical letter is required. KYC documents and other annexures are checked by person and then forward to next level for further checking and final confirmation given by the senior level employee. Client can call and trade offline through designated Dealers in the dealing room as well as through Internet Gateway (IBT.)

## **5. Funds & Securities:**

### **Funds**

Baljit does not receive/ pays in cash and does not receive bankers cheque or pay order and makes/ receives payment on by through net banking /Cheque. Baljit does not entertain the third party fund transfer. In Capital Market Segment Baljit settles account on T+2 day and makes Full payment of fund within one working day of receiving the relevant pay out from the Exchange or as per specific instruction received from clients. Baljit collects full payment of fund from the respective clients before Pay in of the respective exchange. In case of own trading funds are arranged from working capital of the company .

As per Market practice and as per exchange guidelines, initial margin are obtained before execution of trade taking into account position in all segments and all exchanges, further all the receipts and payments are done as per the open position of the clients. In case of short position, the client are requested to deposit the sufficient margin money otherwise they are requested to square off their position.

We do not make any funding to the clients for their trading.

In Derivative Market Segment settles account on T+1 day basis and makes Full payment of Mark to Market profit within one working day of receiving the relevant pay out from the Exchange or as per specific instruction received from clients and collects full payment of Mark to Market loss from the respective clients before Pay in of the respective exchange.

Electronic Clearing Receipt (ECS) in the bank or Dividend Counter Foil or other corporate benefits if received to us directly pertaining to the clients are transferred to the respective clients after reconciling with the system.

### **Securities**

Baljit makes delivery of securities within one working day of receiving the relevant pay out from the Exchange to the respective clients or as per specific instruction received from clients. Baljit collects securities from the respective clients before Pay in of the respective exchange. In case a client purchase shares and fails to make full payment before the Pay in day, Baljit reserve the right to sell the shares unless client has an equivalent credit with the Baljit . The Baljit maintains separates accounts for own and clients accounts for respective clients and does not entertained the third party security. The loss incurred in this regard, if any is meet from margin money of the client. In case a client sales shares and fails to deliver the same before the delivery day, close out are done as per exchange rules for auction of shares. Loss on transaction, if any, is met from margin money of the client.

Policy for settling shortage in obligation arising out of internal netting of trades is as under:

The securities delivered short are purchased from the market on T+2 day and the purchase consideration (including all statutory taxes, brokerages & levies) along with a penalty is debited to the short delivering seller client. In case the shares are not available for purchase for any reason then the shortage will be closed out as per the prevailing rules of the respective exchanges along with a penalty, if any decided time to time.

In case of internal netting of trades, if the seller fails to deliver the shares in scheduled settlement number of Baljit ( i) He/ she/ it has to deliver the same in Auction Settlement for settlement number of Baljit , otherwise (ii) Seller account will be debited as per exchange auction price for the particular security with





the charges and buyer will get credit for exchange auction price charged to seller. In absence of Exchange Auction Price, Baljit considers settlement price, the highest closing price from Trading + 1 day (i.e., next trading day to actual trading day) to trading day + 3 (i.e. Auction date).

Baljit maintain client account and self accounts separately and do not transfer the securities account from client to self or self to client.

#### **6.Trading Terminals**

Baljit uses two type of trading terminals i) Neat/ Bolt Trading terminal ii) CTCL/IML trading terminals and it allots Trading terminal to those users who fulfill the requirement of exchange certification. All the user details uploaded to exchange as per guidelines given by the exchanges and uses trading software approved by the exchange for trading. Company has VSAT /Lease line connectivity. The orders will be placed by the respective Dealer as per the instructions from the clients. However, it should be made sure that the priced put up should not be unrealistic or not representing the correct market price. Generally before execution of order a final confirmation of the entire order should be made to the client. The clients should not be induced to either Buy or sell.

We have not allotted any terminal to the client residing out of India

#### **7. Contract Note:**

The printing of the contract note are centralized. Contract notes are dispatched to the client/Sub Borker/Authorised Person/Remisier within the time limit norms and contract note are delivered by hand in case of local clients and or outstation dispatched by courier /post . After receiving the signed contract notes from clients they are maintained segment wise and date wise. In case of any change in email id proper written request/request through registered email id of the clients is obtained. Contract note are also sent through Emails and Email logs are maintained.

System first of all select the Branch name alphabetically and then select client name alphabetically in any particular trading day.

#### **8. Statements of Accounts:**

The Company send client 'statement of accounts' containing an extract from the client ledger for funds, an extract from the register of securities displaying all receipts and deliveries of securities and a statement explaining the retention of funds and/or securities at the time of settlement.

The statement of accounts sent physically signed in hard copy and dispatched/acknowledges of the said statement monthly/quarterly basis are kept and statement are issued only from company's corporate office. The statements are also sent by email with Digital signatures and logs are maintained.

