

RISK MANAGEMENT

PACE COMMODITY BROKERS PVT. LTD.

Risk Management and Surveillance:

Trading Member Operations:

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

The deposits are obtained in form of funds and securities.

The clients are allowed to execute transactions and the VAR / SPAN margin is blocked based on the exposure availed by the client.

In the Commodity Market the clients are required to pay the amount within the stipulated time and regular follow-ups are ensured for recovery of debit balances.

In case of Margin shortage, the clients are called upon to make the payments promptly. Failure in making payments automatically results in blocking the client from increasing the position.

RMS Selling criteria:

RMS selling will be done on T+2 basis for the Mark to Market (MTM) debit / Margin Shortfall.

In case of panic market conditions, RMS selling will be done on T+1 basis.

If Mark To Market loss reaches 70% of the deposit RMS selling can be done immediately even before above stipulated days.

Selling sequence when PACE does RMS selling:

- i) The open position will be squared off towards margin shortage.

ii) In case there is ledger debit in client's accounts, collateral stocks to the extent of ledger debit (including MTM) will be sold off.

Further Client will be suspended from Trading on RMS selling day and suspension would be removed after selling if the client has margin available in his account.

Clearing Member Operations:

The Trading members are allowed exposure based on the available deposits. The deposits are collected in form of cash, fixed deposits and approved / eligible securities.

The Trading Members are insisted upon to pay the SPAN 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.

At the end of the day we process the transactions through our offline surveillance system. We monitor the concentration of volume in various commodities executed through us. In case where it is identified that we have executed more than 30% of the market volume in any commodity, the instance is scrutinized in detail.