

ABA ALI HABIB SECURITIES (PVT) LIMITED

Draft Standard Operating Procedure (SOP)

Margin call

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Approved By:

Version: 1.00

Version

Version	Effective Date	Description of Change
1 st	30 November, 2019	Updates in AML laws and regulations
2 nd	31 May, 2020	Updates in Laws and regulation
3 rd	10 August, 2020	Change in Laws and regulation
4 th	5 th October, 2020	Update in AML rules and regulations
5 th	25 th June, 2021	Update with respect to industry practices
6 th	30 September, 2021	Updates as per changes and red flags by FMU

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Objective:

The objective of this document is to ensure that any Margin call facility availed by customer is effectively monitored and controlled within the spectrum devised by ABA ALI HABIB SECURITIES (PVT) LTD.

Margin is mainly a money borrowed from broker to buy stock and use investment as collateral.

The document is for internal purpose only and is to be treated as a restricted and confidential document. Any modification or changes in the job description of individual or at Departmental level will be made part of this document with subsequent revisions.

Role of Risk Management Department:

The Risk management Department of **ABA ALI HABIB SECURITIES – (AAHS)** is responsible for monitoring any limit breach and timely communication of it to respective customer. This involves extracting the breach report from system at day end and coordinating with customers via email to comply with their assigned limits. Moreover the Department is also responsible for conducting daily follow-up with dealers for recovering of any long outstanding amount from customers.

The monitoring will involves 03 type of trades.

- Trades done by Individual/ Corporate customer
- Arbitrage
- Hedging

System Reports:

- Margin Risk Detail Report.
- Customer Notification Report (format below)

Customer Name- Code	Current Exposure	Current Limit	Assigned Limit	Limit Exceed by	Notification Call no.	Last Call Date	Any Previous Overdue
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Notifying Call:

- Notification Call 1: Margin fall 35%
- Notification Call 2: Margin fall 30%
- Notification Call 3: Margin fall 25%

Process:

The process is provided according to the type of trades:

Trade done by Individual & Corporate customers:

- 1) On each day end, Officer Risk management extracts a system generated report i.e. (Margin Risk Detail Report) to identify customers who have exceeds their assigned margin limit.
- 2) The report is then forwarded to Manager back office for review and validation.
- 3) Subsequent to the validation, manager back office instructs Risk management department to issue Customer Notification Call to individual customers who have exceed their assigned limit.
- 4) The Risk management Officer Issue notification Call via email to customers. The no. of notification call is mainly based on the percentage by which the customer has exceed the assigned limit.

For example If a customer margin falls from first slab i.e. 35%, first notification call will be send to him to settle the outstanding amount. In-case a customer does not settle the outstanding amount and margin continue to falls from second slab i.e. 30%, then second notification call will be send to him. However where the margin falls below the 3rd slab of 25%, the officer will raise third notification call whereas the system will automatically initiate the square –up process to bring back the client to his/her originally assigned limit.

- 5) After the completion of square-up process, Officer Risk Management will extract customer wise square-up report from the system to identify the script disposed off in the square-up process and to ensure compliance with assigned limits.
- 6) The customer wise report is reviewed by manager back office and then is issued to customer for record purpose.
- 7) Besides the above process, the Risk Management Officer will also advice individual dealer to communicate with their respective customers to settle their outstanding amount for complying with the limit.

Arbitrage and Hedging

Script wise limits are allotted to dealers to trade on daily basis. Officer Risk management is responsible to perform real time monitoring to ensure that trading is done by traders within their assigned limits. Any exposure breach during the trading period will be communicated to manager back office for consideration purpose.