Adwealth Stock Broking Private Limited

RISK MANAGEMENT POLICY

Policy created by	**Risk Management and Compliance Team**
Policy reviewed by	**Compliance Officer**
Policy reviewed on	**01.04.2025**
Policy Approved by	**Board of Directors**
Policy approved on	**15.04.2025**

Version – 1.2

Introduction

THE COMPANY is a SEBI registered Stock Broker, Depository participant, Research Analyst.
THE COMPANY has an Integrated Risk Management Policy that provides an integrated framework for managing risks within the Company. The Company has also from time to time adopted Operational Risk Management Strategies for its Stock Broking activities.
In the course of conducting its broking business THE COMPANY is exposed to various risks including market, credit, liquidity, operational and other risks that are material and require comprehensive controls and on-going oversight.
Trading in stock market is always subject to market risks which cannot be predicted. Different kind of market risks are communicated to client at the time of account opening with us as risk disclosure document.
We seek to minimize the risk of loss through a dynamic risk management policy which is an essential feature of our operations.
It is important to note that our Risk Management Policy is not an insurance against losses but these are measures and precautions that are adopted by us to minimize the risk.
Our Policy is based on market scenarios and our risk perceptions of the market and SEBI/Exchange regulations for the time being in force. This can be change from time to time based market conditions and decisions basis of internal policies and practices.

Objective

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a proactive approach in reporting, evaluating and resolving risks associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management. In order to guide decisions on risk related issues, the specific objectives of this Policy inter alia are:

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- To establish a framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, trading related risks), information, cyber security risks or any other risk as may be determined by the Risk Management Team for the company's risk management process and to ensure its implementation.
- To measure risk mitigation including systems and processes for Internal Control of identified risks.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.

Setting up client's Margin Limits

Margin Limit in Cash segment: THE COMPANY Provides Margin based limit following the VAR and Extreme loss margin applies to scrip as defined by the Risk Management team time to time at its discretion. Hence Exposure for intraday and delivery transactions can be multiple (varying from scrip to scrip based on VAR (Margin rates) applies to scrip) of the ledger balance, value of collateral benefit after applying haircut on holding lying in the client account and credit for sales.

The value of the "multiple" and the "haircut" shall be decided by THE COMPANY based on market volatility and quality of collaterals. Limit on the basis of unsettled sales and uncleared cheques will be at discretion of THE COMPANY.

Margin Limit for F&O, Currency & Commodity segment: THE COMPANY provides margin limit in F&O, Currency and Commodity Segment, based on availability of initial and exposure margin upfront available into the client account in the form Ledger, cash collateral and non-cash collateral (i.e. approved pledged securities (in favour of THE COMPANY) after appropriate haircut.

Client-wise differential limits: THE COMPANY shall have the prerogative to allow differential limits in Cash, F&O and Currency segments varying from client to client, depending upon credit worthiness and past conduct of each client or any other criteria which THE COMPANY may find suitable.

THE COMPANY Discretions on limits:

- THE COMPANY has provided exposure limit as per exchange norms.
- THE COMPANY has discretion to change the limits/ratios on the basis of risk perception and other factors considered relevant (such as broker level/exchange level limits in specific securities or Income declaration or volume Specific exposures based on surveillance measures or Availability of cash/ cash equivalent margin etc.
- THE COMPANY shall not be able to inform the client of such variation, reduction or imposition in advance.
- THE COMPANY shall not be responsible for client's inability to execute any order on account of any such variation, reduction or imposition of limits.
- Collateral can be provided in either cash or non-cash components, and clients are required to maintain a cash-to-non-cash ratio of 50:50 for trading. However, clients will not be restricted from trading even if they fail to maintain this ratio, as it remains at the discretion of the trading member. THE COMPANY, on behalf of its clients, will ensure compliance with this ratio at the Clearing Corporation level. In cases where the required ratio is not maintained, interest will be charged under the category of Delay/Late Payment Charges.

