

RISK MANAGEMENT

PACE STOCK BROKING SERVICES PRIVATE LIMITED

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.

In case of securities, Only liquid securities, received from registered DP ID of client or lying with us under running account authorization will be accepted. Illiquid or securities from Z category as specified by any stock exchanges from time to time will not be considered towards margin of respective clients and trading exposure shall not be given on margin in form of such category of securities.

In case of client wish to avail exposure on margin in form of securities a hair cut as per exchange VAR and ELM will be applied. Exposure must be given on balance valuation of securities after deduction of hair cut as per exchange VAR & ELM.

The clients are allowed to execute transactions and the VAR / SPAN/EXPOSURE margin as applicable from time to time 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.

In case the client fails to make a payment within 5 days from the execution of the transaction the same is squared off.

In case of Margin shortage in F&O and/or Currency segment the clients are called upon to make the payments promptly. Failure in making payments automatically results in blocking the client from increasing the position.

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 in F&O segment and SPAN along with EXPOSURE in case of CDS 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 categorized them 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 executed more than 30% of the market volume in any security, the instance is scrutinized in detail.

We also identify 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.