OSWAL SHARES & SECURITIES LTD

RISK PROFILING OF CLIENTS AND SURVELLANCE MONITORING SYSTEM

Oswal shares and Securities Limited are following the Margin Based Risk Management System. Our System is fully supported by the Surveillance Monitoring System Provided by the Financial Technologies (ODIN Administrator). The Company is adopting a span margin oriented system for Derivatives segment and Exposure Based Margining for Capital Market Segment.

Exposure Limit Criteria

The Company is providing Exposure Limits to clients based on certain criteria. As an Internal Measure, we have assigned specific number of Branches to each and every executive in Surveillance Department. The clients under these branches will be monitored by these executives for exposure limits and close monitoring of clients' trades.

As a measure, the Company classifies clients into High Risk Profile, Medium Risk Profile and Low Risk Profile. Such classification is done based on a personal relationship maintained with clients and respective Branch in Charges. Apart from this, all the clients are evaluated based on the initial margin and subsequent margins paid by them. The trading patterns of clients also taken into consideration for classification of risk profile.

A) **Capital Market segment** :

The executives in Surveillance Department provides Exposure Limits to clients based on the available ledger balance and shares in comparison with the risk profile communicated by the Branch in Charge.

Low Risk profile clients are provided with 6-10 times of Capital Market Segment Exposure for jobbing and 3 times for Delivery.

Clients with Medium risk profile are provided with jobbing exposure of 4-6 times and 2-3 times for delivery (Minimum margin of Rs.10000/ required).

High risk profile clients are being provide 2-4 times jobbing exposure limits and 2 times Delivery exposure limits.

This methodology of providing exposure limits almost equals to the Exchange VaR margin exposure (+ - 10% deviation). All the payments for delivery buying in excess of the available credit balance is collected from on T+1 day.

Futures & Options Segment:

For Low and Medium risk profile clients, 2-3 times exposure is given in Derivatives based on the margin available in the Clients Trading account. For high risk profile clients, exposure is based on margin available in Clients Trading account.

Exposure Limit Monitoring

The executives in Surveillance Dept are monitoring the online trades of clients using Financial Technologies Admin... Integration of Back office Details with the Trading System also is done on a 10 minutes interval to monitor the position vis-à-vis with the Account Balance and Stock details. This integration helps to maintain the Risk Management System much more effective.

Exposure Limit Relaxations

This is done at three levels. The Hierarchy for Surveillance Dept is:

DIRECTOR

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Head Operations

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Surveillance Manager

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Surveillance Executives

All the Exposure Limits based on the Exposure Limit criteria are provided by the Surveillance executives after verifying the account balance of clients and other margins available. Any extra ordinary request above the criteria is passed on to Surveillance Manager. A simple deviation of Rs.10000 to Rs.50000/ is addressed by Surveillance Manager and Rs. 50000/ to Rs 100000/ is passed on and addressed by Operations Head. All deviations above Rs. 100000/ is subject to approval from Chie Executive Officer. All such deviation should be initiated by the client through the concerned Branch in charge and should be supported by cheque.

Client Defaults

All the exposure is provided against cheques or Shares. Surveillance Team is monitoring the available balance with the MTM profit/loss in order to avoid all possible defaults. In case, any default arises, legal measures are taken. As the system enabling maximum surety for avoiding defaulters, default cases are occurring rarely.