RISK MANAGEMENT SYSTEM (RMS) POLICY

(For Broker-Dealer at GIFT IFSC under IFSCA Regulations)

Firm Name: Arya Fin-Trade IFSC Private Limited

Review Frequency: Annual (or earlier, if regulatory changes require)

1. Policy Overview

This Risk Management System (RMS) Policy establishes the framework for risk identification, assessment, control, monitoring, and reporting by **Arya Fintrade (IFSC) Private Limited**, a Broker-Dealer registered with the **International Financial Services Centres Authority (IFSCA)** and operating at **IFSC, GIFT City**.

The policy applies across all business lines, including:

- Proprietary Trading
- Client Broking
- Remote Trading Participants
- Direct Market Access (DMA)
- Algorithmic Trading

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2. Risk Management Architecture

The Firm adopts a **layered RMS approach** consisting of:

- **Pre-trade Controls**: Order validation, margin checks, fat-finger error prevention, and order-to-trade ratio (OTR) monitoring.
- **Real-time Controls**: Continuous surveillance of exposures, collateral, and margin utilization with automated blocking on breach.
- **Post-trade Controls**: Daily reconciliation of trades, margins, and positions.

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3. Direct Market Access (DMA) & Algorithmic Trading RMS

In line with **IFSCA's DMA Circulars**:

- All DMA orders pass through the Broker's RMS before release to the Exchange.
- Client-level limits, exposure caps, and margin checks are enforced.
- All algorithmic trading systems must be **exchange-certified** and equipped with **kill-switch functionality**.
- The Broker reserves the right to **suspend DMA/Algo access** in case of RMS breaches.

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4. Collateral & Margining

- Accepted collateral includes **cash, eligible securities, and foreign currency balances** (as per Exchange rules).

- Margins are monitored real-time, with automated blocking on shortfall.

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5. Exposure & Position Management

- **Client exposure limits**: As per available margin.
- **Member exposure caps**: As per collateral placed.
- **Real-time monitoring** with automated blocking of breaches.

Software-based parameters include:

- Gross Exposure Limits
- Turnover Limits
- Mark-to-Market Limits
- Buy and Sell Limits
- Trading Limits
- Scrip / Contract-wise Limits

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6. Surveillance & Monitoring

- Automated alerts triggered when **margin utilization exceeds 75%**.
- System maintains logs of all trades, rejected orders, and overrides.
- Alerts routed via RMS dashboards to clients and internal risk teams.
- **Independent exception reporting** escalated to the Compliance Officer for regulatory reporting.

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7. Audit & Compliance

- **Independent System Audits** and **Internal Audits** are conducted periodically as per Exchange/IFSCA requirements.
- Audit findings are submitted to the **Board of Directors** and corrective actions tracked until closure.
- **Annual compliance certifications** are submitted to the Exchanges.

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8. Review & Amendment

- This policy will be reviewed **at least annually**, or earlier if required by regulatory or operational changes.
- Amendments require **Board approval**.