Pune e Stock Broking Limited-Risk Policy Document

Frequently Used Terms:

Approved Securities	List of securities approved as collateral by the clearing corporations.
Non Approved Securities	Securities other than approved securities.
Margin Available	Combined Ledger Balance (BSE+NSE+MCX) including unrealized cheques on Trade Day+ Value of pledged securities(post haircut)+ 80% of value Early Pay in of securities sold on T-1 day.
Haircut	VAR margins as applied by clearing corporations
Pledged Securities	Value of securities as pledged with PeSB + Values of Securities repledged with the clearing corporations post haircut.
Unsettled Buy/ Sell	Shares traded whose settlement is still pending with the clearing corporations.
Derivatives Margin	Margins on Derivatives position (Initial+Exposure+ELM or any other margins)
Cash Market Margins	Initial + Exposure margin subject to minimum of 20% margin on the trade value

INTRODUCTION

A Risk Management System is integral to an efficient Risk system. We have put in place a comprehensive risk management system, which is constantly upgraded as per the Exchange, SEBI & PMLA norm and as per Market Movement. As a prudent broker, Pune e Stock Broking Limited (Hereinafter referred as “PeSB”) would like to make customers aware of the inherent Risks involved in dealing in Equities and other instruments. Through this Risk document, the approach has been to further simplify the understanding of various Risks involved in Equity Dealings and the important Policies formulated which the customers need to understand and be clear about while dealing to minimize the risk of loss. In view of the above, PeSB, as a Stock Broker, has implemented the following system of risk management.

RISKS INVOVLED IN TRADING ON THE STOCK EXCHANGE

Investment in Equity shares, derivatives or other instruments traded on the Stock Exchange(s), 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. In considering whether to trade or authorize someone to trade for you, you should be aware of or must get acquainted with the following:-

1. Liquidity Risk (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, your order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all. 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.

2. 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.

2.1 - 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.

2.2 - 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.

2.3 - PeSB under no circumstances is liable for any loss arising to the client on account of suspension, interruption, non availability or mal functioning of Stock Brokers trading system or at exchange’s systems or non execution of orders due to link/ system failure at the client/ stock broker’s/ Exchange end for any reason beyond the control of stock broker/ exchanges.

3. 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, your order may only be partially executed or not executed at all, or the price at which your order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.

4. 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.

5. 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.

A. <u>Market Order</u> :-

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.

B. <u>Limit Order:</u> -

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.

C. <u>Stop Loss Order: -</u>

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.

6. 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.

7. Risk of Rumours

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.

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. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions.

RISKS PERTAINING TO DERIVATIVES TRADING

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.

You 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 you, you 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 you, you 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 you fail to deposit the additional amount by the deadline or if an outstanding debt occurs in your account, the stock broker may liquidate a part of or the whole position or substitute securities. In this case, you 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, you will be required to put up additional margins or reduce your positions.

E. You must ask us to provide the full details of derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations.

F. SEBI has introduced physical settlement mechanism in case of positions in case of stock futures that are not squared off on or before expiry of contract. This also includes physical settlement in case of in the money call/ put options which are not squared off on or before expiry. This may lead to increase in margin just before expiry date. Further in case of option buyers, the loss may increase over and above the premium already paid. For example, in case if a client is having a buy position of 500 quantities in put options of Security A having strike price of Rs.400 and if the settlement price on expiry is Rs.399, then the client may have to deliver the said quantity failing which the client may have to bear loss on account of securities being settled in auction market.

CURRENCY SPECIFIC RISKS

II. The profit or loss in transactions in foreign currency-denominated contracts, whether they are traded in your 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.

II. Under certain market conditions, you 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.

III. 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.

RISK OF OPTION HOLDERS

A. 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.

B. The Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

RISKS OF OPTION WRITERS

A. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount.

B. 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.

C. 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.

ORDER TYPE

1. Delivery/Margin Orders

- Clients may choose this order type for effecting Delivery / Intraday transactions in the cash segment.
- Automatic limits are available to sell stocks in PeSB’s DP .
- Selling (in cash segment) securities against pending pay out obligations may be done at clients’ risk. (Risk of short delivery [exchange / internal] from any previous settlements yet to be settled rests with the client)
- Non-maintenance of adequate Collateral / Margin required at all times owing to erosion of margins may lead to square off by the RMS desk without any reference to the client

- Exceptions may be requested for selling stocks from third party DP. Provided the client is eligible for the exposure, such sell orders shall be placed as "MARGIN" orders and notified specifically to the RMS desk at least 30 minutes before end of trading session to provide an exemption from the margin trade square off trigger. If this request is not made, such orders may be liquidated by the RMS desk without reference to the client or dealer.

  All Intraday/ Margin positions will be squared off before 15 minutes of respective market closing time unless the positions are converted to Delivery / Carryforward based on the margins available and no fresh orders in Intraday / Margin products will be allowed to be placed. Classification of securities shall be done periodically taking into account market capitalizations, volumes, exchange groupings, liquidity and some subjective evaluation.

