

Risk Management and Surveillance Policy

Introduction

To manage the risk in the commodity market for the better survival of clients as well as company, we present our RMS policy which also plays important roles for better and effective compliance and comprehensive management of risk and effective branding of the company in the Market.

What is Risk?

Risk is defined as anything which poses a threat to an organization. Risk management is the process of dealing with these threats.

Talking about the risk is basically variability in possible outcomes, usually in reference to the possibility of negative results.

One thing that all organizations must understand is that every one of them will face risks in one way or another. Whenever an organization or individual has objectives to meet they will risk their resources when trying to reach these objectives. This is especially true when it comes to commercial organizations, and risk management is a tool which will allow these risks to be managed in an environment which is uncertain.

About Risk Management

Risk management is an important concept that many employees, managers and stakeholders refer to when they are concerned about the effects of a certain move on reaching key objectives.

Risk management is important because it gives the ability to figure out methods for which events can be managed, especially those events that may have an adverse impact on the financial or human capital of the organization. By being able to assess and identify risk, it becomes easier for one to prevent it from occurring, or to quickly address adverse events if and when they do occur.

Classification of Risk

We hereby classify the risk as under:

- 1. Credit Risk:** Credit risk, also called default risk, is the risk associated with a person going into default (not making payments as promised).
- 2. Market Risk:** The possibility that the value of financial markets rise or fall.
- 3. Business Risk:** The risk that a company will not have adequate cash flow to meet its operating expenses it would be susceptible to business risk or changes in the overall economic climate.

4. Compliance Risk: Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards.

5. Systemic risk: Systemic Risk is the risk of collapse of an entire financial system or entire market, as opposed to risk associated with any one individual entity, group or component of a system.

Credit and Settlement

Trading and Exposure Limit if any set for the client is based on the Funds lying in the Client's account from time to time. In case any position taken it is necessary to maintain adequate upfront initial Margin in the client account. In case of non fulfillment of margin obligations/settlement obligation, Aurum Infocomm Ltd may squared off whole or part of the positions at its discretion. In case of any outstanding dues arising out of square off of open positions/settlement obligation, Aurum Infocomm Ltd may initiate legal proceedings.

Margin Requirement:

In Commodity Derivatives segment, Margin is required on upfront basis. Client is allowed to take positions on fulfilling the upfront margin requirement. In Commodity segment, Initial Margin and Extreme Loss Margin is required to be collected on upfront basis. Further, Aurum Infocomm Ltd. may demand any additional margin considering market conditions, client's risk profile etc.

Trading:-

Trading in Low volume and far month contracts shall not be permitted. The risk manager shall put those contracts in basket to disallow trading.

Pay-in Of Fund & Stock:-

Cash & Third party pay-in funds will not be accepted. Same way pay out of fund will be directly done to client's account only.