

Intellect Commodities Pvt Ltd

Risk Management & Surveillance Policy

Intellect Commodities Pvt Ltd (ICPL) is a professional broking house dealing with retail clientele in cash/ futures / currency segment. ICPL is a member of MCX . In order to prevent the untoward losses for both the clients as well as the broker, following system is here in place.

Risk Management:

ICPL ensures that exposure limit to each of the client is determined on the basis of financial & risktaking capacity. This is determined from the financial documents and background of the clients.

Cash Segment

Purchase and sale transactions of shares and securities are settled on T+1 basis. Purchase transaction would include buying of securities and it will remain as exposure till client gives full payment for shares. A sale transaction would include share delivery to the exchange and same will remain as exposure till the client delivers the shares. Shares or Payments are held back till the payment of cash or shares have been made by the client as above.

Derivatives Segment

Cash/ FCR, is collected upfront from the client. Mark to Market losses are collected on T+1 basis otherwise the collateral margin is reduced to that extent and therefore their exposure limit.

Scripts can be excluded from trading if they are on ban list or upon the discretion of the Management based on risk perception and market conditions.

Where mark to market loss of client is crossing a set limit or if it is exceeding the credit balance in client account. In such cases , additional margins are called for from the clients or clients are advised to reduce the exposure .While allowing trades in Odd lot and T2T category shares , necessary permissions are obtained by Risk Management Department/ Management to avert the possibility of synchronized / circular trading.

Surveillance:

It is vital function of Risk Management to have an online mechanism that would alert us about any change in client position. Financial strength of clients should be updated at regular intervals. Reviewing of client position should be carried on weekly basis and client should be followed up seriously for overdue of 7 days.

Scrip – wise Surveillance

Online Surveillance: Any extraordinary volume in scrips or clients is investigated immediately by the surveillance team keeping a close watch on the online trading, may call up the client / sub broker /

Authorized Person, asking for details of the said client and look into the historic transactions of said client from ledgers. Trading in illiquid scrips are discouraged and allowed on case to case basis. Trades are monitored daily and any enhancement in limit or pattern of trading is reported to the management for investigation.

Offline Surveillance: On incurring losses or unusually high profits by any client, calls for a check. Where volumes are unusually high , they are compared with the total volume in the exchange for the day in that particular scrip, same is immediately reported to the Management. After due investigation, Surveillance Team Reports to the Management its finding and thereafter such scrip is disabled for trading for that client/ branch and in some cases on the whole network.

Action against Non-Payment from clients

A client is required to clear the due on T+2 days, as such he shall provide funds to ICPI for meeting the obligations. In case of shortfall ICPL has can exercise the Right to sell client Securities (RMS Selling) or close the clients position on account of non- payment of client dues to the extent of ledger debit and/ or to the extent of margin obligations.

In Cash Segment: RMS selling in clients account will be done on T+5 days (T indicates Trading day) for the Ledger debit on due basis. Shares so bought will be withheld By ISBL till the debt is cleared. On non- receipt of payment on T+2 day, shares will be sold on following day. In case stock valuation falls below 20% of the total ledger debit, square off can be done even T+5 days.

In Derivatives segment:

In this case RMS selling will be done T+2 basis for the Mark to Market (MTM) debit / Margin Shortfall. If MTM reaches 80% of the deposit RMS selling can be done even before above stipulated days. However in panic market conditions , RMS selling will be done T+1 basis.

The open position in said Segment will be squared off towards margin shortage. In case there is ledger debit in client's accounts, collateral stocks to the extent of ledger debit (including MTM) will be sold off. Client will be suspended from Trading on RMS selling day and suspension would be removed after selling.

Client-Wise Surveillance

Client falling under the unusual volume, their dealing in other scrips are scrutinized. Bank account of each and every client is updated. Proper vigilance over the clients is carried out especially in case of dishonor of cheque, short sells which subsequently lead to auction of shares.

As a matter of Policy clients are mostly introduced through existing clients who have long standing credibility or ICPL Management. Clients with turnover Rs. 5 crore & above should be monitored monthly basis. Dealers should be vigilant in executing the orders of the client. They are expected to execute the order on confirmation of client identity and also should check & report to senior authorities if any client is giving order of abnormal quantity or rates.