2. Derivatives (Margin Orders & Carry Forward orders)

- For derivative orders, futures and short options positions shall be charged margins as per exchange i.e. Initial Margin + delivery margin (if any) + exposure margins + additional margins, if any. In case of Currency Derivatives orders shall be charged margins as per exchange i.e. Initial Margin + extreme loss margin + additional margins, if any. Options purchases require margin equivalent to the net buy premium amount. These margins need to be available before the order is placed i.e. on an upfront basis.
- Any relaxation in margins as above offered to clients may be revoked dynamically by RMS based on market context and insufficiency of margins as per standard requirement above may trigger square off without reference to the dealer / client.
- PeSB may enhance margin requirements from time to time based on the prevailing market context.
- Non-maintenance of adequate Collateral / Margin required at all times owing to erosion of margins may lead to square off by the RMS desk without any reference to the dealer / client
- Margins required for derivatives trading need to be in form of Cash collaterals. However, clients can also provide approved stock collaterals after applicable hair cuts for margins. Such client stocks may be pledged to exchange to avail margins as RMS deem required.
- Risk team can square off any collaterals as margin in case of any losses/shortfalls as per their discretion without any reference to the client.

LEDGER CREDIT AGAINST RECEIPT OF FUNDS

Credits are posted into the ledger for direct clients against RTGS / EFT transfers on EOD basis provided the details of such transfers are reported as per due process by the client / relationship manager/ service managers / dealers. Credits for online fund transfer receipts through PeSB portal shall be credited same day and given exposures post receipt of funds. Credits against deposit of the cheques are given based on bank statements/ scan copy of cheque and deposit slip only. This is typically done once a day. Exposures shall be given only against banked instruments unless otherwise approved.

General Trading Policy

1. **1.** Trading in scrips other than A, B series of BSE and EQ series of NSE segment is blocked in the system. Orders may be placed by the advisor / client / dealer after a request to RMS desk to unblock the same for a particular order. Such unblocking maybe done selectively at the discretion of the RMS desk for limited periods of time. Maximum order size in such stocks should not exceed 20% of DTV (Daily traded Value) at the time of order. Order to be placed strictly as delivery option ONLY to avoid timer based auto square off. Allowing of trades in illiquid scrips will be at the sole discretion of RMS team.
RM/Advisor/Dealers should not accept the orders from the client in scrips which form part of block scrips. List of such scrips shall be made available on a monthly basis unless there is change during the month.

2. GSM and S+Framework (SS and ST) scrips are also blocked by the system. Wherever ASD(Additional Security Deposit) is applicable, despite client having funds buying is not allowed. Squaring off of existing holding is however permitted.

3. The dealer / client shall not take any fresh positions in F&O scrips where incremental exposure is disallowed by the exchange. Only square off trades/rollover trades shall be permitted in such underlying. However, intraday orders can be placed and will be squared off by system 15 minutes prior to end of trading session.

4. Maximum single order transaction quantity, lots and value across cash and derivatives segment shall be set by RMS which is subset of exchange allowed permitted limits. The same varies between dealers as well as clients.

5. Additional leverage maybe allowed for orders placed under margin trade as maybe separately specified. Clients have to square off all outstanding positions / pending orders under this order type before 3:10 PM or 20 minutes before end of the trading session (whichever is earlier). Alternatively, they may convert such trades / orders into Carry Forward orders subject to availability of sufficient margin. PeSB shall reserve the option to liquidate all outstanding positions / pending orders under this order type starting 15 minutes before end of the trading session. Such leverage shall be offered only if clients are subject to square up from RMS desk based on time or M to M losses.

6. Leverage for new IPO listing on the listing day maybe done as deemed appropriate by RMS from time to time.

COLLECTION POLICY

A. Funds may be due from clients towards stock purchases, trading losses, M to M on open positions, option purchases, margins against outstanding positions, past dues, charges etc. from time to time

B. All amounts billed against securities traded on the exchange are overdue if funds are not received in PeSB's client bank account before the settlement time / date as per the settlement calendar published by the stock exchanges. The settlement date is currently T+1 for F&O and T+2 for the cash segment

C. Failure of clients to remit money on time as above towards exchange Funds settlement may trigger square up action as per the square off policy.

D. All amounts billed towards charges including DP charges etc. are due when billed.

E. Daily Reports shall be made available / mailed to respective advisors / branches typically before the start of the trading session. Typically actions by RMS desk as per square up policy is initiated by 11.00 AM unless any unusual circumstances like unusual/exceptional movement in the market or any specific scrip, RMS call is taken Case to Case basis.

F. All Adhoc margins charged by the exchange has to be collected from the client. Failing which DPC on the short amount collected will be levied at the agreed ROI.

