

C. R. KOTHARI & SONS STOCK BROKING PRIVATE LIMITED
CIN: U67120UP2004PTC038336

Risk Management system & Other Policy
(version 2015-16)

Background:

C. R. Kothari & Sons Stock Broking Private Limited (CRK), a Trading Member of National Stock Exchange of India Limited, As the requirement of Exchange & SEBI, Company has designed a "Risk Management System Policy" for extending trading facility to its clients in the respective segment of Exchange.

Concept of the Policy:

RMS policy work on the following concepts:

1. **Cash:** The clear balance available in the customer's ledger account in our books.
2. **Margin:** The underlying stake provided by the customer in the form of cash, FDR and/or stock to mitigate market (price) or settlement (auction) risk
3. **Exposure:** The aggregate of the customer's obligations arising out of buy + sell trades awaiting settlement in the cash segment and profit/ loss amounts that are yet to be settled on the closed positions.
4. **Exposure multiple:** The number of times that exposure is allowed on the underlying margin sales on the cash segment would have to be made either on the availability of cash margin or on the availability of the stocks (which are to be sold) in our margin account, by executing a transfer before the sale order is initiated.
5. **Stock qualifying for margin in cash segment transactions:** Securities in the approved list of Stock Exchange as per SEBI guidelines.
6. **Total Deposit:** The aggregate of client deposit available with us in the form of cash, Shares (After Applicable Hair Cut) and FDR.

Policies and Procedures under RMS

1. **Policy for Penny Stock:**

The stocks, which are appearing in the list of illiquid securities issued by the Exchanges every month. These stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bi-ask spreads, small capitalization and limited following and disclosure. Depend on the market condition and RMS Policy of the company RMS reserve the right to refuse to provide the limit in Penny stocks and losses if any on account of such refusal shall be borne by client only.

2. **Setting up limits of client's exposure**

Policy on Limit Setting The stock broker may from time to time impose and vary limits on the orders that the clients can place through the stock brokers trading system (including exposure limits, turnover limits, limits as to number, value and/ or kind of securities in respect of which orders can be placed. The client is aware and agrees that the stock broker may need to vary or reduce the limits or impose new limits urgently on the basis of the stock brokers risk perception and other factors considered relevant by the stock broker including but not limited to limits on

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account of exchange/SEBI directions/limits (such as broker level/market level limits in security specific/volume specific exposures etc. and the stock broker may be unable to inform the client of such variation, reduction or imposition in advance. The Client agrees that the stock broker shall not be responsible for such variations, reduction or imposition of client's inability to route any order through the stock brokers trading system on account of such variation, reduction or imposition of limits. The client further agrees that the stock broker may at any time, at its own discretion and without prior notice, prohibit or restrict the clients ability to place orders or trade in securities through the stock broker or it may subject any order placed by the client to a review before its entry into the trading systems and may refuse to execute/allow orders. The client agrees that the losses if any on account of such refusal or due to delay caused by such review, shall be borne exclusively by the client alone. We have margin based RMS System. Total Deposits of the clients are uploaded in the system and the clients may take exposure basis of margin applicable for respective security as per VAR based margining system of the stock exchange and/or margin defined by the RMS based on its risk perception. Client may take benefit of "Credit for sale" i.e. benefit of shares held as margin by selling the same by selecting Delivery option through order entry window on the trading platform. The value of shares sold will be added the value of deposit and on the basis of that client may take fresh exposure. In case of exposure taken on the basis of shares margin the payment is required to be made before the exchange pay in date otherwise it will be liable to square off after the pay-in time or any time due to shortage of margin.

3. Applicable Brokerage Rate:

Exclusive of Stamp duty, Service tax, STT (Securities Transaction Tax) and any other statutory levies Brokerage will be charged within the limits prescribed by SEBI/Exchange. It is hereby further, clarified that brokerage on option contract shall be charged on the premium amount at which the option contract was bought or sold, not on the strike price of the option contract. Subject to revision at our sole discretion and as informed by a circular sent by ordinary post/courier services/email. It would be the duty of client to note the said charges regularly and periodically and shall not raise any dispute or claim in respect to said charges at any later stage. Further it is clarified that the above mentioned charges could vary from client to client at the sole discretion of "CRK" and No client would have any right to compare or claim charges charged from other client by "CRK"

4. Imposition of penalty charges:

The Client agrees that the "CRK" may impose fines/penalties for any orders/ trades/ deals/actions of the client which are contrary to this agreement/ rules/ regulations/ bye laws of the exchange or any other law for the time being in force, at such rates and in such form as it may deem fit. Further where the "CRK" has to pay any fine or bear any punishment from any authority in connection with/as a consequence of /in relation to any of the orders/trades/deals actions of the client, the same shall borne by the client.

