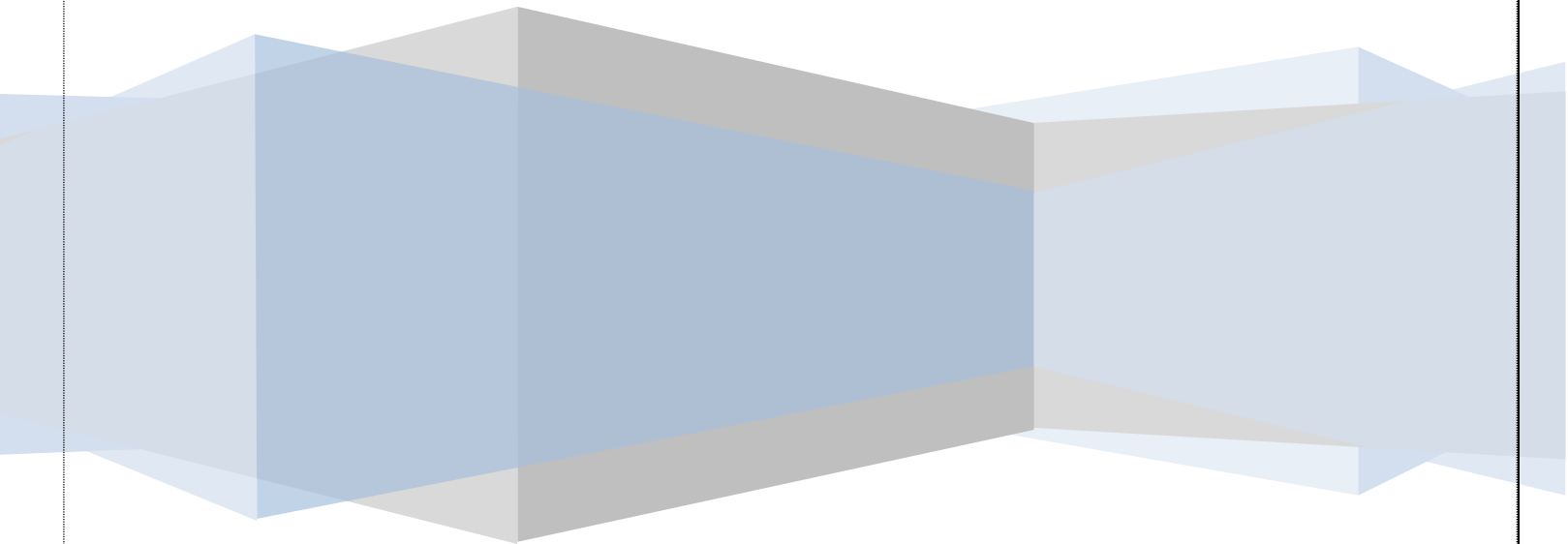


# **RISK MANAGEMENT - POLICY & PROCEDURES**

**POLICY & PROCEDURES**



## **Risk Management System**

The stock broking industry is associated with two types of risk, internal risk and external risk which includes very high risk in terms of volatility of stock prices, daily collection of payments from clients etc.

In view of above, to avoid such risks and to survive in this competitive environment, Company itself maintain Risk Management system follow up regular basis at the separate client level activities. To protect the capital & interest of the company for good self, the risk of the daily business is ascertained regularly by the separate department named Risk Management Department. Pursuant to the commitment of our business activity towards enhancing investor protection and providing greater transparency we have endeavored to bring out some rules & regulation of the SECP, PSX, CDC, NCCPL and in house to the client and as well as update the system. The working activities are furnished below.

## **Purpose and Scope**

This policy establishes the process for the management of risks faced by Trust Securities & Brokerage Limited. The aim of risk management is to maximize opportunities in all Trust Securities & Brokerage Limited. activities and to minimize adversity. The policy applies to all activities and processes associated with the normal operation of Trust Securities & Brokerage Limited. It is the responsibility of all Board members & staff, to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within their relevant scope of responsibility and authority.

