

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: 033-40511200 , Dealing Desk: : 033-40511100

Email address: crm@baljitgroup.com, dp@baljitgroup.com, compliance@baljitgroup.com,
vikashagarwal@baljitgroup.com, response@baljitgroup.com

Website address: www.baljitsecurities.com

Ver: 1.1