RISK MANAGEMENT POLICY

The company is regulated by the Securities and Exchange Board of India (SEBI) as a stock broker. Further, we are regulated by stock exchanges through their notices, circulars, rules, regulations, and bye laws.

Risk is the potential harm that may arise from some present process or from some future event. It is often mapped to the probability of some event which is seen as undesirable.

Risk Management is process of measuring or assessing risk and then developing strategies to manage the risk. Typically involves utilizing a variety of techniques, models and financial analyses.

MEMBER is exposed to variety of risks including market, credit, liquidity, operational and other risk that are material and require comprehensive controls and ongoing oversight.

The risk management framework of MEMBER for its business is based upon the different client segments, applicable settlement mechanism and SEBI/Stock Exchange/Depository regulations.

We set out below the principles of our risk management framework:

RISK MANAGER:

For smooth operational efficiency, a full time Risk Manager will be available with full control a tool that manages the surveillance system. However Risk Manager is bound to perform some of the operations which are listed below:

- There may be cases when client is not able to connect the online trading program, may be because of Internet failure, system breakdown etc. At these situations, it will be responsibility of RM to execute trade on telephonic conversation with respective client, if the client wants to do so. Such trades shall be executed through Call & Trade / Dealer terminal with mandatory voice call recording.
- If the total margin required at the commencement of the day falls short by more than 10% (Expressed as a % of margin required i.e. IM + EM), the risk manager will be authorized to square off open positions of his choice and client will be able to trade only to close positions already open. (GE = 0) However Risk manager will take recorded/written confirmation or perform system-driven auto square-off for such square off.
- Our risk manager will be authorized to cut off client's position at the end of the day if the positions are exceeding margin requirements as per designated segment timelines (3:00 PM for CAS stocks, 3:15 PM for Non-CAS stocks, and 3:20 PM for F&O). Risk

manager will be free to select which position he should square off under due intimation to client.

- Risk Manager is required to give margin utilized details, M2M details, account position details etc. at any time to the clients who requires the same.
- Risk Manager will be available to monitor the operations and for solving queries arising during trading hours.
- Risk Manager is liable to restrict the client if he is not following trading standards set.
- Risk Manager shall take proper steps to prevent clients from trading in illiquid scrips.
- Risk Manager shall be authorized to refuse acceptance of orders in penny stocks.
- It shall be the duty of risk manager to report any significant event, which may have adverse impact on company's business, to the senior officer.
- Risk Manager has to continuously monitor margin utilization of the company and report immediately to the senior officer or designated person if it crosses beyond 80%.

REGISTERING A CLIENT:

While registering a client, due care is required to be taken regarding identity of clients. Due diligence process as enumerated in the Anti Money Laundering Policy with regard to registration of clients and continuing updation of client information shall be followed.

CLIENT ADMINISTRATION:

Any changes, locking, unlocking, swapping in Client, Client Profile, and Segment shall be done by Sr. Executive –Risk under specific approval from Risk Head.

EXPOSURE AND LIMIT SETTINGS:

Risk control parameters are inbuilt in the front-end system on the basis of which the clients are prevented from taking further position and risk.

Such parameters are;

- Gross Exposure Limits
- Turnover Limits
- Mark to Market Limits
- Buy and Sell Limits

Above parameters are expressed as multiplier of deposits.

Deposit Means: Available Ledger Balance only

Client wise deposits and multiplier are required to be inserted in the front-end system. On the above deposit, different limit multipliers are set base on the risk profile of the client. Collection of upfront margin (VAR + ELM) in the cash segment is mandatory in accordance with SEBI guidelines. The above monitoring is done on a daily basis and at the end of trading day, value of deposits and multiplier are set for the next trading day.

Exposure shall be provided to clients on the basis of available deposit and client risk profile. Such Exposure Value shall be derived from Value at Risk (VAR) Margin and/or pre-defined margins by member.

Further, collection of upfront margin (VAR + ELM) in the cash segment for non-institutional clients is mandatory as per SEBI regulations.

LIQUIDATION/SQUARE OFF:

All outstanding intraday positions shall be squared off daily as per the designated segment timelines:

- 3:00 PM – Square off for CAS-applicable Cash Segment stocks.
- 3:15 PM – Square off for Non-CAS Cash Segment stocks.
- 3:20 PM – Square off for F&O (Futures & Options) Segment positions.

All pending intraday orders in respective segments shall be cancelled prior to Intraday Square off execution.

For Intra Day Trades, Warning shall be issued to clients when 60% of available margin is eroded. Further, In case Margin Eroded Exceeds 80%, client is informed to make RTGS of amount equal to margin eroded to carry forward his position, and if he fails to do, Trades shall be squared off by member.

