

PARSHWANATH COMMODITY PRIVATE LIMITED

Risk Management Manual

Documented by: RMS Team

1. Objective:

To establish clear operating procedures and parameters for managing risk in commodities broking business.

2. Risk Management Process Flow

Actors: Risk Management function is a centralized operation based out of Kanpur office. It is the sole responsibility of the RMS team to measure and manage the risk. Branch and sales personnel do not have access to risk management function.

The RMS Process flow comprises following important stages -

End of Day Processes: The end of day processes of Transaction processing system at Parshwanath Commodity Private Limited, Kanpur.

- The EOD process updates the positions of clients using the trade and position files received from the exchanges.
- Funds received from clients are updated based on actual entry in back office systems.
- Mark to Market of all positions is carried out
- Margin available and requirement is generated for each client. SMS for Margin Calls are sent to all clients appearing in the margin calls.
- Margin reports are generated and sent to all relevant personnel within the organization for their information and further action.

Gathering of Margin enhancement details:

Details of all cheques and payment instructions are updated in the Parshwanath Commodity Private Limited.

Scanned copies of the payment instructions are also uploaded into the web based system for verification at HO prior to applying the same to client account. Further details like the bank account that these have been deposited into are also simultaneously recorded to enable clear tracking

Square off generation:

- The square off generation process recomputes margins of positions and generates the square off calls after incorporating the margin enhancement information.

Intraday RMS Processes:

- The Intraday RMS processes and tools marks to market all positions at predefined intervals.
- Intraday Transaction information is replicated in real time in the RMS DB.
- Real time price feeds are received from the exchange and logged into the RMS DB.
- Positions updated with Intraday Transactions and are marked to market to regenerate margin calls.



3. Requirement of Margin:

At the time of any order entry checks are performed to ensure margin sufficiency. The key points of the Risk Management Logic are as follows –

- A client provides margin to Parshwanath Commodity Private Limited in the form of cash (ledger credit).
- For every fresh position that the client wishes to take, the client has to have sufficient margin available in his account. Currently we have two kinds of products available to any customer in his account.
 - 1T – in this product only 1 time position of ledger can be created by client.
 - 2T – 2 times position can be created for intraday trades
- Intraday profit or loss incurred during the day is also accounted for by the system for the purpose of margin availability calculations.
- Margin is required for all all positions.

4. Reporting

Strong and speedy flow of information is the backbone of the Risk Management System. The Risk Management system provides thorough & instant information to the sales team so that they have full access to their clients' margin status on request.

Margin Report

This is a daily report containing the calculations of margin percentage of all clients. This is sent at the end of the day to the respective branch for necessary follow-up.

The margin alerts based on margin percentage are intimated to the client.

SMS messages are sent to customers who are in margin call informing about the same and asking them to fulfill the margin requirement. Branches also carry out margin call calling to customers who are in margin call to enable the customers to replenish the margin shortage in time.

To avoid square up, client may enhance his margin in the following ways:

- a) Client may enhance his fund margin by doing a Net Transfer of funds or by depositing a demand draft or a pay order to the nearest Branch.
- b) Client may do a direct server to server fund transfer in real time from his or her HDFC/AXIS bank account through the External Payment Interface built into the trading system if he or she has an HDFC/AXIS account. This fund transfer instantaneously updates the limits of the client in the trading as well as the risk management system.

5. Square-up of clients portfolios

System does not allow clients with margin shortfall to create any fresh positions and to avoid square up, client may enhance his margin as stated above.

Square up process:

In case of no fresh enhancement of margins of the client is squared up. During the day, the Risk Management Team receives terminal alerts from the Intraday RMS process regarding any new clients that might have come in margin call due to intraday price movements or fresh positions taken during the day.



6. Approval process for release of Funds to clients

Release of Funds

Request for release of funds to client bank account are checked for adequacy of margin post-withdrawal by the risk management team. Funds are approved for release only if the client has sufficient margins post-withdrawal of the funds.



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