## **Registration of client**

The Account Opening form shall be complete in all respect according to KYC (Know Your Client) Policy of the Company. The form shall be duly signed and all the documents which are marked as mandatory in the Form shall be enclosed. Adequate Due diligence of clients shall be done, along with proper verification of the documents with the original. The name of the client given in the Computerized National Identity Card or Passport should tally with the name

mentioned in Account Opening Form. The form shall be scrutinized and then the client shall get registered.

Also, an internal audit shall be conducted in respect of all the forms, which has been executed for opening the Client Accounts. Any deficiency observed, shall be pointed out and it should be rectify with the immediate effect.

## **Initial Collection of Margin**

Initial minimum margin shall be taken from all the clients as decided by Senior Management of Company. Accordingly the exposure limit shall be set. It can be in the form of cheque or by Securities.

At the time of Securities Transfer, the value of closing price of share of the previous day shall be considered & effect of margin share capital provided to client for daily trading after deduction of haircut.

Margin registers shall be maintained by the RMS (Risk Management System) Department (soft or hard copy) for cash margin deposit or share margin deposit. Bank clearance cheque shall be followed through accounting system and the effect shall be given to the right client account through proper scrutiny.

## **Day To Day Operation**

After opening of the client account in the back office, the capital limit for the client in the front Office trading terminal server shall be set according to margin deposit.

Before market hour, the Exchange information for free fresh trading capital shall be checked on a daily basis

## **Front office Trading**

The trading exposure to the clients shall be decided by senior management. The EMS in which the client code is mapped, shall control the daily exposure of the individual client

Any time, when the exposure limit cross by the client then, fresh capital for trading exposure shall be set according to client request and side by side the scrutiny by the EMS (Exposure Management System) & Risk Management Department shall be done on the fresh collate deposit by the client or current margin stock valuation after deducting hair cut. This fresh capital shall be treated as additional base capital.

## **Exchange side operation - we follow up:**

The utilization of exposure shall be followed as per real time basis with the Exchange and according to the requirement with the custodian the necessary action shall be taken.

## **System Upload**

Real Time SMS System enables us to send client's trades on their Cell phone number as per Account Opening form. After trading hour, the trading data by the back office system shall be uploaded and electronic Contract notes shall be issued and it shall be send through mail server on daily & quarterly basis.

Moreover we send Clients Monthly statements by TCS on postal address mentioned as per Account Opening Form. Client related data as open position exercise & assign report, etc. shall be provided to all the clients through mail server.

## **Pay in fund - debit balance.**

The cheque can be either collected from the client or if the client deposited it directly in the bank of the Company, the effect in the client account shall be done only after verification in the bank book or bank deposit slip. The high value trade of both buy & sale side shall be treated cautiously and therefore early pay in & pay out funds or securities shall be done accordingly and also the benefit arises shall pass on to the client accordingly.

Any additional margin levied by the Exchange shall be informed to the client & if any credit Balance is available in the client's account; it shall be utilized for utilization of margin.

If any cheque given by the client gets dishonored, it shall be taken care of before the fund pay out day. Also for the time being, client account shall be locked/freeze to avoid further trades by the said client and accordingly the client or the dealer shall be informed about the insufficiency of funds. Pay out of securities shall be done to the system generated procedure & only after verification of the same; the shares should be released according to credit position or on receipt of cheque from them.

If any debit balance is lying in the client's ledger the shares shall be kept in the collateral account of the Company. These shares shall be released only on the receipt of payment by the client. The analysis of the debit client management shall be done by the system generated ageing report on daily basis. The cheque shall be collected from client with in T+0 or T+1 day on day trading loss for trade or MTM loss.

## **Square Off Of Positions**

In case a client defaults in his dues/ margin call we give him reminder calls and in the extreme cases only square off his position.