Orders for penny stocks or illiquid securities / Contracts

- Penny/ illiquid securities/contracts are traded at relatively low market capitalization and includes the following:
  a. Stocks appearing in the list of illiquid securities issued by the Exchanges from time to time.
  b. Stocks which are highly illiquid and have a low market capitalization and 'Z' Group Securities.
  c. Any securities as may be restricted for trading by Exchanges.
  d. Any other securities as may be restricted for trading by THE COMPANY based on its internal evaluation.
  Hence due to risk of lower liquidity in such securities/contracts, it may result in partial execution, greater price differences, or failure to execute at all. Day trading strategies may also result in losses due to forced sell/purchase at unfavourable prices. Refer Risk Disclosure Document para 1.2.
- THE COMPANY may permit restrictive acceptance of orders in such scrips/contracts However THE COMPANY shall not be responsible for the delay in execution of such orders and consequential opportunity loss or financial loss to the client.
- THE COMPANY shall not be held liable for restricting/ prohibiting trade in penny/illiquid stocks at any time. Further THE COMPANY shall not be held liable or responsible in any manner whatsoever for any refusal/cancellation of orders for trading in penny stocks/other securities and the Client shall indemnify THE COMPANY in respect of any loss caused to THE COMPANY by virtue of the Client trading in penny /illiquid stocks.

The right to sell clients securities or close clients positions, without giving notice to the client, on account of non-payment of clients dues (This shall be limited to the extent of settlement / margin obligation)

THE COMPANY shall have the right to sell client's securities, both unpaid securities as well as collaterals deposited/pledged towards margins, or close out client's open positions, without giving notice to the client where there is a delay/failure of the client to the pay-in obligations and/or there is a failure of the client to bring additional margins to cover the increase in risk in the dynamic market conditions.

A. Unpaid Securities in Capital Market and Unpaid MTM obligation of derivative segment:

- In case of unpaid obligation (Capital Market) on T+1 (before the start of trading hours), THE COMPANY may sell the unpaid/ partially paid securities. In addition, THE COMPANY may sell the collaterals deposited by the client towards margins and/or paid securities purchased by the client in earlier settlements where the sale proceeds of unpaid securities are inadequate to cover the pay-in obligations and/where the unpaid securities appear to be comparatively illiquid and cannot be sold at reasonable rates to the extent required.
- In case of unpaid MTM obligation of derivative segments on T+1 (before the start of trading hours), THE COMPANY may close the position or/and sell client's securities (Unpaid Securities / paid Securities / collaterals deposited by the client towards margins).
- Further THE COMPANY shall also have rights to Invoke Pledge Securities/ Mutual Funds Units with/without prior intimation to fulfill client's unpaid settlement / margin obligation.

- THE COMPANY may follow the Company Policy for liquidation of securities, but it may not be binding on it to follow this method in all cases.

B. The margin shortfall in F&O, Currency and Commodity Segments:

- Positions of the client may be closed out to the extent of margin shortfall on the T+1 (before the start of trading hours) basis /Real time monitoring basis.
- While computing margin shortfall, value of unapproved securities shall not be considered.
- As per the Exchange requirements, the THE COMPANY is required to maintain a prescribed ratio between cash and collaterals margin deposited with the Exchange. THE COMPANY shall therefore have the prerogative to insist for at least such prescribed ratio % margin in cash and may not consider the value of securities over and above the cash component for the purpose of calculating margins shortfall and close the client's position where it finds deviation.

C. Intra-day positions:

- THE COMPANY shall have right to close out any intra-day positions taken by the client after a defined 'Cutoff' time however the responsibility shall be with the stock broker.

D. Mark to Market (MTM) / Risk base Liquidation:

- All positions across all products will be subject to a 75% to 80% Mark-to-Market (MTM) loss threshold, meaning positions will be liquidated if losses reach a predetermined level of client margin erosion. Both open positions (i.e., carry-forward overnight positions) and intraday leveraged positions across segments will be squared off when the MTM loss reaches 75% to 80%. However, the squaring-off process may take time, and in certain cases, it may extend beyond the threshold, reaching up to 90% MTM loss before execution.

