RISK MANAGEMENT POLICY

Risk management is an integral part of the **"OSWAL SHARES & SECURITIES LTD."** (herein referred as "BROKER NAME") approach to decision-making and accountability. Broker Name Pvt Ltd is working as a Corporate Broking entity, conducts its business operations based on sound Risk Management Policies to pursue prudent business practices and, for providing hassle free trading / investment facility to the registered clients. The function of Risk Management being an ongoing exercise is reviewed periodically and necessary measures are initiated to enhance its overall effectiveness.
Various Risk Management Measures implemented by Broker Name are detailed below:

1. CLIENT'S EXPOSURE LIMITS:

As per SEBI circular ref. no. SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021, regarding Segregation and Monitoring of Collateral at the client level, the trading limit will be provided to client once the funds are allocated at the clearing corporation.

Margin/Deposit based limits are assigned to the customers for trading purpose. VaR/SPAN margin including any additional margin as specified by the exchanges or as per our own assessment is blocked at scrip level on the positions taken by the clients during the day.

i. Deposit calculation: Deposit is calculated at customer level after netting off ledger balance in all segments. Margin is calculated as follows:

Margin = Ledger Balance (Dr/Cr) + Net value after haircut of holding in margin pledge available with BROKER NAME.

ii. Valuation of margin pledge on eligible scrips: Margin pledge valuation is done on previous day's closing price. Net valuation is calculated by applying appropriate haircut based on VaR margin percentage specified by the exchanges or Broker Name prescribed rates, as the case may be.

iii. Extreme market conditions: Limits are assigned based on credit in the ledger. In such conditions, clients will be allowed to buy only to the extent of Clear ledger credit available.

Margin Limit in Cash segment: We provide Margin based limit on the clear balance available in the customer's ledger account in our books, value of collateral benefit on pledged securities after applying haircut on holding lying in the client account and credit for sales. Limit on the basis of unsettled sales (credit for sale) and uncleared cheques will be at discretion of BROKER NAME.

Margin Limit for F&O, Currency and Commodity segment: BROKER NAME provides margin limit in F&O, Currency and Commodity segments based on availability of initial and exposure margin upfront available into the client account in the form of Clear Financial Ledger, cash collateral and non-cash collateral.

Client-wise differential limits: We shall have the prerogative to allow differential limits in Cashand Derivative segments varying from client to client, depending upon credit worthiness and past conduct of each client or any other criteria which we may find suitable.

BROKER NAME Discretions on limits:

(i) BROKER NAME has discretion to change the limits 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)

(ii) BROKER NAME shall not be able to inform the client of such variation, reduction or imposition in advance.

(iii) BROKER NAME shall not be responsible for client's inability to execute any order on account of any such variation, reduction or imposition of limits.

(iv) BROKER NAME may provide exposure to client on stocks held in the CUSPA and pool account

LEVERAGE AND EXPOSURE LIMITS IN MARGIN TRADING FACILITY

While providing the margin trading facility, RMS Team shall ensure that:

i. **Exposure to Single Client:** The exposure to any individual client at any point of time shall not exceed either 10% of the company's maximum allowable exposure or Rs. 4 crore, whichever is lower.
ii. **Exposure to Single Stock:** The exposure to any single stock (script) at any point of time shall not exceed either 10% of the company's maximum allowable exposure or Rs. 5 crore, whichever is higher.
iii. **Client-Specific Exposure:** The exposure in any particular stock by a single client at any point of time shall not exceed Rs. 1 crore.
iv. **Mark-to-Market:** Collateral and funded stocks (stocks purchased with borrowed funds) shall be marked to market on a daily basis.
v. **Limit on Single Script:** Any individual script (stock) within a client's collateral shall not constitute more than 50% of the total exposure provided to that client.
vi. **Debit Ledger Balance:** The outstanding debit balance in a client's ledger shall not remain unpaid for more than 90 days at any given time.
vii. **Margin Shortfall:** If the margin is not met by the client then the shares will be squared off after giving margin call.
viii. **MTF approved exchange list:** If a stock is no longer in the MTF approved exchange list, any funded position must be closed. The client will have to make full payment for the stocks

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which have been removed from Exchange MTF approved list. (BROKER NAME refer both exchange approved stocks list (Group 1 stocks)

BROKER NAME reserves the right to liquidate and close client positions if the above requirements are not fulfilled.

