

VLSSL NOTE ON RISK MANAGEMENT FOR BROKING BUSINESS

VLS Securities Limited (VLSSL) is a trading and clearing member in Cash, a trading member in Futures & Options segments of the National Stock Exchange of India Limited (NSE) and is regulated by the respective stock exchanges through their respective bye-laws, rules and regulations.

In the course of conducting its aforesaid broking business, VLSSL is exposed to a variety of risks including market, credit, liquidity, operational and other risk that are material and require appropriate controls and ongoing oversight.

The risk management framework of VLSSL for its broking business is based upon the applicable settlement mechanism and SEBI/Stock Exchange regulations.

We set out below the broad principles of our risk management framework:

Client Relationship

Before a formal relationship is entered into with a client, the client shall be required to comply with all KYC requirements to the satisfaction of VLSSL and enter into such Agreement and other documentation as may be required under the rules, regulations and guidelines of the concerned Stock Exchange, SEBI and any other statutory authority.

Capital Market:

It is recognised that at present VLSSL has a very limited client base and most of these clients are known to VLSSL. They trade in very limited volumes and have limited outstanding exposure at any given point of time. Some of the clients are associates of VLSSL. Currently, in all cases VLSSL uses its discretion to collect margins subject to extant provisions of the respective Exchanges and SEBI. However, VLSSL may from time to time set such exposure limits as is deemed appropriate keeping in view the margin deposited, conduct of the account and any other factor considered relevant for the purpose. The outstanding exposure shall be based on the past conduct of the account as also SEBI and Exchange rules and regulations and wherever required, margins shall be collected upfront.

Futures & Options:

As per SEBI and Exchange rules and regulations, margins are collected upfront from the clients. Clients can maintain margins in the form of cash, fixed deposits and Exchange approved securities. Appropriate haircuts shall be applied to the securities accepted as collateral. MTM, premium and assignment amount is collected in the form of cash. VLSSL may set such exposure limits as is deemed appropriate keeping in view the margin deposited, conduct of the account and any other factor considered relevant for the purpose. The outstanding exposure shall be based on the past conduct of the account as also SEBI and Exchange rules and regulations.

Currency Derivatives

As per SEBI and Exchange rules and regulations, margins are collected upfront from the clients. Clients can maintain margins in the form of cash or such other forms as may be prescribed under the relevant rules, regulations and guidelines of the Exchange/SEBI. VLSSL may set such exposure limits as is deemed appropriate keeping in view the margin deposited, conduct of the account and any other factor considered relevant for the purpose. The outstanding exposure shall be based on the past conduct of the account as also SEBI and Exchange rules and regulations.

General

In order to mitigate risk, VLSSL shall be entitled to liquidate/close out all or any of the client's positions for non-payment of margins or other amounts, outstanding debts, etc. and adjust the proceeds of such liquidation / close out, if any, against the client's liabilities/ obligations. Any and all losses and financial charges on account of such liquidation/closing out shall be charged to and borne by the client.

VLSSL shall endeavour to reconcile client accounts with theirs at the end of each quarter with reference to all the settlements where payouts have been declared during the quarter.

VLSSL has the absolute discretion to change the above, based on review of the risk management framework and/or any changes in the regulatory framework/settlement mechanism, etc.