

(This Document is for Internal Circulation only)

COMMODITY RISK MANAGEMENT & SURVEILLANCE POLICY (BRANCHES)

OBJECTIVE

- Risk Management & Surveillance is a must for safe & smooth trading operations of any organization.
- The main object of Risk Management & Surveillance is to mitigate the losses/debits of clients and safeguard the organization.

CLIENT ID ACTIVATION & MAPPING

- RMS will activate the New Clients and map the same to concerned Branch or Authorised Person CTCL ID.
- Branches should login CTCL ID in a Dedicated System to avoid issues in client mapping like “client is not mapped” and pending order issues like order status will be shown as pending though the order is already executed and trade confirmation will also not be shown.

COLLATERALS

- Equity Shares with hair cut as approved by the Exchange.
- Gold ETF
- The Normal Hair cut % for the stock will be 20% for all approved stocks.
- Fixed Deposit Lien.

(This Document is for Internal Circulation only)

SPAN MARGIN

- Span Margin Report will be sent by RMS to all Branches before start of market. Span Margin Report will help Branches and clients to check the commodity wise Span Margin.

CLIENT MARGIN SHORTFALL

- Back Office sends Multi Settlement Summary & Long Short position as well as Net Status Report to all the Branches.
- Back Office sends Ledger Balance Confirmation and Long Short Position Report to all the clients by SMS.
- Branches need to collect client margin shortfalls of the previous trade date by 3.00 p.m. of the next day.
- If the same is not collected within the specified time, then RMS will square off client positions at 3.30 p.m. after informing the concerned Branch and Authorised Person over telephone and subsequently will send a mail.
- Cheques of only those Banks, which are registered in our Back Office, will be accepted and no third party payment will be entertained.
- Cheques banked and cheques received after banking hours would be considered for Margin or MTM shortfall purposes only when the required scan images are sent to Funds & RMS Department.
- Demand Drafts are not accepted unless accompanied by client letter in specified format.

(This Document is for Internal Circulation only)

MARKED TO MARKET (MTM)

- Branches need to monitor closely the MTM loss of their clients and inform to the concerned client from time to time.
- RMS will flash Marked to Market (MTM) alert message at 40% on the trading terminals of Branches or Online clients, if possible, will inform over telephone (subject to market volatile conditions).
- MTM shortfall needs to be collected and updated before 80% MTM loss to hold the client positions.
- If the MTM shortfall is not collected and updated before 80% MTM Loss, the client positions will be squared off by RMS through **Auto Square off** at 80% MTM Loss and will inform the same to Branches over telephone and mail.
- If the MTM Loss of a client reaches 75% at the close of agri market or non-agri market all the open positions will be closed by RMS, as client may come into ledger debit on the next trading day due to market opens in gap.
- If the MTM Loss of a client reaches 60% at the close of agri market or non-agri market, only positions equivalent to 40% margin can be carry forward so as to avoid any ledger debits on the next trading day due to market opens in gap.

POSITION LIMITS (CLIENT LEVEL)

- Client Level Position Limit in any commodity will be allowed as specified by the exchange.
- Branch or Authorised Person should have information about Client Level Position Limit before allowing huge positions to any client.

(This Document is for Internal Circulation only)

- If client exceeds the Client Level Position Limit in any commodity of the exchange, then RMS will inform the same to the concerned Branch or Authorised Person to square off excess positions immediately. If any Branch or Authorised Person is unable to square off, then RMS will square off the same so as to avoid any penalty by exchange.

POSITION LIMITS (MEMBER LEVEL)

- Member Level Position Limit in any commodity should be maintained as specified by the exchange i.e. Fixed Limit or 15% of the market-wide open position, whichever is higher.
- If, Member Level Position Limit exceeds in any commodity, exchange will inform to the Member, then Member need to square off the positions immediately “last in last out basis” else Member will put in square off mode in that commodity.

COMPULSORY DELIVERY

- Long Positions in Compulsory Delivery contracts like Gold, Gold Mini, Silver, Barley, Maize should be closed on the starting date of Tender Period by 1.00 p.m. if Tender Period start date falls on Saturday or 10.30 p.m. if Tender Period start date falls on Monday-Friday to avoid Delivery Allocation or Delivery Penalty by Exchange.
- Short Positions in Gold, Gold Mini, Silver, Barley, Maize can be hold by paying Delivery Margin of 25% along with incremental Initial Margin and should be closed by 1.00 p.m. if Expiry Date falls on Saturday or 10.30 p.m. if Expiry Date falls on Monday-Friday, on the last day of contract Expiry Date.

(This Document is for Internal Circulation only)

- Long Positions or Short Positions in Compulsory Delivery commodities viz., Gold Petal, Gold Guinea, Agri Commodities can be hold till the last day of contract Expiry but should be closed by 1.00 p.m. if Expiry Date falls on Saturday or 4.00 p.m. if Expiry Date falls on Monday-Friday, to avoid Delivery Allocation or Delivery Penalty by Exchange.

CHEQUE REVERSALS

- Clients have to honour the cheques made by them towards Margin or MTM shortfall. If the cheque is not cleared within 4 days or the specified period, then Funds Department will reverse the cheque entry and will inform to the concerned Branch or Authorised Person and RMS.
- Branch or Authorised Person need to inform the same to the client and seek the clarification. If Branch or Authorised Person found that funds is not available in client's Bank Account, then client positions should be squared off by Branch or Authorised Person immediately else RMS will square off the same after informing the Branch or Authorised Person over telephone and subsequently will send a mail.

CHEQUE BOUNCES

- Client has to honour the cheque payment made by them for Margin or MTM shortfall. If the cheque is bounced due to insufficient funds or some other reasons, then Funds Department will inform the same to the concerned Branch or Authorised Person and RMS. Subsequently, RMS will square off the positions after informing the Branch or Authorised Person and subsequently will send a mail.

(This Document is for Internal Circulation only)

NON-GENUINE TRADES

- Dealers should not allow clients to trade in illiquid commodities.
- If dealer observes that any client is engaged in illiquid commodities, the same should be brought to the notice of RMS or concerned authority.
- At the same time, RMS also will be monitoring those trades and will square off, if the same is found as non-genuine trades.

CONNECTIVITY

- During CTCL connectivity issues, Branches may contact Technical Support or RMS.
- Branches should not place orders during connectivity issues in CTCL Trading Terminal till further confirmation from RMS.
- Branches may place emergency orders at HO Dealing Desk in Exchange TWS.
- Orders placed / trades executed at HO Dealing Desk through Exchange TWS will not be shown in CTCL Trading Terminal. Branches need to take care of MTM loss of those positions.
- Branches need to get Internet Connectivity from a good service provider to avoid frequent internet dis-connectivity issues during trading hours and also to avoid issues like double net position.

(This Document is for Internal Circulation only)

EOD PROCESS

Branches should take Online Backup of the following on Daily basis.

- Orders, Trades, Spread Orders
- Admin Messages.
- Message Log
- Expiry Positions.
- Pending Orders.
- Surveillance Failed Orders.
- Order History.

CONTACT NUMBERS

- Branches may contact RMS on the following contact numbers :
Tel. No. Direct : 0416-2215023 / Board Nos. 0416-2227751 – 55 (EXT: 104)
Fax No. 0416-2215006
Email Id: commrms@ambalalshares.com / deepakm@ambalalshares.com