E. Stock Derivative Contracts settled through Physical delivery:

- Client's positions in Stock Option and Stock Future contracts which will expire in next 5 trading days may be closed if client do not have sufficient Margin / coverage available.
- In case value of delivery is higher than a predefined value then higher margin / coverage will be required along with client confirmation. In absence of required funds or confirmation THE COMPANY may close the position.
- In case of short position (Call Short/Future Short/Put Long) in stock derivative where delivery pay- in obligation may arise, may be squared-off on the expiry day (monthly), if client does not have delivery stock in his D-mat account (POA).
- OTM contracts in Stock Options which are away as per exchange prescribed norms from Underlying LTP, will also be considered as possible ITM and may be squared-off as per above policy

F. General:

- THE COMPANY may take into account the sales made, positions closed by the client or collections received from the client till a cut off time (as per company policy) while selling the securities/closing the client's positions against debit / margin shortfall.

- While selling the securities/ closing the client positions, THE COMPANY may not take into consideration Cheques showing unrealised although deposited by the client with THE COMPANY until clear proceeds of such instruments are received by THE COMPANY in its bank account. For this purposes Demand Draft / Pay order will not be taken into consideration.
- THE COMPANY shall have the right to sell clients securities or close out client's position, but it shall not be under any obligation to undertake this exercise compulsorily.
- THE COMPANY shall have the right to sell clients securities in case of Ageing of debit and margin shortfall in the client account.
- THE COMPANY shall not be responsible for any losses and penalties / charges levied by exchanges(s) caused on such square off.
- THE COMPANY shall therefore not be under any obligation to compensate for / or provide reasons of any delay or omission on its part to sell clients securities or close open positions of the client.

Restrictions on creation / Square-off or carry forward positions

Below are conditions under which a client may not be allowed to take further position or square-off the position or the broker may close the existing position of a client.

A. All markets:

- Client is not having adequate margins as per
- conditions in Risk Management policy.
- The client has not been able to meet his pay-in obligations in cash by the scheduled date of pay-in irrespective of the value of collaterals available with THE COMPANY.
- Clear proceeds of the cheque deposited by the client to meet the pay-in obligations have not yet been received by THE COMPANY.
- THE COMPANY exposure at "house level" in a specific security / contract exceeds the internal limits fixed by THE COMPANY.

B. F&O, Currency and Commodity Segments:

- The client has not made payment for Market-to-Market loss in Ledger.
- The "open" positions in a contract exceeded or are close to market wide cut off limits or client wise permissible positions by exchange.
- THE COMPANY shall have the prerogative to place such restrictions on creating position in Stock Option & Stock Futures contracts (Settled through physical delivery) which will expire in next 5 days, notwithstanding the fact that the client has adequate credit balance or margin available in his account and/or the client had previously purchased or sold such contracts through THE COMPANY itself. THE COMPANY shall not be under any obligations to undertake this right compulsorily.

- Client will not be able to square-off his position if Margin gets increased due to square-off of any Position and client does not have sufficient margin as per Risk management policy.

C. INTRA- DAY:

- Clients will not be able to place intra-day orders after a cut-off time fixed by THE COMPANY and it may vary depends on market conditions.

D. Event Based:

- Where based on a corporate / market event, THE COMPANY has the risk perception that further trading in the securities /contracts may not be allowed to its clients and/or the market.

<u>Temporarily suspending or closing a client's account at the clients' request</u>

- THE COMPANY may carry a periodic review of the client accounts and may suspend the accounts from trading in the following circumstances:
- The client is inactive for more than 24 months across group companies.
- The account is under investigation by a regulatory body.
- Based on the recommendations made by the branch manager due to excessive speculations, unclear balances.
- Physical contract notes are received back undelivered due to reasons like "no such person",
- "Addressee" left, refusal to accept mails, signature mismatch on POD's or other reasons which may create suspicion.
- Non-delivery of the Statement of Account sent on a periodic basis.
- Non-Updation of communication details viz., email id, mobile no., landline details or it is found to be belonging to a third person.
- Client lodges a complaint either directly with THE COMPANY or through Exchange relating alleged Unauthorized Trades being executed in the account.
- On notices received from statutory, Government or Local authorities and Income Tax, a Judicial or Quasi-Judicial authority, etc.
- Client is reported to or known to have expired.
- THE COMPANY may also suspend the account based on the written request received from the client.

