

R R CHOKHANI STOCKBROKERS PVT LTD

RISK MANAGEMENT SYSTEM(RMS) –POLICY

Introduction:- Securities markets across the world by their definition are characterized by volatile price movements. Any intermediary including broker has to manage effectively such volatility and consequently the risk arising out of such erratic and volatile price movements and consequent risk of losing money and default in honoring of obligations. This policy encompasses the procedure and policies followed by management & staff to effectively control the risk. For the sake of brevity this is called RMS Policy.

RMS Policy:- Risk has to be managed on an online/real time basis upto the client level. and for effective management of risk management has formulated certain policies and procedures which are hereinafter described in the following paras.

Client acceptance & client wise limits:- Clients are accepted only through proper references and introductions and their limits are fixed depending on margin available cash & collateral, financial records, integrity of introducers, financial data on record, past experience and educational background etc. . For any client continuously in debit balance for more than 7 days, further buying and dealings be stopped and reminders be issued by the dealer for collection and in case of persistent debit for one month or more matter referred to higher authorities viz. compliance officer &/or principal officer and action taken as per the decision of higher authorities. Daily outstanding debit balances monitored by dealer and collection report forwarded to management for remedial action. For debit balances outstanding for more than quarter action is taken as suggested by Director(s)

Branch wise limits:-Branch-wise limit is fixed by higher authorities viz. Director(s). Any further exposure or reduction is decided by Principal Officer &/or Compliance Officer in consultation with Director(s).

Client mapping:-Codes to be mapped to respective dealers only and not to any other entity

Client Groupings:- Groupings of clients are done into Low ,High, Medium Risk depending on many factors such as past trading history, available financial data on

record, details of introducers, educational background, past experience in capital market, credit balance in account, collaterals available etc.

Order Management & Risk Management Policies:- Proper checks and balances to ensure that no unauthorized or orders far away from market price takes place by generating reports like order log, trade log and volume reports scrip-wise terminal- wise branch-wise to check any manipulation or unwarranted activity.

Initial & collateral margin to be collected for large trades upfront in the forms permitted by exchange such as fixed deposits, acceptable securities, bank guarantees etc.

No client funding to be done and timely collection from clients for pay-in to be done as per the settlement schedule of exchange except in case of high risk clients entire pay-in amount to be collected upfront and in case of medium and low risk clients same to be done as per the settlement schedule.

For setting up of limits, final ledger balances will be considered i.e. ledger balance including unsettled vallan. Any unclear cheques will be deducted from the ledger balance. Company neither deal in physical shares nor accept the same for collateral purpose. In case of cheque return and non delivery of shares resulting into auction, management reserves the discretion to stop the trading with the client &/or change the exposure limit to that extent. Client can give authorization letter to transfer their credit balances to offset against debit balances in other exchange/segments and exposure limits will be changed accordingly. In case of running account balances will be offset without recourse to clients wherever so authorized by clients.

Exceptional Circumstances:- All exceptional circumstances to be reported to Director(s) from time to time for remedial action.

Management reservations:- Management reserves the discretion to alter fully or partly this policy based on the facts and circumstances with or without approval without assigning any reason for effective management of risk.

For R.R.Chokhani Stock Brokers Pvt. Ltd.

**Sd/-
Director**