These rules are designed to mitigate risks and ensure responsible management of margin trading activities, protecting both the company and its clients from excessive exposure and potential losses.

2. HANDLING OF SECURITIES FOR THE CUSTOMERS

- It is the client's responsibility to clear his/her obligations by T+1 days (T indicates Trading day). If the client clears his/her obligation within T+1 days, then those fully paidsecurities will be transferred to the respective client's Demat Account provided the net financial ledger balance after considering outstanding margin obligation (across exchange) is not in debit.

- If the client is unable to clear his/her obligation within T+1 days, then those unpaid securities of the client shall be transferred to respective client's demat account followed by creation of an auto-pledge (i.e., without any specific instruction from the client) with the reason "unpaid", in favor of a separate account titled –"client unpaid securities pledgee account".

- In case of receipt of partial payment from the client, the securities amounting to the value of such part payment will be transferred to the client's Demat account and remaining unpaid securities shall be pledged in CUSPA.

- It should be noted that 150% of value of securities may be pledged by us against the outstanding debit of the client.

- The securities pledged in 'client unpaid securities pledgee account' shall either betransferred to the demat account of respective client upon fulfillment of client's funds obligation or shall be disposed of by us, as per prevalent policy. The unpaid securities shall be sold in Unique Client Code (UCC) of client (without pre-order confirmation) to the extent of debit balance of the respective settlement.
- CUSPA account of BROKER NAME (reduced by the appropriate haircut subject to minimum 20%) may be considered for collection and reporting of margin by BROKER NAME to the extent of debit balances in client ledger arising out of buying obligation of such unpaid securities.

3. 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)

BROKER NAME shall have the right to sell client's securities, both unpaid securities as well as collaterals 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:

- In case of unpaid obligation, to cover the pay-in obligations of client, we shall sell the unpaid/ partially paid securities within five trading days after the pay-out date. In addition we may sell the collaterals pledged 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.
- BROKER NAME 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 basis /Real time monitoring basis.
- While computing margin shortfall, value of unapproved securities shall not be considered.
- As per the Exchange requirements, the BROKER NAME is required to maintain a prescribed ratio between cash and non cash collaterals deposited with the Exchange. BROKER NAME shall therefore have the prerogative to insist for at least 50% 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 may close the F&O, Currency and Commodity segments position where itfinds deviation.

Hence if at any time, client doesn't maintain enough margins in cash, i.e. 50%, then the client's account will be in debit balance and applicable delayed payment (interest) charges will be applicable on the shortfall in cash margin.

The client needs to maintain the defined margin to retain position in derivatives segment (FNO, Currency, Commodity), RMS team reserves the right to initiate liquidation of position up to the required margin at any point of time. If the defined margin or exchange margin is short any open position can be squared-off at the BROKER NAME discretion.

Note:
RMS liquidation will be done on T+1 basis for the Mark to Market (MTM) debit/margin shortfall. Even if due to sudden scrip volatility during the day, if a shortfall arises during the

day due to MTM loss or margin increases, RMS liquidation will be done on the same day.

On T+1 day the required margin needs to be maintained before 9.00 AM in order to continue holding the position.

BROKER NAME reserves the right to square-off all intraday positions (cash as well as derivatives) and carry forward derivatives trades, the clients will be alerted at specified percentage on a best effort basis, however, given the market volatility, sending an alert should not be mis- construed as an obligation for BROKER NAME. The position will be reduced on the best effort basis and the client will be liable for any losses on square-off. All pending orders of the client will be cancelled. If a client is creating a buy position in options, then the full payment of the premium shall be blocked. In case of any MTM calculations or margin requirements, this option premium shall not be considered as a part of the calculation.

If due to reasons such as connectivity, link or system failure, stock at Lower or Upper circuit i.e. circumstances beyond control, an intraday position is not squared-off, then it will be treated as a carry forward position and any loss or penalty due this will be borne by clients only. RMS reserves the right to liquidate the same on the next trading day as soon as markets open in the absence of required margin.

C. Intra-day positions:

BROKER NAME shall have right to close out any intra-day positions taken by the client after a defined ‘Cutoff’ time (Presently 30 minutes before close of market).

