Brief risk management and margining policy

Over the years, there hasn't been much change in our RM policy primarily because we are very conservative and cautious in our client’s selection. Since May 2005, there has been clear relaxation from the regulators in terms of enabling brokers to use their prudent decision in terms of collection of margins and settlement funds from the clients as the T+2 environment demands an entirely fresh thinking in terms of risk management compared to older environment of longer settlement cycle. For clients delivery based transactions, wherever necessary we take advance shares or funds as the case may be. In many instances we have done pre pay-in of large quantity of shares sold by clients in order to meet high margins. Another good feature that has been put in place by regulators is to bring the CM segment margining in line with FO segment i.e. advance margining system. That has brought a great relief to us brokers and reduced the risk of bad debts. However in our case in almost all Cash Market transactions we either receive the shares and funds (in some cases even advance delivery) on T+1 basis. So the risk is very well controlled. For our NSE F&O segment we strictly follow the rule of advance margining system and have collected sizeable margins from our clients in the form of shares and cash as applicable. Our margin files for NSE F&O segment are regularly being uploaded to the exchange and reflect the true picture of margins lying with us for those respective clients. Also since we are ourselves a DP with CDSL, having most of our client’s demat accounts with us; it becomes easier for us to monitor their financial capabilities. Further, in cases of new clients & clients wherever we feel necessary, we hold back their shares till payment is received.