

RISK MANAGEMENT & SURVEILLANCE SYSTEM

Axis Equities Pvt. Ltd. (AEPL) is a professional broking house having more than 200 of clients with strong emphasis on compliances and containment of risk associated with the business. These clients are served through head office and 3 sub-brokers. In order to avert the risk of client's default, presently, following system is followed.

Admission of Client: - AEPL has a policy of admitting the client only upon completion of Know Your Client requirement and personal identification of client. The clients are admitted after due verification and reference of antecedents and information submitted in the Client Registration Form.

Collection of Margin: - The stock market in India have undergone into tremendous changes and one of the important change which has instilled greater confidence among investor in India and abroad is reduction of settlement period to one day and introduction of Depository System to eliminate the risk of bad paper. These changes have reduced the risk of default on broker.

Keeping the above change in mind, AEPL always provide exposure limit to the client based on the financial capability and risk taking ability of the client. Since, the settlement period is shortened to one day, AEPL collects full payment for purchases from client or full delivery of shares on the T+1 basis . For clients who trade on daily basis, margin is collected in the form of cash and securities having strong fundamentals.

While collecting the margin discretion with regard to exemption of margin is exercised based upon the track record of the client. This discretion is exercised only by the Designated Director of the Company.

Online surveillance is carried out to see whether mark to market loss of client is crossing Rs.25,000. In such cases, additional margins are called for from the clients or clients are advised to reduce the exposure.

While allowing trades in Oddlot and Z category shares, necessary permissions are obtained by Risk Management Department / Compliance Officer to avert the possibility of synchronized / circular trading. The client's trading track record regard to his financial capability and dealing in such scrip is looked into.

Surveillance at AXIS EQUITIES Pvt. Ltd.

In the beginning of this year, the management of the company has realized the need for robust surveillance mechanism so as to avoid possible misuse of the trading mechanism. Accordingly, one committee consisting of senior staff members and software and software providers, was set up to look into the issue and suggest the system to be implemented to strengthen the surveillance mechanism. As per the suggestions received from the committee, presently we have online and offline surveillance system. Presently, the surveillance team consists of 2 staff members headed by our Chief Executive Officer Dipan Mehta. The surveillance team is carrying out following job functions:-

SCRIP WISE SURVEILLANCE

A. Online Surveillance.

1. The surveillance team watches the online trades as they are executed, and extra ordinary volume in the particular scrip or client is immediately investigated by calling up the sub broker / branch and asking for details of clients and as per the details made available, the clients previous purchase or sales transactions are looked into, by viewing the ledgers.
2. We have allocated group limit for A, B1, B2, T, TS and Z group. The Surveillance Team gives limit in a very conservative manner, especially, in Z, T and TS group. In fact, we have disabled Z group totally for our full network trading terminals.

3. In T and TS group, we have a limited default limit and we generally discourage our network to trade further. Any limit accretion requests are first investigated and then upon being satisfied with the bonafide of the trade as well as the client, limits are accordingly increased.
4. Since the same staffs are monitoring the trades daily, any pattern in trading / limit enhancement is reported once a week to the director for further investigation.

B. Offline Surveillance.

1. Unusually large volume is checked especially if the client has incurred a loss, or unusually high profits.
2. Where volume are unusally high, they are compared with the total volume in the exchange for the day in that particular scrip, and such reporting is done to the CEO.
3. Price movement over a 3 / 6 months period is also tracked.
4. After due investigation (which normally takes two weeks), Surveillance Team reports to the Director its finding and thereafter such scrip is disabled for trading for that client / branch and in some cases on the whole network.

CLIENT WISE SURVEILLANCE

1. All the clients who have traded in the scrip placed in where there is unusual volume vis a vis average volume are scrutinized for their other scrip dealings.
2. Looking at the general quality of scrips that they are dealing in, Surveillance Manager reports to the CEO/Director for further action on whether we want to continue to deal as a broker for that client or not.
3. Intra day Scrip Wise Volume:- Our back office software has a module which offline tracks the intra day loss of all clients. The Surveillance Team prepares & scrutinizes the statement to look at any unnatural volumes happening without delivery.