

## **RISK MANAGEMENT SYSTEM**

- Vadodara Stock Exchange Limited (parent exchange) holds 100% of the equity share capital of VSE Stock Services Limited.
- The Company does not deal in securities on its own. It provide platform for the members of the parent Exchange for doing securities transactions with BSE/NSE.
- The sub-brokers of the Company, who are brokers of Vadodara Stock Exchange Limited, are maintaining separate deposit with the Company in specified proportion of 25% in the form of cash and balance 75% in the form of irrevocable Bank Guarantees or Bank Fixed Deposits.
- The deposits lying with the parent Exchange in the form of Base Minimum Capital by the sub-brokers are non-transferable.
- The sub-brokers are allowed to trade only after obtaining SEBI Registration.
- The Terminals of the sub-brokers activated only after the ensuring that the minimum "Base Capital" is kept and maintained all the time with the Exchange and also separately in the Subsidiary Company.
- The trading/exposure limits are allowed based on the deposit received by the subsidiary.
- The trading/exposure limit set by the Stock Exchange of which the subsidiary is a member, is not allowed to exceed.
- The subsidiary does collect margins from the sub-brokers from time to time as required.
- The margin imposed to sub-brokers by the subsidiary is equal to the margin payable to Stock Exchange.
- Whenever there is a default in pay-in obligations the subsidiary imposes penalty to its sub-brokers.
- The process flow as declared by the trading member in accordance with the provisions of SEBI Circular no. SEBI/MRD/DOPS/CIR-11/2005 dated 12<sup>th</sup> May, 2005 is as per the Business Rules of the Subsidiary.
- The Circulars/Notifications/Directives, issued by SEBI/BSE/NSE are brought to the notice of the sub-brokers from time to time.
- There is a mechanism in place to initiate disciplinary action against erring sub-brokers.