Standard Capital
Securities (Pvt) Ltd

RISK MANAGEMENT

PMEX COMMODITY TRADING

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PMEX has a robust risk management framework that provides the structure for clear risk policies, processes and internal control mechanisms to manage, assess and mitigate the risks posed to the Exchange. The framework includes auto liquidation of trades, pre-trade verification, mark-to-market and position limit.

Auto Liquidation (AL)

To minimize the risk of debit balance, all clients trading in cash-settled contracts are subject to Auto Liquidation (AL). It is a functionality that initiates the automatic closure of existing positions upon breach of a certain defined threshold.
This functionality has been implemented to ensure that losses do not exceed the value of the margins set. Extraordinary market movements can occur during a trading day which may result in excessive losses. The level of AL is set as a percentage of the initial margin and can be changed by the Exchange in view of forecasted risk impact. Once the level of funds reaches this point for any trader's account, the system would square off positions automatically to reduce exposure and mitigate any further risk. The current AL threshold value has been set at 20% of initial margins by the Exchange. However, the broker(s) may set their own AL threshold over and above the level set by the Exchange.
When AL is breached the open position will be automatically liquidated. In doing so, any amount of loss will be debited to the customer's account. b

Pre-Trade Verification, Mark to Market, Position Limits

- **Pre-Trade Verification**
  The Exchange's trading system validates the availability of the initial margin at the pre-trade level.

- **Mark to Market**
  Mark to Market, or Marking to Market, is when asset values are determined "according to the official rate of the market as determined by the Exchange" at the end of each day to arrive at the profit or loss status of the parties in the futures transaction.

- **Position Limits**
  The maximum number of futures contracts one can hold is determined by the Exchange.