<u>Voluntary freezing/un-freezing the online access of the trading account</u>

1. Background : SEBI vide circular no. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024 and NSE Circular no NSE/INSP/61529 Dated April 08, 2024 regarding Framework for Trading Members to provide the facility of voluntary freezing/blocking of online access of the trading account to their clients.

It is pertinent to mention that:

a) Freezing/blocking is only for the online access to the client's trading account, and there shall be no restrictions on the Risk Management activities of the Trading Member.

b) The request for freezing/ blocking does not constitute request for marking the client's Unique Client Code (UCC) as inactive in the Exchange records.

2. In view of the above the company has framed the following policy governing the outline of the modus operandi. In addition to branch trading the company is extending the facility of internet trading through browser based and EXE based followed by mobile trading. Presently we will be providing the following method of communications through which the client may request for voluntary freezing/ blocking of the online access of trading account if any suspicious activity is observed in the trading account: -

a) Email from registered e-mail ID: A dedicated email ID **stoptrade@adwealthgroup.com** has been opened where client can send their request for freezing/ blocking from their email ID registered with us. Clients are requested to send their freezing/ blocking request without any ambiguity along with UCC. Similarly, for un-freezing/ un-blocking, clients are requested to send their request at the email ID **stoptrade@adwealthgroup.com** from their registered email ID mentioning the same. Request sent for such freezing/ blocking and un-freezi **stoptrade@adwealthgroup.com /** un-blocking may not be addressed by the company if it is not sent from client's registered email ID or sent to any other email ID of the company.

b) SMS from registered mobile number: A dedicated mobile number 9830036205 has been assigned where client can send their request for freezing/ blocking from their mobile number registered with us. Clients are requested to send their freezing/ blocking request in the following manner:

- For freezing/ blocking type: **"BLOCK" FOLLOWED BY UCC WITHOUT SPACE** Example: if your **UCC** is **A123** then message will be **"BLOCKA123"** and send it to 9830036205.
- For un-freezing/ un-blocking type: **"UNBLOCK FOLLOWED BY UCC WITHOUT SPACE"** Example: if your **UCC** is **W114X100** then message will be **"UNBLOCKW114X100"** and send it to 9830036205.

Request sent for such freezing/ blocking and un-freezing/ un-blocking may not be addressed by the company if it is not sent from client's registered mobile number or sent to any other mobile number of the company.

3. The company shall take the following actions on the receipt of such request through any modes of communications for freezing/blocking of the online access of the trading account from the client:

- Verify whether request is received from the registered mobile number/e-mail ID of the client;
- Freeze / block the online access of the client's trading account and simultaneously cancel all the pending orders, if any, of the said client.
- Issue the acknowledgement to the registered email ID or mobile number of the client stating that the online access to the trading account has been frozen / blocked and all the pending orders in the client's trading account, if any, have been cancelled.
- Details of open positions (if any) would also be communicated to registered email ID of the client along with contract expiry information within one hour from the freezing/blocking of the trading account.
- The timelines for freezing/ blocking & issuing acknowledgement is as under: -

Scenario	**Timelines for issuing acknowledgement as well as freezing/ blocking of the online access of the trading account.**
Request received during the trading hours and within 15 minutes before the start of trading.	Within 15 minutes

Request received after the trading hours and 15 minutes before the start of trading.	Before the start of next trading session

Trading hours shall be as follows:

Capital Market Segment: 9.15 a.m. to 3.30 p.m., Equity Derivatives Segment: 9.15 a.m. to 3.30 p.m., Currency Derivatives Segment: 09.00 a.m. to 05.00 p.m., Commodity Derivatives Segment: 09.00 a.m. to 11:30 p.m. Please note that Trading hours may be different in case of special session or during sun-outage as per regulatory norms, so refer to the settlement calendar for the same.

