

## RISK MANAGEMENT SYSTEM

We give exposure to client based on margin available in the system and clean exposure to selected clients based on recommendations of the compliance officer/partner. It is the duty of dealers to validate such exposures with the financial details provided by the client in KYC form. Where there is trading activity of the client, which is not commensurate with the financial details declared by the client, it should be analyzed and referred to the partners with reasons of suspicion.

### MONITORING OF TRANSACTIONS

- ① Scrutinize unusually large transactions like, clients having traded in scrips/shares of a company for a quantity of 20,000 or more in a single day and volume in that scrip of that client is 10 % or more of the total volume in that scrip at the Exchange.
- ① Check trade log for indication of negotiated trades (if any).
- ① Check for any relation of the client with the company / directors / promoters.
- ① Check previous trading pattern of the client in that particular scrip.
- ① Scrutinize bulk deal transactions by sample check. A 'bulk' deal constitutes transaction in scrip (on a Exchange) where total quantity of shares bought/sold is more than 0.5% of the number of equity shares of the company listed on the Exchange.
- ① Select randomly a few clients, pick up some of their high value transactions and scrutinize to check whether they are of suspicious nature or not.
- ① If there is a substantial increase in turnover in a dormant account then it, should be brought into the notice of the compliance officer/ proprietor. Review balances and trading in the dormant accounts. Be vigilant on the movement of credit balances from the dormant account.
- ① Analysis be carried out by dealers to identify clients with huge and regular losses and who are still placing trades/orders. Identify the sources of funds in such cases.
- ① Suspicious transaction to include ' transaction integrally connected' as well as 'transactions remotely connected or related'.

### MONITORING OF PROPRIETARY TRANSACTION OF ASSOCIATES

- ① For scrutiny / background check of the Associates (Sub-brokers, Remisiers) websites such as [www.watchoutinvestors.com](http://www.watchoutinvestors.com) should be referred. Also, verify Prosecution Database / List of vanishing Companies available on [www.sebi.gov.in](http://www.sebi.gov.in)
- ① Check for high volume in proprietary accounts of Remisiers / Sub-broker and his/her relations.
- ① Scrutinize Demat account of client.
- ① List all off market inward / outward transaction and seek explanations from concerned Sub-broker separately.
  - ① Check for third party funds (cheques received from bank accounts other than mapped bank accounts and demand drafts / pay orders)