

**RISK MANAGEMENT
&
SURVEILLANCE POLICY**



SMC GLOBAL SECURITIES LTD.

Risk Management and Surveillance:

Trading Member Operations:

We have a client level risk management system wherein the margins/collaterals of all the clients are uploaded to the front office software of the Company. The clients are allotted exposure based on the margin/collaterals available with us.

VaR / Initial margin is collected upfront from all the clients. Margins are collected either by cheques and other banking instruments through mapped bank accounts of the client/TM, by securities and other eligible instruments prescribed by SEBI/Exchange. Different forms of margin/collaterals which may be collected are Funds (in running account and/or as fixed margin), Securities, Mutual Fund Units, Government Securities / T-Bills, Bank Guarantee, Fixed Deposits etc. The collaterals given by the clients towards margin are accepted only after haircut called "VaR" which is never less than that fixed by the Exchange. An extra VaR (SMC VaR) is generally applied for haircut on collaterals to give extra cushion against volatility and exposure is allowed accordingly. SMC VaR is calculated taking into consideration many factors such impact cost, VaR by Exchange(s), Market Capitalization, turnover etc.

The clients are allowed to execute transactions and the VaR / Initial margin is blocked based on the exposure availed by the client. In the Capital Market segment the clients are required to pay the balance amount within the stipulated time and regular follow-ups are ensured for recovery of debit balances.

Further in addition to above as per SEBI circular no. CIR/HO/MRDSD/DOP/CIR/P/2019/75 dated June 20, 2019 related to Handling of Clients' Securities by Trading Members/Clearing Members, following important changes included w.e.f October 01, 2019:

- In case of clear credit balance in client trading account (for Cash Segment), securities purchased by client will be transferred to client's demat account within one working day of the pay-out.
- With regard to securities that have not been paid for in full by client (unpaid securities), full/partial securities shall be transferred to a separate client account titled - "client unpaid securities account".
- The securities kept in the 'client unpaid securities account' will be transferred to client demat account upon fulfilment of funds obligation within five trading days from the pay-out date otherwise the same will be disposed off in the market by SMC. However, SMC may at its sole discretion, transfer all or part of the securities from Pool/Client unpaid Securities account to client's demat account even there may be a debit balance in client account subject to availability of sufficient collaterals.
- If client unpaid securities are disposed off by SMC in accordance to SEBI circular, then the client will not be able to purchase the same securities on the same day unless the debit is cleared in his trading account.
- Securities kept in Client Collateral A/c can be pledged with Exchange Clearing Corporations for margin purpose.

In case of Margin shortage in F&O / CDS / Commodity segment the clients are called upon/intimated to make the payments promptly. Failure in making payments automatically results in blocking the client from increasing the position or squaring off his position.

Clearing Member Operations:

The Trading members are allowed exposure based on the available margins. Margins are collected either by cheques and other banking instruments through mapped bank accounts of the TM, by securities and other eligible instruments prescribed by SEBI/Exchange. Different forms of margin which may be collected are Funds (in running account and/or as fixed margin), Securities, Mutual Fund Units, Government Securities / T-Bills, Bank Guarantee and Fixed Deposits.

The Trading Members are insisted upon to pay the Initial and Extreme Loss margins as per the Exchange stipulations and the same is reported to the Exchange on a day to day basis.

In case of shortfall the members are insisted to replenish the deficit immediately.

Surveillance:

Apart from monitoring the availability of margins and recovery of Debit balance we also identify the incidents which in our opinion, require to be scrutinized.

We keep check on the list of securities provided by exchange as illiquid. No business center is allowed to transact in these securities. Further, we identify the securities that are having very few transactions on regular basis in the market and categorize them also as illiquid securities. The approval to execute transactions in such securities is given on a case to case basis and we charge 100% margin on these.

At the end of the day we process the transactions through our offline surveillance system. We monitor the concentration of volume in various securities executed through us. In case where it is identified that we have concentrated more of the market volume in any security, the instance is scrutinized in detail.

We also examine the incidents of trades which are executed in less liquid securities to identify whether the same are used as a mechanism to execute transactions like circular trading, profit transfer incidents etc.