

### RISK MANAGEMENT SYSTEM - SURVEILLANCE POLICY

Policy approved by : Board of Directors	Policy approved on : 15/03/2013
Officer responsible for implementation :	RMS Department Head

#### Objective:

The objective of this policy is to have in place an effective market surveillance mechanism to ensure investor protection and to safeguard the integrity of the markets. The goal of surveillance is to spot adverse situations in the markets and to pursue appropriate preventive actions to avoid disruption to the markets. The fairness of the markets is closely linked to investor protection and, in particular, to the prevention of improper trading practices. This monitoring is required to analyse the trading pattern of the clients in order to observe whether any transaction (buying / selling) done intentionally, which will have an abnormal effect on the price and / or volumes of any share, which is against the fundamental objective of the Securities Market. National Stock Exchange vide circular no. NSE/INVG/22908 dated March 7, 2013, intimated that the Exchange on the trading activity of the client for facilitating the effective surveillance mechanism and directed the stock brokers to frame a surveillance policy for the same.

#### 1. Risk Management:

- Allocating exposure to the clients' trading account and enabling the clients' to do trades.
- Monitoring of orders & trades by clients. Checking of order rejections and increasing exposure, if required.
- Monitoring the MTM profit/loss incurred out of trades, comparing the Actual Margin requirements of clients and the Total Margin available for clients on a one to one basis and initiating remedial actions, if required.
- Decision taking with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across.

In short, the Risk management in relation to all the trading activities for Clients is handled by Surveillance Dept.

## **2. Exposure and Margin**

Exposure to a client is given on the basis of running account balances maintained with us or at the discretion of Management.

- The Company does not collect any upfront margin from the clients of Capital Market segment, However the clients who have given running account undertaking & have the ledger balance, the exposure is allowed as per managements order from time to time.
- In F&O and Currency Segment, we strictly follow the margin norms as prescribed by the Exchange. An amount over and above the initial margin on the basis of SPAN Margin is collected upfront from the clients and is cross checked with the margin requirement report of the Exchange. Further, the MTM amount is collected as per the requirement.

## **3. DEBIT Policy :**

Exchanges follow a settlement schedule of T+2 in Capital Market segment, daily MTM settlement & Final Settlement in Derivatives segment. Accordingly, the exposure policy designed by GRD Securities Ltd directing the customers to pay the debit balance on the day of purchase itself or on next day. It is the duty of Branch in charge/Branch Manager/Relationship Manager (RM) to communicate to the client regarding the debits in their respective accounts.

## **4. Special Points relating to Options segment :**

- The options buying should be allowed only against premium margin which should be in the form of clear credit balance only. Collaterals, in any form, will not be considered as margin for options buying.
- Options selling involve unlimited risk and thereby Exchanges specify high initial margin & exposure margin and hence will be allowed only against the exchange specified margin. Deep out of the money options selling will not be entertained and similarly option s having lesser activities will not be allowed. The credit realizing from selling of options will not be considered as liquid credit balance and henceforth will not be considered for payout of funds.