A. Maintenance of records

THE COMPANY shall maintain the appropriate records/ logs including, but not limited to, request received to freeze/ block the online access of trading account, confirmation given for freezing/ blocking of the online access of the trading account and cancellation of pending orders, if any, sent to the clients.

B. Failure in freezing/ blocking the online access

In case there is failure in freezing/ blocking the online access within the prescribed timelines (15 minutes in case the request is received during the trading hours and within 15 minutes before the start of trading / Before the start of the next trading session in case the request is received after the trading hours and 15 minutes before the start of the trading), THE COMPANY shall be responsible for any trades executed from the time of receipt of such request till such time the online access is blocked/ frozen.

C. Re-enabling the trading account for online access

For unfreezing/ unblocking the Trading account, client can raise the request through any of the 2 modes (Call or Mobile App) as specified above. After carrying out necessary due diligence including validating the client request, the trading account will be unfreezed/ unblocked for trading within 15 minutes.

D. It is clarified that:

- Freezing/ blocking is only for the online access to the client's trading account, and there shall be no restrictions on the Risk Management activities of THE COMPANY.
- The request for freezing/ blocking does not constitute request for marking client Unique Client Code (UCC) as inactive in the Exchange records.

<u>Deregistering a client</u>

- THE COMPANY may de-register the client account based on action taken by Regulatory bodies or being part of list of debarred entities published by SEBI.
- THE COMPANY may also initiate action for deregistering a client on basis of information found in sites of CIBIL, Watch out investors, world check or client having suspicious back ground, link with suspicious organization, etc.

- THE COMPANY shall have right to close out the existing positions; sell the collaterals to recover its dues, if any, before de-registering the client.
- THE COMPANY may freeze the assets of the client where it deems prudent, at time of de-registering a client.

Procedure for Activation of in-operative accounts

- Any client is not doing single transaction into trading account with us for a period of 24 months.
- To activate these dormant / inoperative accounts, clients are required to fill up a dormant activation form and provide the other related documents (including IPV) and details as per company policy.

Intimation to clients

- Client can view details of his/her ledger, holdings, margin etc. via secured login on internet login provided to client.
- Regular intimations regarding debit, information about margin shortage with penalty amount, communication regarding liquidation is sent through SMS and email on the clients' registered mobile number and email address respectively.

Margin collection in Derivative segments

A. Equity Derivative Segment: -

- Total Margin levied by the exchange is to be given on upfront basis by Client.
- Mark to Market Losses are to be given as soon as margin calls are made by THE COMPANY and client will have time only till T+1 (before the start of trading hours) working day to provide such margins.

B. Currency Derivative Segment: -

- Total Margin levied by exchange is to be collected on an upfront basis.
- Mark to Market Loss is to be given as soon as margin calls are made by THE COMPANY, and the client will have time only till T+1 (before the start of trading hours) working day to provide such margins.

C. Commodity Derivative Segment: -

- Total Margin (Initial + Exposure + Net Buy Premium) levied by exchange is to be collected on an upfront basis.
- Other Margin and Mark to Market Losses are to be given as soon as margin calls are made by THE COMPANY, and the client will have time only till T+1 (before the start of trading hours) working day to provide such margins.

D. Cash Segment: -

- Total Margin (Minimum Margin) levied by exchange is to be collected on an upfront basis.
- Other Margin (Adhoc Margin) and Mark to Market Losses are to be given as soon as margin calls are made by THE COMPANY, and client will have time only till T+1 (before the start of trading hours) working day to provide such margins.

Note: - The period of 'T+1' (before the start of trading hours) working days has been allowed to client to provide margin taking into account the practical difficulties often faced by the client only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them.

Risk Disclosure Document for Capital Market and Derivatives Segments as per SEBI guidelines for clients

This contains important information on trading in Equities/Derivatives Segments of the stock exchanges. All prospective constituents should read this before trading in Equities/Derivatives Segments of the Exchanges.

