ANANDRATHI

RISK MANAGEMENT POLICY of ANAND RATHI SHARE AND STOCK BROKERS LIMITED

Introduction

Anand Rathi Share and Stock Brokers Limited is a SEBI registered Stock Broker, Depository participant, Merchant Banker, Research Analyst etc. Also, Anand Rathi Share and Stock Brokers Limited has been recognized as QSB (Qualified Stock Broker) by SEBI.

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 Anand Rathi Share and Stock Brokers Limited 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 Committee ("the Committee") 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.

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Setting up client's Margin Limits

Margin Limit in Cash segment (Including MTF Product): Anand Rathi Share And Stock Brokers Limited ("ARSSBL") 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 ARSSBL based on market volatility and quality of collaterals. Limit on the basis of unsettled sales and uncleared cheques will be at discretion of ARSSBL.

Margin Limit for F&O, Currency & Commodity segment: ARSSBL 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 ARSSBL) after appropriate haircut.

Client-wise differential limits: ARSSBL 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 ARSSBL may find suitable.

ARSSBL Discretions on limits:

- ARSSBL 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.
- ARSSBL shall not be able to inform the client of such variation, reduction or imposition in advance.
- ARSSBL shall not be responsible for client's inability to execute any order on account of any such variation, reduction or imposition of limits.
- Collateral benefit on pledged share of Anandrathi Group company (like AnandRathi Wealth Limited) will be zero for limit purpose in broking and MTF.
- MTF funding will not be allowed on shares of Anandrathi Group Company.
- Collateral can be provided in Cash or Non Cash component, and client should maintain Cash and Non Cash Ration of 50:50 for trading, however we will not restrict client to trade even if client fails to maintain Cash and Non Cash Ratio of 50:50, ARSSBL on behalf of its client will maintain this ratio at Clearing Corporation level and will charge interest for this under head Delay / Late payment charges.

Refusal of orders for penny stocks or illiquid securities / Contracts

- Penny/ illiquid Stocks are traded at relatively low price and market capitalization. Anand Rathi Share and Stock Brokers Limited (ARSSBL) 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 / contracts having low liquidity, illiquid "options", far month "options", writing of "options", and any other contracts which as per the perception of ARSSBL are extremely volatile or subject to Market manipulation
- ARSSBL 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. ARSSBL shall not be responsible for the delay in execution of such orders and consequential

opportunity loss or financial loss to the client.

- ARSSBL may take appropriate declarations from the clients before accepting such orders.

  ARSSBL 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 ARSSBL itself.
- In addition to existing Surveillance action being imposed from time to time, it may be noted that securities which are under graded surveillance measures will attract additional surveillance measures.

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)

ARSSBL shall have the right to sell client's securities, both unpaid securities as well as collaterals deposited 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 on T+1, ARSSBL may sell the unpaid/ partially paid securities. In addition ARSSBL 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.
- Further ARSSBL shall also have rights to Invoke Pledge Securities/ Mutual Funds Units with/without prior intimation to fulfill client's unpaid settlement / margin obligation.
- ARSSBL 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 ARSSBL is required to maintain a prescribed ratio between cash and collaterals margin deposited with the Exchange. ARSSBL 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. Securities bought under Margin Trading Facility:

- Positions of the client may be closed out to the extent of margin shortfall on T+1 onwards or Real time monitoring basis.
- While computing margin shortfall, value of unapproved securities shall not be considered.
- In case of unpaid obligation, ARSSBL may sell the unpaid/ partially paid securities. In addition, ARSSBL 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.
- Position of client may be closed if funds for required margin is not available in the form of Cash.

D. Intra-day positions:

- ARSSBL shall have right to close out any intra-day positions taken by the client after a defined 'Cutoff' time (Presently 15 minutes before close of market)

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

- All positions under All Product will be subject to 75% MTM Loss i.e. positions will be liquidated if loss reaches to a pre decided level of client margin loss. The OPEN positions (i.e. the carry forward overnight positions) and the intraday leverage position (across segments) will be squared off at 75% MTM Loss. Further if ratio of available collateral against debit comes down to 17.5% or below 17.5% then position /securities of client may be closed/sold on a real-time basis.

F. 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 ARSSBL may close the position.

G. General:

- ARSSBL 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, ARSSBL may not take into consideration Cheques showing unrealised although deposited by the client with ARSSBL until clear proceeds of such instruments are received by ARSSBL in its bank account. For this purposes Demand Draft / Pay order will not be taken into consideration.
- ARSSBL 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.
- ARSSBL shall have the right to sell clients securities in case of Ageing of debit and margin shortfall in the client account.
- ARSSBL shall not be responsible for any losses and penalties / charges levied by exchanges(s) caused on such square off.
- ARSSBL 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 ARSSBL.
- Clear proceeds of the cheque deposited by the client to meet the pay-in obligations have not yet been received by ARSSBL.
- Client is trading in "illiquid" scrips and volumes in his account exceed internal cut off limit fixed by ARSSBL.
- ARSSBL exposure at "house level" in a specific security / contract exceeds the internal limits fixed by ARSSBL.

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.
- ARSSBL 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 ARSSBL itself. ARSSBL 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 ARSSBL. (15 minutes prior to close of market)

D. Event Based:

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

Temporarily suspending or closing a client's account at the clients' request

- ARSSBL 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 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.
- DCN 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 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 ARSSBL 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.
- ARSSBL may also suspend the account based on the written request received from the client.

Deregistering a client

- ARSSBL may de-register the client account based on action taken by Regulatory bodies or being part of list of debarred entities published by SEBI.
- ARSSBL 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.
- ARSSBL shall have right to close out the existing positions; sell the collaterals to recover its dues, if any, before de-registering the client.
- ARSSBL 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 12 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.
- Refund of surplus funds to Dormant Client: We have a system of advance intimation of dormant in client account and client money is return back on client request basis.

