



## **ESCORTS SECURITIES**

### **RISK MANAGEMENT SYSTEM – ESCORTS SECURITIES LTD**

The Business model for ESL consists both ESL owned Branches and Business Associate Offices (Sub-Brokers & Authorized Persons). The clients are linked or mapped to these branches or Associate Offices and are engaged in trading from these branches. Apart from the trades executed from Branches, there are certain clients who are indulged in trading using the internet trading platform . Controlling and monitoring of these trades are done from RMS dept.

#### **Major Functions of RMS :**

- 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 RMS Dept.

#### **TRADING :**

ESL is using NOW (NEAT on Web) Capital Market and Derivatives segments. Software is widely accepted amongst the industry as whole and is used by several other broking companies across the country.

Exposures on the CTCL terminal are set by ESL RMS Dept and are done for each and every client based on the margin available with them.

## EXPOSURE RULES :

S. NO.	PROCEDURES	EXPLANATION
1	EXPOSURE – INTRA DAY	As per NSE- VAR margin rates.(subjected to min. 25%) e.g. if var margin is 25% clients is allowed to take G.E of 4 times of deposit given to us.
2	EXPOSURE – DELIVERY	As per NSE- VAR margin rates.(subjected to min. 25%)
3	DERIVATIVES EXPOSURE	As per SPAN + G.E. margin rates+Additional Margin ( if any made applicable by the Exchange ) e.g. if span+g.e. is 15% clients is allowed to take G.E. 6.5 times of deposit given to us.
4	LIMITS BEYOND WHICH POSITION CARRY-OVER NOT PERMITTED	If MTM loss reaches 50% of Deposit during the day, then: 1. Account would be marked in square off mode, i.e. only existing open positions would be allowed to close and fresh bids would not be accepted. 2. (If time is > 3:00 PM) Open/leveraged positions would be squared off commensurate with the available deposit in account.
5	CURRENCY DERIVATIVES EXPOSURE	As per SPAN + G.E. margin rates. e.g. if span+g.e. is 5% clients is allowed to take G.E. 20 times of deposit given to us.
6	MTM SQUARE OFF	If MTM loss reaches 70% of Deposit, all outstanding Positions including client's in our Beneficiary A/c and their DP acc. With POA will be squared off.

**7 T+7 days BASED  
PAYMENT SYSTEM**

If the payment for deliveries bought, is not received within 7 days, then deliveries (by random choice) to the extent of Debit can be squared off . If stock valuation of client's holding kept with goes down , top-up margin is required either through stock selling or by payment even before 7 days.

**8 STOCK VALUTION LYING  
WITH US FOR  
TRADING LIMITS**

Valuation of stocks given to us for margin and stocks lying in client's DP acc.( With POA given to ESL) will be considered as collateral on the basis of previous days closing price after cutting hair cut .  
Hair cut will be the same as provided by exchange on regular + top up hair cut if needed

**Notes to the Exposure rules :**

- 1 Uncleared Funds: Every payment from clients should be in the form of cheque and the same will be considered for margin only after clearance of the instrument. There will not be any exposure provided to clients based on the uncleared funds.
- 2 However, based on the client's previous track record and the value of collaterals available with ESL, exposure can be provided to clients based on uncleared funds.
- 3 If any security(s) is/are not available in our Beneficiary Account and DP acc, of client with POA is not available, it has to be transferred to our DP A/c first only then limit to sell those would be granted for those who is not having margin for selling.

**Sell against Buy before delivery**

A purchase order executed on the Exchange today and the (undelivered) purchased stock sold in its entirety on the next trading day. In this case the first transaction would be settled on T+2 while the sale would be settled on the third business day after the purchase transaction. ESL is not responsible for any Short payout of security from exchange.

**Communication**

Though the client has to be aware about his position and Risk, the Franchisee is also responsible to communicate to the client about his shortfalls. ESL is under no legal

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obligation to send any formal communication but as a customer centric company we take extra effort to ensure that the client is informed about the Risk and the actions which may follow. The communication would generally be through Telephone / Email subject to the correctness and availability of the data in the system.

**Disclaimer**

ESL Management will have a discretion to alter/change any of Exposure limit , selling parameter defined in this policy on the basis of prevailing market conditions with or without prior intimation and can use their discretion to grant any kind of exemption/permission in case they deem fit on case to case basis

**DATE - 09.02.2018**