D. General :

- BROKER NAME 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 clients positions against debit / margin shortfall.
- While selling the securities/ closing the client positions, BROKER NAME may not take into consideration Cheques showing uncleared although deposited by the client with BROKER NAME until clear proceeds of such instruments are received by BROKER NAME in its bank account.
- BROKER NAME shall have the right to sell clients securities or close out client’s position butit shall not be under any obligations to undertake this exercise compulsorily.
- BROKER NAME shall have the right to sell clients securities in case of Ageing of debit and margin shortfall in the client account
- BROKER NAME shall not be responsible for any losses and penalties / charges levied by exchanges(s) caused on such square off
- BROKER NAME shall therefore not be under any obligation to compensate / or provide reasons of any delay or omission on its part to sell clients securities or close open positions of the client.

4. CONDITIONS UNDER WHICH A CLIENT MAY NOT BE ALLOWED TO TAKE FURTHER POSITION OR THE BROKER MAY CLOSE THE EXISTING POSITION OFA CLIENT

A. All markets:

- Client is not having adequate margins as per conditions in Risk Management policy.

B. Capital markets:

- The client has not been able to meet his pay-in obligations in cash by the schedule date of pay-in irrespective of the value of collaterals available with BROKER NAME.
- Clear proceeds of the cheque deposited by the client to meet the pay-in obligations have not yet been received by BROKER NAME.
- Client is trading in “illiquid” scripts and volumes in his account exceed internal cut off limitfixed by BROKER NAME.

C. F&O, Currency and Commodity Segment:

- 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

D. Intra- day:

- Clients will not be able to place intra-day orders after a cut-off time fixed by BROKER NAME. (30 minutes prior to close of market)

E. Event Based:

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

5. PHYSICAL SETTLEMENT OF STOCK DERIVATIVES

As per SEBI circular starting from October 2019 expiry, if client hold a position in any Stock F&O contract, at expiry, he/she is required to give/take delivery of stocks.

Accordingly, if clients hold a position in any Stock F&O contract, at expiry and doesn’t square off positions before the close of trading hours on the expiry day, he or she will either have to take delivery (for long futures, long in the money calls, short in the money puts) or give delivery of the underlying stock (short futures, long in the money puts, short “In the money” calls) as per the nature of contract.

Obligation of the clients:-

All positions that result in receiving delivery of shares will require the clients to have funds equivalent:

- For Futures: Settlement Price * Lot Size * Number of lots
- For Options: Strike Price * Lot Size * Number of lots

All positions that result in giving delivery of shares will require the clients to have shares in their demat account equal to the deliverable quantity i.e Lot Size * Number of lots.

6. TEMPORARILY SUSPENDING OR CLOSING A CLIENT'S ACCOUNT AT THE CLIENTS' REQUEST

BROKER NAME 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 12 month across group companies
- The account is under investigation by any regulatory body.
- Based on the recommendations made by the branch manager due to excessive speculations, unclear balances.
- "Addressee" left, refusal to accept mails, signature mismatch on POD's or other reasons which may create suspicion.
- ECN failed (bounced email) on more than 3 instances until client submits and registers new email id.
- Non-delivery of the Statement of Account sent on periodic basis.
- Non-Updation of communication details viz., email id, mobile no., landline details or it isfound to be belonging to a third person.
- Client lodges a complaint either directly with BROKER NAME or through Exchange relatingalleged
- 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.
- Due to any internal surveillance (if client indulges into manipulative trade practice) / regulatory orders (debarring orders) / client mis-conduct etc.

BROKER NAME may also suspend the account based on the written request received from the client.

7. REFUSAL OF ORDERS FOR PENNY STOCKS/ILLIQUID STOCKS

Penny/ illiquid Stocks are traded at relatively low price and market capitalization.

BROKER NAME shall have absolute discretion to accept, refuse or partially accept any buy or sell order for execution from a client in respect of penny stocks, illiquid stocks, stocks having low liquidity, illiquid "options", far month "options", writing of "options", and any

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other contracts which as per the perception of BROKER NAME are extremely volatile or subjectto Market manipulation.

BROKER NAME may permit restrictive acceptance of orders in such scrips/contracts in controlled environments like orders received from clients being forwarded by branches to a centralized desk at HO instead of allowing trading in such scrips/contracts at branch level or through online trading platform. BROKER NAME shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the client.

BROKER NAME may take appropriate declarations from the clients before accepting such orders.

BROKER NAME shall have the prerogative to place such restrictions, 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 securities/contracts through BROKER NAME itself.