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 ARSSBL and client will have time only till T+1 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 ARSSBL, and the client will have time only till T+1 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 ARSSBL, and the client will have time only till T+1 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 ARSSBL, and client will have time only till T+1 working day to provide such margins.

Note: - The period of 'T+1' 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.

Margin Trading Facility (MTF)

SEBI / Exchanges prescribe eligibility conditions and procedural details for allowing the Margin Trading Facility from time to time. Apart from guidelines prescribed by regulating authorities, ARSSBL shall follow the points below and ARSSBL has discretion to change the same from time to time.

- MTF segment is activated only after consent from client.
- ARSSBL shall have the prerogative to allow / not to allow MTF facility to client.
- Trade done with MTF Product on Trading Platform will be booked in Backoffice as MTF Trades only in case free margin available in MTF book, rest all trades will be moved to Broking book.
- Product conversion is not allowed. For e.g. CNC or MIS to MTF or vice versa.
- In case of shares bought under MTF product there must be net buy delivery obligation from

exchange/Clearing Corporation then only trades will be booked in the Back office as MTF trades.

- MTF funding may be closed in case there is no trades in MTF since last 85 days.

Policy for Custodian Participant

- All Securities as collateral will be accepted as collateral, however exposure is being allowed only for approved securities of NSCCL after appropriate haircut.
- Haircut percentage for collateral other than Cash, FDR and BG will be as per the haircut given by NSCCL for approved securities subject to minimum 20%.
- Cash Component will be Cash, FDR, BG and Cash Equivalent securities/ MF/ Bonds/ G-Sec as per NSCCL approved list of securities.
- Securities/MF/Bonds/G-sec other than Cash Equivalent securities/ MF/ Bonds/ G-Sec as per NSCCL approved list of securities will be treated as Non-Cash Component
- If any Non-Compliance observed, then It would be highlighted as per below: -
  - 1st - Centralized NRI Operation Desk Head
  - 2nd- Operation Head / Compliance Head
- We will do a performance evaluation process annually by asking clients for additional information as required on a case-to-case basis.
- In case of repeated cases of shortfall then client has to square-off the position and also should provide financial information like net worth certificate or balance sheet.
- Collateral benefit other than approved securities will not be provided and also if there is concentration in any scrip than ARSSBL have rights to restrict collateral benefit on approved scrips also on case-to-case basis.
- Collateral can be provided in Cash or Non-Cash component, and client should maintain Cash and Non-Cash Ration of 50:50, however we will not restrict client to trade further if sufficient funds available (subject to Late payment charges), however ARSSBL has discretion to change the above ratio on the basis of risk perception and other factors Considered relevant.
- ARSSBL shall have the prerogative to allow differential limits/Ratio/haircuts 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 ARSSBL may find suitable.

Important Notes

Apart from the above, below are important points which need to take a note while trading. Below list is indicative and not exhaustive.

- CNC selling benefit for subsequent fresh position on T Day will be available up to 80% of sell value.
- 80% of the sell value will be considered for MTM alert (75% Loss of available funds)
- Peak Margin obligation will be there if client does intraday trading.
- Peak/EOD Margin obligation will be there if client sell stock during the day and take other position during the day and then buy back same stock before market close.
- Margin may Increase during the day due to hedge position close (1 leg cover) or Market volatility or Price change or change in Margin % by exchange. In case client is not having sufficient reportable balance (Collateral pledge +Ledger) then there will be Peak/EOD Margin Shortfall
- If any stock release from Broker’s pool / CUSA/CUSPA to client’s DMAT A/c, if there is any margin requirement and client is not initiated Margin pledge client is not having sufficient reportable balance (Collateral pledge +Ledger) then there will be Peak/EOD Margin Shortfall.

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Enhanced Obligations and Responsibilities:

Risk Management Committee:

The Risk Management Committee is Board nominated committee consisting of various Team head including Operations/RMS and Information Technology.

The implementation of strong and effective risk management and controls within the organization promotes stability throughout the entire financial system. Specifically, internal risk management controls provide four important functions:

- to protect the firm against market, credit, liquidity, operational, and legal risks.
- to protect the financial industry from systemic risk.
- to protect the firm's customers from large non-market related losses (e.g., firm failure, misappropriation, fraud, etc.).
- to protect the firm and its franchise from suffering adversely from reputational risk.

The importance of effective risk management and controls in protecting against serious and unanticipated loss is perhaps best illustrated where risk management and controls broke down or were not properly implemented. To avoid suck risks and to survive in this competitive environment, the Company itself maintains Risk Management system follow up regular basis at the separate client level activities. To protect the capital & interest of the company for good self, the risk of the daily business is ascertained regularly by the organization.

The risk management committee is led by Shri. Roshan Moondra (EVP). Responsibility includes overseeing the deployment of the Risk Management framework and procedures. The primary role will be to ensure that the Company achieves its objectives of timely anticipation of risks and opportunities and a cohesive and consistent response through the active involvement of process owners. They will review risks, by timely meetings, comprehensive discussions at respective departments, effective escalation, regular monitoring of risks, implementation of the risk management framework, and the various risks faced by the organization.

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 / Audit/ Risk Management Committee, as the case may be.

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.

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.

Review:

The Risk Management policy framework shall be reviewed and placed before the Risk Management Committee on a half- yearly basis to incorporate the changes, if any, made by SEBI, Exchange or any other regulators or to incorporate the changes necessitated due to changes in the market condition or to strengthen the internal control or for such other reason as deemed fit.