

RISK MANAGEMENT POLICY

INTRODUCTION

RMS stands for Risk Management System - To manage the risk of the company/client from the volatility of the market. Risk is inherent in all aspects of a commercial operation, however for financial institutions; credit risk is an essential factor that needs to be managed. Credit risk is the possibility that a borrower or counter party will fail to meet its obligations in accordance with agreed terms. Credit risk, therefore, arises from the company's dealings with clients who may carry out transactions and not pay the losses suffered.

RMS CONCEPTS :

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/or stock

Stock qualifying for margin in cash segment transactions: Securities in the approved list of Stock Exchange as per SEBI guidelines.

Total Deposit: The aggregate of client deposit available with us in the form of cash, Shares (After Applicable Hair Cut)

Setting up client's exposure limit:

In Cash segment, we may provide a exposure limit to a client which would be a multiple of the clear ledger balance in the account of the client plus value of paid up collaterals computed after appropriate haircut.

The value of the "multiple" and the "haircut" shall be decided by the company based on Market Volatility and quality of collaterals. It is not compulsory to collect upfront margin from clients for Cash segment.

Generally the client is allowed to trade upto certain limit, at our discretion, depending on various factors like financial credibility of the client, request from sub broker regarding setting client's exposure limit etc.

In Futures & Options segment, exposure limit of each client is set, based on Margin money given by the client, as per the Exchange Regulations. Upfront margin is collected from client. Ashika Stock Broking Limited shall have the prerogative to allow differential purchase limits and sell limits varying from client to client, depending upon credit worthiness, integrity and past conduct of each client.

Credit Assessment:

A thorough credit and risk assessment should be conducted prior to the opening of client accounts, and at least annually thereafter. The RM should be the owner of the customer relationship, and must be held responsible to ensure the accuracy of the entire credit application submitted for approval. RMs must be familiar with the company's margining policies and should conduct due diligence on new clients.

In addition, the following risk areas should be addressed:

Financial capacity: KYCs should ask for nature of income of the prospective client and the quantum of such income. An insight is absolutely necessary to draw in mind the financial capacity of the client.

Trading Patter: Ongoing analysis of trading pattern of clients must be done by concerned RMs to notice any divergence from normal pattern, and to early detect over-indulgence in the trading.

Segment Analysis. The derivatives segment offers very high credit risk for the reason of leverage effect. The margin requirements are very less compared to the exposure and may lull investors to overindulge in the market in the hope of quick profits.

Payment History: The delay between incidence of payment and the time when the payment becomes due needs monitoring. A deteriorating situation is alarming and may require reduction of exposure by the concerned party.

MANAGEMENT OF RISK :

Primary Responsibility for Risk Management at client level shall vest with relationship Manager/Authorized Person/Sub Brokers. Ashika Stock Broking Limited shall manage the risks of clients of a Branch/Authorized Person/Sub Brokers by formulating and implementing a Risk Management System at Branch/Authorized Person level.

The client limit is fixed as per the Ledger balance in line with respective client's trade history/experience, if available, his financial capacity and/or credit worthiness and referrals. If required and to exceed the limit, permission of higher authority is generally required.

As a part of our risk management system, our team also monitors the exposures of clients / branches / authorized persons on real-time basis. During market fall, we observe the position of respective client as well as branch like his credit balance available with us, securities lying with us etc. and depending upon the same, we allow them to transact or create the position or to extend / subtract their position.

At the same time, we have to consider respective client's trade history/experience with us, his financial capacity and/or credit worthiness and referrals. In case, there is debit balance, client is required to provide sufficient margin / securities / funds to carry out his request for fresh buying or to create fresh position.