8. SHORT MARGIN PENALTY

As per regulations, short margin penalty is levied when available client margin is less than the prescribed margin from exchange. Shortage in Margin shall attract penalty as may be levied by the Exchange other than “upfront margins” such as consolidated crystallized obligation, Delivery margins, other margins (Mark-to-market & additional margins) etc. Such various types of penalties would be passed on to the client in case client fails to add funds in the account.

Penalties arising in case of sudden volatility in the market and increase in margin by the Exchange, which is beyond the jurisdiction of BROKER NAME, may be imposed on the client after providing relevant information.

9. TECHNOLOGICAL RISKS:-

BROKER NAME provides Trading on exchanges in Mobile/Web based platform, based on leased line/Internet 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 the control of 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 clients have outstanding open positions or unexecuted orders, these represent a risk because of their obligations to settle all executed transactions.

Impact of the Technological/System failure which may be faced by the client: -

- Revenue loss - due to technical issue, the trading is on halt
- Opportunity loss for Clients, since clients won't be able to place orders on time
- Reputational Risk
- Financial risk due to not squaring the open/risky position at the right time and price

10. REPORTING TO THE EXCHANGE(S)

In case the client is found indulging in suspicious activities, BROKER NAME may report such transactions to the exchange(s). The company is not responsible for any loss incurred by the client if he/she is found guilty of unethical practices. The company will share all the required information to the regulator, exchange, or any other recognized regulatory body when a client specific details is asked for. The company reserves the right to inform the client based on the directions received by the fore mentioned regulatory body.

11. FACILITY OF VOLUNTARY FREEZING/ BLOCKING THE ONLINE ACCESS OF THE TRADING ACCOUNT TO CLIENTS ON ACCOUNT OF SUSPICIOUS ACTIVITIES

(As per requirements of SEBI Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024)

- **Modes through which a client can request/communicate to the Trading Member:-**

If any suspicious activity is observed in the Trading Account, the client may request us to voluntarily freeze/block the online access of the trading account through any of the following communications to us at the e-mail ID **stoptrade@oswalshares.com** and/or telephone number **+91-9825213932** :-

a) Email from registered e-mail ID
b) SMS / Call from registered mobile number

- **Issuing of acknowledgement to the clients on receipt of message:-**

After validating that request, Member will issue the acknowledgement as well as freeze/block the online access of the client's trading account.

- **Time period within which the request shall be processed and the trading account shall be frozen/blocked:-**

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The timelines for freezing/ blocking of the online access of the clients' trading account 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[1] and within 15 minutes before the start of trading.	Within 15 minutes[2]
Request received after the trading hours and 15 minutes before the start of trading.	Before the start of next trading session

1 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.

2 To begin with, the time limit of 15 minutes is being specified for the purpose of issuing acknowledgement as well as freezing/blocking of the online access of the trading account. This time limit shall be contracted after a review in next six months after the date of its applicability to enhance protection of investors from suspicious activities.

- **<u>Action to be taken by the Trading Member pursuant to the receipt of request for freezing/blocking of the trading account</u>:-**

The Trading Member shall take the following actions on the receipt of request through any modes of communications as provided by the Trading Member for freezing/blocking of the online access of the trading account from the client:

a. Validate that the request is received from the client as per prescribed mode of communication and issue the acknowledgement as well as freeze/block the online access of the client's trading account and simultaneously cancel all the pending orders of the said client.

b. Post freezing/blocking the client's trading account, send a communication on the registered mobile number and registered e-mail ID 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 along with the process of re-enablement for getting the online access to the trading account.

c. Details of open positions (if any) should also be communicated to the client along with contract expiry information within one hour from the freezing/blocking of the trading account. This will eliminate the risk of unwanted delivery settlement. This time limit shall be contracted after a review in the next six months after the date of its applicability to enhance protection of investors from suspicious activities.

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- **Process for re-enabling the client for trading/transfers:-**

  The Trading Member shall re-enable the online access of trading account after carrying out necessary due diligence including validating the client request and unfreezing / unblocking the online access of the trading account.

- **Intimation to be provided by the trading member to the client:-**

  Post freezing/blocking the client's trading account, send a communication on the registered mobile number and registered e-mail ID 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 along with the process of re-enablement for getting the online access to the trading account.

  It is also clarified 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 client Unique Client Code (UCC) as inactive in the Exchange records.

  The Company reserves right to amend/modify any of the policies/procedures mentioned above from time to time depending upon regulatory, market, external conditions and our internal risk management framework, and the customers can obtain such change/ modification from the Company's website.

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