Statement have the following details:

- transactions / MTM / margins debited and reversed / pay in and pay out of funds for the period from the date of last settlement done till the current settlement date
- security wise pay in pay out / securities retained as margin / securities pledged for the period from the date of last settlement done till the current settlement date
- closing balance of funds / securities available with the member on the date of settlement
- an error reporting clause giving clients not less than 7 working days from the date of receipt of funds / securities or statement, to bring any dispute arising from the statement of account or settlement so made to the notice of the broker.
- a clause intimating the client that the client has provided a running account authorization which can be revoked at any time.

#### **9. Updating of KYC documents to KRA.**

We are registered with CDSL Ventures Limited(CVL) KRA. At the time of uploading the KYC to KRA we fetch the details of clients from KRA and compare with data available with us. If we find not found/mismatch then we upload new/modification form. We have no foreign investors.



#### **10. Execution of POA (Power of attorney)**

The POA is taken by the company for DP operation and Internet/STWT based Trading after providing requisite stamp duly signed by the clients and duly notarised. POA is executed in favour of Trading Member Baljit Securities Pvt. Ltd. for DP operation only .

#### **11. Policy Regarding Branches/Sub Broker/Authorised Person(AP)**

Baljit intimates exchange about opening of new branch and appoints a branch head for every branch, who is responsible for activity at branch informs .A notice board as per format provided exchange displayed at every branch. Compliance Officer monitors day to day activity of branches. In case of closing of branch, clients are properly informed regarding closure of branch and exchanges are intimated.

The registration of Sub Broker/AP is done on the basis of application of clients with exchange format and member also submit the requisite papers and submitted to the Exchange for SEBI/Exchange approval for Sub Broker/AP. The closure of Sub broker/AP is done on the written request of Sub Broker/AP and application is forwarded to Exchange. The member also send request to the Exchange for cancellation of Sub Broker/AP when Sub broker/AP is not traceable and not willing to cooperative with member or not willing to renew his Sub Broker/AP after intimation to the Sub Broker/AP and paper publication.

#### **12. Closure of client accounts/dormant account**

In case of trading/Dmat account is not operated by the client for continuous period of six months the same will be considered as In active Account . Such in active accounts will be blocked for further transaction by the. The client will have to requisite form for activation. In case the client is inactive for more than 2 year activation request and KYC details if pending.

#### **13 Monthly/Quarterly Statement**

Most of the clients running accounts are settled daily basis. No inter client adjustments are done for the purpose of settlement of running account. As per exchange norms securities and funds are retained towards obligations including expected margin obligations.

#### **14. Client Margin information:**

M/s. Baljit Securities Pvt. Ltd. (hereinafter referred to as "BSPL") may give an exposure limit which would be a multiple (based on Exchange VAR file) of the clear ledger balance in the account plus compulsory cash margin component (% to be decided by BSPL time to time) plus value of the shares given as collaterals computed after applying appropriate haircut. In F & O segment exposure is given on the value of initial margin, after applying appropriate hair cut on the securities given as collateral. The exposure limit may be changed based on the volatility in the market and quality of collaterals.

BSPL may set different exposure limits varying for different clients depending on the credit worthiness, integrity and past conduct of the client. The client agrees that BSPL shall not be responsible for such variation, reduction or imposition or the clients inability to route any order through BSPL's trading system on account of any such variation, reduction or imposition of limits.

BSPL at its sole discretion can give extra exposure or intraday limit to the client, such extra exposure will automatically be squared off by trading mechanism without any further reference to the client approx. 15 minutes before the scheduled closing.

Clients margin are sent the client with the Contract Note. Margin information are sent by physical /mail. The company maintains the proof of sending.

#### **15. Collection and reporting of margins**

We are taking upfront margin from clients and value of margin calculated as per exchange norms. We are not pledging the shares of clients. As per exchange guidelines margins are collected and uploadd to



exchange. We have a system in place to verify and ensure that proper margins are collected and reported . We have system in place to monitor the sort margin reporting/verivation/checking collected from clients.

#### **16. Portfolio Manager**

The Company has surrendered its PMS licence on 23.01.2015 Hence, the Company is not providing PMS Service.

#### **17 Applicable Brokerage Rate:**

BSPL follows the policy of charging brokerage not more than the maximum permissible brokerage as per the rules and regulation of the exchange/ SEBI. Brokerage shall be applied as per the rates agreed upon with the client in the KYC at the time of registration. The brokerage slab of a client shall be reviewed at intervals after assessment of the amount and quality of volume generated by the client as per his commitment. The rates may be increased with prospective effect with prior notice and sent to the E-mail address or postal address of the client registered with BSPL. The brokerage amount debited to the client

#### **18. Receiving and Executive of Orders**

Order are receive through phone/Email from clients sub-brokers, AP, Remisier etc. We have no provision to provide the facility to client to work in our office. After receiving the phone/Email clients authentic is checked. RMS dept checks the limits available as they sets the limits of clients At the time of unexpected order margin,holdings nature of shares clients backgrounds are also checked.

