Risk Management System (RMS):

The Company has developed the robust Risk Management System for funds settlement and exposure limits.

Process:

- Everyday, the transaction files received from the Exchanges (BSE & NSE) are uploaded on the Back Office software registering the transactions to respective Client codes.

- On the basis of above, the Contract Notes and Bills are generated and sent to the respective clients.

- During the day cheques received from the clients for their pay-in obligations and cheques issued to the clients for pay-out obligations are accounted in the Accounting system. Cheques received from the clients are checked with the bank details provided by the clients and updated in the software in order to reject the payments by third party. The cheques issued by the company to clients are always crossed and marked as 'Account Payee'.

- Back Office processes the reports giving details of balances in the clients account, which are used for co-coordinating with clients for debit recovery. All cheques received from the clients are banked and details of the cheques like cheque No., bank name, branch, amount are updated in our software.

- Further, Client wise debit-credit summary is generated considering short sale of stocks, if any. The same is uploaded in our RMS System enabling the clients to trade within their available limits.

- In house Reports are also generated giving details of clients who have not paid their obligations and the outstanding amount in order to liquidate their positions to the extent of debit balances in their accounts. If the client is having debit balance, he will be allowed to trade only with the prior approval of the director.

- Margin System: In Cash segment, the company has categorized scrips into 4 categories for upfront margin requirement. All scrips under 'Trade to Trade' need 100% upfront margin. The other scrips are categorized in A, B, C and D categories with margin rate of 25%, 33.33%, 50% and 100%, respectively. Margin requirement rate is reset every week on the basis of VAR Margin rate

provided by the Exchange. In extreme volatile market conditions, margin is scaled up internally by some adhoc percentage.

- Margin system in derivative segment: Upfront margin required is worked out as per SPAN Risk parameter file and scaled up by exposure margin as per the discretion of the director.

- For all clients square up is done once in a week as per the discretion of the director and on the basis of the credential of the client. Square up is done to the extent of debit balance in the respective clients' accounts.

Please note that
1. The Compliance Officer shall generate Risk Report and Combined Risk report at the EOD.
2. The Compliance Officer shall ensure that the Risk Reports are prepared on timely basis.

3. For the purpose of assessing and managing the risk, the Compliance Officer shall take into account a variety of factors including but not limited to the following:
  a. Past trading patterns
  b. The group of securities dealt in, specifically if the trades are in penny stocks or Z or T category securities, illiquid stocks, etc
  c. Period of holding
  d. Whether delivery is taken / given or not
  e. Past history related to settlement of trade (dues) and / or defaults
  f. Instances of suspicious transactions or irregular trades
  g. Value and / or volume of trade vis-a-vis trades executed in the past
  h. Networth of the client
 	
Basis the assessment, the Compliance Officer will determine the appropriate margin and whether the same will be collected in full or in part or whether it will be collected up front.

4. The total Gross Exposure and Turnover limits of Clients shall be reviewed and appropriate action shall be taken in case the risk exposure exceeds the limits as laid down by the management.
5. The Compliance officer shall be directly reporting to the Director.
6. The Risk personnel shall ensure that SPAN margins are collected upfront.

For Globalworth Securities Limited

Tejas Ved
Director