G. PeSB will collect at least 50% margin in form of cash or cash equivalents from the client in Capital as well as derivatives market segments. In case of failure on the part of client to maintain cash margin, PeSB will charge interest upto 24% p.a. on such shortage for the number of days till the shortage persists. Further PeSB reserves the right to liquidate client position based on discretion of RMS team, in case if there is failure on the part of the client for complying on the same.

SQUARE OFF POLICY

1. Ledger debits other than MTM losses need to be paid up by T+5. MTM losses need to be paid up max by T+1 start of market and cannot be set off against MTM profit of T+1 day. All amounts due in F&O segment needs to be settled by way of clear funds on T+1 day. Security collateral shall not be considered against these debits.

2. Similarly all amount due in Cash Segment needs to be settled by way of clear funds on T+2 day. Security collateral shall not be considered against these debits.

3. All unpaid position shall be transferred to Client Unpaid Securities (CUS) Account on T+2 days and by T+7 days, the unpaid securities shall be squared off without intimating the clients or PeSB at its discretion may transfer the unpaid securities if any on T+7th day to the respective Clients Demat Account on case to case basis depending upon the credit worthiness of the client. In terms of policy as explained in next section under the heading`` Policy on un-paid securities ``.

4. PeSB under no circumstances allow fresh exposure to any Client beyond T+7th day if the client failed to clear the outstanding debits.

5. MTM based square off shall be triggered in case more than 80% / as agreed by the RM / dealer / client of margin at BOD has been eroded during the day. Value (Intrinsic / Implied / Market) of options shall be considered as zero for this purpose.

6. All Leveraged positions taken deviations shall be regularized through squared off / cheque deposit before 3:00 p.m. failing which the RMS desk may initiate square off action. However,PeSB Shall not be responsible for non-square off due to low/No liquidity or in case of system failure. Any loss will have to be borne by the client.

7. Notwithstanding anything specified anywhere else in the policy, if there is any outstanding amount due of more than 7 continuous business days, PeSB shall have the option to liquidate collateral any time after that date to recover the receivables despite maintenance of adequate collateral in the form of securities by the client. Only clear balance as evidenced by bank statements shall be considered against such amounts due for receipt of funds at this time.

POLICY ON UNPAID SECURITIES

SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 mandates that securities received for pay out if not paid fully by the clients such securities shall be transferred to `` Client unpaid securities accountCUS)`` from the pool account.The securities kept in the CUS account shall either be transferred to the Demat account of the respective client upon fulfillment of clients funds obligation or shall be disposed off the in market by PeSB within 5 days after the pay-out.

Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.

The FAQs issued by Exchanges however permit the Members to transfer the unpaid securities directly to Clients demat account on 5th day after the pay-out date. Provided the Member have Board approved policy for the same.

Accordingly PeSB may at its discretion on case to case basis transfer the Unpaid securities to Clients Demat Account on 5th day from the pay-out day subject to the conditions as it may prescribe from time to time .

DOCUMENTS RELATED TO FINANCIAL DETAIL OF CLIENT AND MANDATORY ATTRTIBUTES

1. Client is required to get updated his financial details (with documentary evidence) on annual basis in case of derivatives segment and in in case of non individual accounts.In case if the client is trading only in cash market segment, then he is required provide income declaration on annual basis. The indicative list of such documents is available in NSE circular number NSE/INSP/2010/91 dated February 03, 2010.

2. The client is under obligation to inform any changes in his KYC details through online or offline mode. Further any changes in bank and demat details, the same has to be updated after providing us with necessary evidence.

3. The client has to link his PAN with Aadhar within the time as stipulated as provided by the government failing which the account be marked as inactive.

4. In case of failure on part of client to update/ Non submission of key KYC attributes, PeSB reserves to mark the account as inactive and no transactions will be allowed to be executed in such cases.

Note:

A. Delayed Payment charges may be charged on the outstanding debit balances and F&O margins not collateralized by cash/stock collaterals on a periodic basis in case monies/stock are not received before settlement date / margin billing date as per the settlement calendar published by the exchange and as mentioned above in case of failure to maintain desired cash margin.

B. Funds and securities payouts are processed by the operations team after the billing is done for T day. Further, after settlement is done, the payout will be given on next day after giving payout request . Any payouts during the day shall be subject to approval from the RMS desk (To check availability of free funds / securities for payout and make necessary adjustments in the RMS system)

C. The baseline approved list shall be reviewed at least once a month with adhoc additions and deletions from time to time

Disclaimer :

The above guidelines are to be considered as broadly indicative and subject to changes at its sole discretion without any notifications and assigning reasons in line with the changes in market environment as may be perceived by PeSB. No claims on basis of the above guidelines by any party will be entertained and PeSB is fully entitled to make variations in allowing limits towards credit and exposures and square off / liquidate the collaterals in case of any default by the parties.

Date of Review: 27-12-2022

On behalf of Board of Directors

Sd/-
Archana Gorhe
Whole Time Director