Stock exchanges/SEBI does neither singly or jointly and expressly nor impliedly guarantee nor make any representation concerning the completeness, the adequacy or accuracy of this disclosure document nor have Stock exchanges /SEBI endorsed or passed any merits of participating in the trading segments. This brief statement does not disclose all the risks and other significant aspects of trading.

In the light of the risks involved, the client should undertake transactions only if the client understand the nature of the relationship into which the client are entering and the extent of their exposure to risk.

The client must know and appreciate that trading in Equity shares, derivatives contracts or other instruments traded on the Stock Exchange, which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance. The client should therefore carefully consider whether such trading is suitable for the client in the light of their financial condition. In case the client trade on Stock exchanges and suffer adverse consequences or loss, the client shall be solely responsible for the same and Stock exchanges/its Clearing Corporation and/or SEBI shall not be responsible, in any manner whatsoever, for the same and it will not be open for the client to take a plea that no adequate disclosure regarding the risks involved was made or that the client were not explained the full risk involved by the concerned stock broker. The constituent shall be solely responsible for the consequences and no contract can be rescinded on that account. The client must acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a derivative contract being traded on Stock exchanges.

It must be clearly understood by the client that their dealings on Stock exchanges through a stock broker shall be subject to their fulfilling certain formalities set out by the stock broker, which may inter alia include their filling the know their client form, reading the rights and obligations, do's and don'ts, etc., and are subject to the Rules, Byelaws and Regulations of relevant Stock exchanges, its Clearing Corporation, guidelines prescribed by SEBI and in force from time to time and Circulars as may be issued by Stock exchanges or its Clearing Corporation and in force from time to time.

Stock exchanges does not provide or purport to provide any advice and shall not be liable to any person who enters into any business relationship with any stock broker of Stock exchanges and/or any third party based on any information contained in this document. Any information contained in this document must not be construed as business advice. No consideration to trade should be made without thoroughly understanding and reviewing the risks involved in such trading. If the client are unsure, the client must seek professional advice on the same.

In considering whether to trade or authorize someone to trade for the client, the client should be aware of or must get acquainted with the following:-

BASIC RISKS:

1.1 Risk of Higher Volatility: Volatility refers to the dynamic changes in price that a security/derivatives contract undergoes when trading activity continues on the Stock Exchanges. Generally, higher the volatility of a security/derivatives contract, greater is its price swings. There may be normally greater volatility in thinly traded securities / derivatives contracts than in active securities /derivatives contracts. As a result of volatility, their order may only be partially executed or not executed at all, or the price at which their order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.

1.2 Risk of Lower Liquidity: Liquidity refers to the ability of market participants to buy and/or sell securities / derivatives contracts expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities / derivatives contracts swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price for securities / derivatives contracts purchased or sold. There may be a risk of lower liquidity in some securities / derivatives contracts as compared to active securities / derivatives contracts. As a result, their order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all.

1. Buying or selling securities / derivatives contracts as part of a day trading strategy may also result into losses, because in such a situation, securities / derivatives contracts may have to be sold / purchased at low / high prices, compared to the expected price levels, so as not to have any open position or obligation to deliver or receive a security / derivatives contract.

1.3 Risk of Wider Spreads: Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a security / derivatives contract and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid securities / derivatives contracts. This in turn will hamper better price formation.

1.4 Risk-reducing orders: The placing of orders (e.g., "stop loss" orders, or "limit" orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders.

1. A "market" order will be executed promptly, subject to availability of orders on opposite side, without regard to price and that, while the customer may receive a prompt execution of a "market" order, the execution may be at available prices of outstanding orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that security / derivatives contract.
2. A "limit" order will be executed only at the "limit" price specified for the order or a better price. However, while the customer receives price protection, there is a possibility that the order may not be executed at all.

3. A stop loss order is generally placed "away" from the current price of a stock / derivatives contract, and such order gets activated if and when the security / derivatives contract reaches, or trades through, the stop price. Sell stop orders are entered ordinarily below the current price, and buy stop orders are entered ordinarily above the current price. When the security / derivatives contract reaches the pre -determined price, or trades through such price, the stop loss order converts to a market/limit order and is executed at the limit or better. There is no assurance therefore that the limit order will be executable since a security / derivatives contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order.

