

## **RISK MANAGEMENT POLICY**

Our Risk Management limits the exposure and margins of each client whether they are serviced directly by us or through a Business Associate. We have deployed resources in terms of technology, people and processes to manage our risk management function. We believe that we have effective procedures for evaluating and managing the market, credit and other risks to which we are exposed, as well as protecting our reputation in the market. To meet the need for a robust and efficient risk management system, we have created a risk management cell which is regionally operational and centrally controlled and administered by the head office team. In order to mitigate business risk, risk management policies are decided by the senior officials of the Company.

### **Risk Management Process:**

Risk management starts with identifying the area of risk. The major risks perceived are operational risk, credit risk, market risk and regulatory risk. We analyse factors and reasons causing risk on a periodic basis, plan for control of identified risks, decide on and implement appropriate risk management tools and monitor policies and procedures with view to continuous improvement.

### **Risk Monitoring and Mitigation:**

We use products from leading software companies such as Admin of Financial Technology, Back office software of Accor and Reliable Software along with multiple in-house software programmes to monitor, among other things, client level margins and MTM losses. These software packages enable us to provide broking services through our remote branches, including online trading for various categories of clients.

### **Risk Managers :**

We have experienced personnel to manage risk and regulatory compliance and ensure implementation of risk management policy. The risk management policy is controlled by the top management of our Company. All the regional risk team members work under the direction and control of the central risk management team at our head office. Team reviews set monitoring parameters, suggest changes on the basis of regulatory and stock exchange requirements and share best practices.

### **Risk Management Levels :**

Risk management in Comfort is carried out at the client-level, the scrip-level and the company-level:

#### **Client-Level Risk Management:**

This is carried out by using online surveillance and monitoring tools developed by professional software companies in the industry and with the help of Comfort's internal team. All the client's open positions across exchanges and market segments are monitored through trading software for margin and MTM losses. Client risk is validated regardless of whether the client is a direct client of Comfort or has been introduced by a Business Associate. Procedures are developed to service multiple clients' requirements while ensuring control of overall risk. Trading parameters are set on a dynamic basis and are robust enough to incorporate changes required due to market conditions and clients' trading potential.

For management of Risk related to our clients we have classified our clients in to three categories:

- Category A
- Category B
- Category C

The Clients are classified into the abovementioned categories on the basis of three aspects:

- KYC documents
- financials
- Reference

Any new client who comes without any reference having weak financials as per KYC norms are put in category C details. Please find client wise classification details as follows:

Category	Category A	Category B	Category C
Criteria	Annual Income One Crore and above and strong reference/introducer	Annual Income 50 Lacs and above and Reference/introducer of a same kind	Annual Income 25 Lacs and above or Reference/introducer

The performance of such clients is monitored on the regulatory basis after review of the client's performance for six months on the basis of good performance they are shifted in to B category and after review of the client's performance for further six months they are put in to Category A.

#### **Scrip-Level Risk management:**

Stock exchanges stipulate margin payable by the clients for each kind of security. We have made them mandatory for our clients.

We collect margin of three times of exchange stipulated margin for Category C clients, two times of exchange stipulated margin for Category B clients and equal to stipulated margin for Category A clients.

However, overall limit should not exceed 100% of transaction amount.

Apart from that Comfort uses internal 'scrip-based margining', which is based on various parameters including impact cost, liquidity, volatility and share price fundamentals. Comfort maintains scrip level, group level and segment level margins and limits. The scrip list with new margin rates is revised using established parameters on a periodic basis. Comfort strictly follows exchange defined derivative margining systems for its forward and options trading.

**Company-Level Risk management:**

Technology is optimised internally to implement established risk policies, create and maintain support to end users and implement robust data and network backup plans so that Comfort can reduce company-wide risk in its business.

**Receipt and Payment Control:**

A centralized system of releasing funds and securities is in place. A client request for release of payment or securities is acted on only after ensuring adequate availability of funds or securities (including future obligations) in the client's account. Cheques are issued in the name of client and no third party payment is issued under any circumstances. Securities are released into the demat account of the client registered in our records.

**Receivables Management:**

In order to facilitate funds movement, Comfort has adopted a centralized funds management system. Overdues are recovered in accordance with the recovery policy of the Company.

**For Comfort Securities Limited**

**Anil Agrawal**  
**Director**