CLOSING AUCTION SESSION (CAS) FRAMEWORK:

The CAS framework will be implemented in a phased manner as per exchange circulars:

- Phase I (Effective 03 Aug 2026): CAS will be applicable only to equity securities having derivative (F&O) contracts, as specified by the Exchanges.
- The framework shall be implemented uniformly across NSE and BSE for the eligible securities.
- Non-CAS (Non-F&O) securities will continue to trade under the existing Continuous Trading Session (CTS) until 3:30 PM, and their closing price will continue to be determined using the existing VWAP methodology.
- F&O Segment trading timing is extended up to 3:40 PM.

Intraday Auto Square-Off Timelines:

- 3:00 PM: Intraday square-off for CAS-applicable equity stocks.
- 3:15 PM: Intraday square-off for Non-CAS equity stocks.
- 3:20 PM: Intraday square-off for F&O (Futures & Options) positions.

CAS Execution Timelines & Session Structure:

- 3:15 PM – 3:20 PM (Transition & Reference Price): Market paused. Reference Price +3% & -3% Price Band calculated. Pending Stop Loss (SL) orders auto-cancelled. Pending

Limit orders outside (+3% to -3%) range auto-cancelled/removed by Exchange. Pending Limit orders within (+3% to -3%) range carried forward into Auction.

- 3:20 PM – 3:25 PM (Order Entry Phase): Both Market and Limit orders can be placed, modified, or canceled. Orders are collected, NOT executed immediately (No Instant Execution window).
- 3:25 PM – 3:30 PM (Limit-Only Phase): Market orders locked. Only Limit orders allowed/modifiable (within +3% & -3%). Random Close: Session can close anytime between 3:28 PM and 3:30 PM.
- 3:30 PM – 3:35 PM (Order Matching Phase): Trades actually execute at the discovered Closing Price (orders execute only if matching counter orders are available).

CLIENT DEFAULT & OUTSTANDING:

Contract slip/bills must be signed properly by the clients/authorized representatives. Proper authorization letter should be taken in case client sends somebody else for collection. Contract Notes are to be sent within 24 hours of execution of trades.

In case of default, if client is not able to pay his/her/its dues immediately adopt following procedure:

- Try to take postdated cheques for amount due;
- Get the ledger and contract notes signed by the client;
- Obtain letter from the client covering the schedule of future payments;
- Preserve
  - Signed contract notes / bills;
  - Proof of sending of bills/contracts by courier etc.; and
  - Proof of delivery of bills/contracts by courier etc.
  - Arrangement for recording of telephone conversations with defaulting client should be made covering Amount/s, Due Date/s, Date of recording Exchange/s and major scrips.

If hopes of recovery by follow up have faded, inform the designated department immediately but not later than 15 days in case of cheque bouncing and within 4 months in other cases. Also send original above-mentioned documents to designated department. For small amounts i.e. below 50,000/- any offer to settle the payment for a lesser amount and close business requires explicit written approval from Senior Management / Compliance Officer. Major defaults older than 6 months may also be intimated to the designated department for civil recovery.

When default has already occurred, do not pass JV for transferring funds. Obtain letters for all the inter exchange, inter segment, inter family/friend transfers and third-party payments should be backed by proper authorizations singed by all the parties.

Outstanding more than 90 days shall be closely monitored and recovery procedure shall be initiated for the same. Further, client shall not be provided Buy Limits and Only Sale Limits shall be made available if shares are lying with us. Account Department shall take all reasonable steps to clear such debits.

INTERNAL SHORTAGE & CLOSE OUT:

Due to Internal shortages, company might not be in a position to deliver the shares purchased by the Client. In such circumstances, on T+1 day, company may buy the shares from the market and deliver the same to the client. The Client undertakes that it will not hold company responsible for any loss/damages arising out of the same.

Similarly, if the Client fails to deliver shares against its sale transactions, the appropriate amount will be debited to the Client's ledger equal to the buy value of such undelivered shares. Such Amount shall include internal auction or close out charges @ 1% of Auction /Close out rate. The Client undertakes that he will not hold company responsible for any loss/damage arising out of the same.

In case where such buying is not possible from the market due to reasons beyond control viz circuit breaking, etc., exchange guideline for internal shortage and close out shall be followed.

Internal auction or Close out shall be done on T + 1 day.

RISK COVERAGE:

The Company should have adequate insurance cover for different types of exposures, including but not limited to fidelity insurance, and replacement of equipment and other business and data processing devices.

To reduce the systematic risk, Stock Broker Indemnity Policy of Rs. 5 Lacs Which Covers losses on account of trading as well as back office losses shall be obtained.

The company's risk policies and measurements and reporting methodologies are subject to regular review on annual basis or when there are significant changes to the products, segments, services, or relevant legislation, rules or regulations that might impact the company's risk exposure.

REVIEW OF THE POLICY:

This policy shall be reviewed annually or as & when there are any changes introduced by SEBI, exchanges, regulatory authorities.