1.5 Risk of News Announcements: News announcements that may impact the price of stock / derivatives contract may occur during trading, and when combined with lower liquidity and higher volatility, may suddenly cause an unexpected positive or negative movement in the price of the security / contract.

1.6 Risk of Rumors: Rumors about companies / currencies at times float in the market through word of mouth, newspapers, websites or news agencies, etc. The investors should be wary of and should desist from acting on rumors.

1.7 System Risk: High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation.

1. During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations.
2. Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / derivatives contract due to any action on account of unusual trading activity or security / derivatives contract hitting circuit filters or for any other reason.

1.8 System/Network Congestion: Trading on exchanges is in electronic mode, based on satellite/leased line based communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full. The client are cautioned to note that although these problems may be temporary in nature, but when the client have outstanding open positions or unexecuted orders, these represent a risk because of their obligations to settle all executed transactions.

2 <u>As far as Derivatives segments are concerned, please note and get yourself acquainted with the following additional features:-</u>

2.1 Effect of "Leverage" or "Gearing":

In the derivatives market, the amount of margin is small relative to the value of the derivatives contract so the transactions are 'leveraged' or 'geared'. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the margin amount. But transactions in derivatives carry a high degree of risk.

The client should therefore completely understand the following statements before actually trading in derivatives and also trade with caution while taking into account one's circumstances, financial resources, etc. If the prices move against the client, the client may lose a part of or whole margin amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.

A. Futures trading involve daily settlement of all positions. Every day the open positions are marked to market based on the closing level of the index / derivatives contract. If the contract has moved against the client, the client will be required to deposit the amount of loss (notional) resulting from such movement. This amount will have to be paid within a stipulated time frame, generally before commencement of trading on next day.

B. If the client fail to deposit the additional amount by the deadline or if an outstanding debt occurs in their account, the stock broker may liquidate a part of or the whole position or substitute securities. In this case, the client will be liable for any losses incurred due to such close-outs.

C. Under certain market conditions, an investor may find it difficult or impossible to execute transactions. For example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.

D. In order to maintain market stability, the following steps may be adopted: changes in the margin rate, increases in the cash margin rate or others. These new measures may also be applied to the existing open interests. In such conditions, the client will be required to put up additional margins or reduce their positions.

E. The client must ask their broker to provide the full details of derivatives contracts the client plan to trade i.e. the contract specifications and the associated obligations.

2.2 Currency specific risks:

1. The profit or loss in transactions in foreign currency-denominated contracts, whether they are traded in their own or another jurisdiction, will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.
2. Under certain market conditions, the client may find it difficult or impossible to liquidate a position. This can occur, for example when a currency is deregulated or fixed trading bands are widened.
3. Currency prices are highly volatile. Price movements for currencies are influenced by, among other things: changing supply-demand relationships; trade, fiscal, monetary, exchange control programs and policies of governments; foreign political and economic events and policies; changes in national and international interest rates and inflation; currency devaluation; and sentiment of the market place. None of these factors can be controlled by any individual advisor and no assurance can be given that an advisor's advice will result in profitable trades for a participating customer or that a customer will not incur losses from such events.

2.3 **Risk of Option holders**:

1. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires, to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option.
2. The Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

2.4 Risks of Option Writers:

1. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount.
2. The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.
3. Transactions that involve buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances.. The profit or loss in transactions in foreign currency-denominated contracts, whether they are traded in their own or another jurisdiction, will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

