

CIRCULER TO ALL DEALERS AND BRANCH MANAGERS

Following are the guideline for risk management

- 1) selection of the clients: kindly obtain all the proofs as per SEBI guide line. Take introduction from our existing client as far as possible. Otherwise enquire in the market about the reputation of the client. The branch staff should do the **IN PERSON VERIFICATION** . For this purpose the either the client should visit the office or the Branch staff should visit the client personally. The said staff should verify the copies of the given documents with the original and the Verified against original . stamp should be affixed on all the Xerox copies. The said staff should place a in person verification stamp on the KYC form and should sign the same. The name of the said staff who has done the . In person verification should be mentioned on the form.
- 2) Margin :- collect margin from the client as per SEBI guidelines while opening the account and before executing the order or find out how many shares he is giving as collateral. The 4 times exposure will be given on the credit balance. All limits are set to client level not at the branch / franchise level. All trades are monitored at the Head office and the limits are set automatically by taking into consideration ledger balances in the back office software across all exchanges/ segments . you should take at least Rs 5000.00 as upfront margin. Once the bill is run collect the cheque immediately and deposit cheque in the bank. You should ensure that the cheque should be received from the same bank which is declared by the client in the KYC documents.
- 3) Release of shares :- once payout take place release the shares only if payments have come except where client has opted for running fund/securities account.
- 4) In case of a large sale order check the demat statement and find out whether he is having shares and do not allow blank short sale.
- 5) Any buy order of value of Rs 5 lacs and above :- Any buy order of value of Rs 5 lacs and above dealer should check with the branch manager. Incase the buy or sell order is more than Rs 10 lacs and above clearance from head of the risk at H.O. to be taken. Head of the department will given consent only based on the clients past transaction record and ability to make immediate payment etc. wherever required risk division should consult regional manager and or directors.

- 6) For your ready reference I am enclosing SEBI circular MRD/Dop/SE/cir-07/2005 February 23, 2005. This circular is issued by SEBI from the angle of Risk Management frame work for brokers. Kindly go through and abide by the same. It should be noted that SEBI has asked stock exchanges to follow such guide lines , while dealing with broker. The same guidelines will be useful to brokers while evolving risk guidelines while dealing with clients , as the purpose and result is same.
- 7) Incase any client cheque bounces kindly stop trading till the cheque is cleared. If payment is not forthcoming kindly issue notice and sell the shares. Wherever there is net risk kindly arrange to issue legal notice through lawyer and file case under section 138 of negotiable instrument Act.
- 8) Collect cheque only and not cash.
- 9) Risk management division should fix limits based on cash margin or shares held in our beneficiary account. While dealing in cash segment kindly take into account collaterals given if any in F&O segment and credit balance in other segments.