3 Trading through Internet/Wireless Technology/ Smart Order Routing or any other technology:

1. Stock broker is eligible for providing Internet based trading (IBT) and securities trading through the use of wireless technology that shall include the use of devices such as mobile phone, laptop with data card, etc. which use Internet Protocol (IP). The stock broker shall comply with all requirements applicable to internet based trading/securities trading using wireless technology as may be specified by SEBI & the Exchanges from time to time.
2. The client is desirous of investing/trading in securities and for this purpose, the client is desirous of using either the internet based trading facility or the facility for securities trading through use of wireless technology. The Stock broker shall provide the Stock broker's IBT Service to the Client, and the Client shall avail of the Stock broker's IBT Service, on and subject to SEBI/Exchanges Provisions and the terms and conditions specified on the Stock broker's IBT Web Site provided that they are in line with the norms prescribed by Exchanges/SEBI.
3. The stock broker shall bring to the notice of client the features, risks, responsibilities, obligations and liabilities associated with securities trading through wireless technology/internet/smart order routing or any other technology should be brought to the notice of the client by the stock broker.
4. The stock broker shall make the client aware that the Stock Broker's IBT system itself generates the initial password and its password policy as stipulated in line with norms prescribed by Exchanges/SEBI.
5. The Client shall be responsible for keeping the Username and Password confidential and secure and shall be solely responsible for all orders entered and transactions done by any person whosoever through the Stock broker's IBT System using the Client's Username and/or Password whether or not such person was authorized to do so. Also the client is aware that authentication technologies and strict security measures are required for the internet trading/securities trading through wireless technology through order routed system and undertakes to ensure that

the password of the client and/or his authorized representative are not revealed to any third party including employees and dealers of the stock broker

6. The Client shall immediately notify the Stock broker in writing if he forgets his password, discovers security flaw in tock Broker's IBT System, discovers/suspects discrepancies/ unauthorized access through his username/password/account with full details of such unauthorized use, the date, the manner and the transactions effected pursuant to such unauthorized use, etc.
7. The Client is fully aware of and understands the risks associated with availing of a service for routing orders over the internet/securities trading through wireless technology and Client shall be fully liable and responsible for any and all acts done in the Client's Username/password in any manner whatsoever.
8. The stock broker shall send the order/trade confirmation through email to the client at his request. The client is aware that the order/ trade confirmation is also provided on the web portal. In case client is trading using wireless technology, the stock broker shall send the order/trade confirmation on the device of the client.
9. The client is aware that trading over the internet involves many uncertain factors and complex hardware, software, systems, communication lines, peripherals, etc. are susceptible to interruptions and dislocations. The Stock broker and the Exchange do not make any representation or warranty that the Stock broker's IBT Service will be available to the Client at all times without any interruption.
10. The Client shall not have any claim against the Exchange or the Stock broker on account of any suspension, interruption, non-availability or malfunctioning of the Stock broker's IBT System or Service or the Exchange's service or systems or non-execution of his orders due to any link/system failure at the Client/Stock brokers/Exchange end for any reason beyond the control of the stock broker/Exchanges.

4 **GENERAL**

4.1 The term 'constituent' shall mean and include a client, a customer or an investor, who deals with a stock broker for the purpose of acquiring and/or selling of securities / derivatives contracts through the mechanism provided by the Exchanges.

4.2 The term 'stock broker' shall mean and include a stock broker, a broker or a stock broker, who has been admitted as such by the Exchanges and who holds a registration certificate from SEBI.

Risk Reporting:

The Board of Directors of the Company shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined procedures.

Head of Departments or such other authorized persons by Board shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board.

Every Head of Departments or such other authorized persons by Board shall also give details regarding any apparent risk and prospective opportunities relating to their departments on periodic basis to the Board.

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Significant risks include those risks that have a high likelihood or significant impact i.e., having risk exposure or where there is limited ability for mitigation by the Company. These risks are identified and assessed based on the Company's expertise, judgement and knowledge.

Organization follows an automated Risk Management System and compliance processes like margin computation, exposure provided to clients vis-à-vis their collaterals with exchanges/ CCs, periodic submissions etc.

Senior management shall actively promote risk awareness and risk management practices, including providing appropriate training to all associates, incentivizing them to identify risk, and providing appropriate recognition when they do.

Disclaimer

THE COMPANY will have a discretion to alter/change any of Exposure limit, selling parameter defined in this policy on the basis of prevailing market conditions with or without prior intimation and can use their discretion to grant any kind of exemption/permission in case they deem fit on case to case basis.

For M/s. Adwealth Stock Broking Private Limited,

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Jayant Jain

Director