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5. **The right to sell client's securities or close client's positions, without giving notice to the client, on account of non-payment of client's due:**

Without prejudice to the our other rights (Including the right to refer the matter to arbitration), the "CRK" shall be entitled to liquidate /close out all or any of the clients position without giving notice to the client for non-payment of margins or other amounts including the pay in obligation, outstanding debts etc and adjust the proceeds of such liquidation/close out, if any, against the clients liabilities/ obligation.

The client shall ensure timely availability of funds/securities in form and manner at designated time and in designated bank and depository account(s), for meeting his/her/its pay in obligation of funds and securities. Any and all losses and financial charges on account of such liquidations/closing out shall be charged to & born by the client. In case of securities lying in margin account/client beneficiary account and having corporate actions like Bonus, Stock split, Right issue etc, for margin or other purpose the benefit of shares due to receive under Bonus, Stock split, Right issue etc. will be given when the shares is actually received in the "CRK" designated demat account.

In case the payment of the margin/securities is made by the client through a bank instrument, the "CRK" shall be at liberty to give the benefit/credit for the same only on the realization of the funds from the said bank instruments etc, at the absolute discretion of the "CRK". Where the margin/security is made available by way of securities or any other property, "CRK" has empowered to decline its acceptance as margin/security &/or to accept it at such reduced value as the "CRK" may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as the "CRK" may deem fit in its absolute discretion.

The "CRK" has the right but not the obligation, to cancel all pending orders and to sell/close/liquidate all open positions/securities/shares at the pre-defined square off time or when Mark to Market (M-T-M) percentage reaches or crosses stipulated margin percentage, whichever is earlier, The "CRK" will have sole discretion to decide referred stipulated margin percentage depending upon the market condition. In the event of such square off, the client agrees to bear all the losses based on actual executed prices, the client shall also be solely liable for all and any penalties and charges levied by the exchange(s).

6. **Shortages in obligations arising out of internal netting of traders:**

"CRK" shall not be obliged to deliver and securities or pay any money to the client unless and unit the same has been received by the "CRK" from the exchange, the clearing corporation/clearing house or other company or entity liable to make the payment and the client has fulfilled his/her/its obligations first. The policy any procedure for settlement of shortage in obligations arising out of internal netting of the traders is as under:

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The Short delivering client is debited by an amount equivalent to 20% above of closing rate of day prior to pay in/Payout Day. The securities delivered short are purchased from market on T+2 day and the purchase consideration (inclusive of all statutory taxes & levies) is debited to the short delivering seller client along with reversal entry of provisionally amount debited earlier.

If securities cannot be purchased from market due to any force majeure condition, the short delivering seller is debited at the closing rate on T+2 day or Auction day on Exchange +10% where the delivery is matched partially or fully at the Exchange Clearing, the delivery and debits/credits shall be as per Exchange Debits and Credits.

In cases of securities having corporate actions all cases of short delivery of cum transactions which cannot be auctioned on cum basis or where the cum basis auctioned on cum basis or where the cum basis auction payout is after the book closure/record date, would be compulsory closed out at higher of 10% above the official closing price from first trading day of the settlement till the auction day.

Conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client.

We have margin based RMS system. Client may take exposure up to the amount of margin available with us. Client may not be allowed to take position in case of non-availability/shortage of margin as per our RMS policy of the company. The existing position of the client is also liable to square off/close out without giving notice due to shortage or margin/non making of payment for their paying obligation/outstanding debts.

7. Temporarily suspending or closing a client's account at the client's request:

On the request of the client in writing, the client account can be suspended temporarily and same can be activated on the written request of the client only. During the period client account is suspended, the market transaction in the client account will be prohibited. However client shares/ledger balance settlement can take place.

On the request of the client in writing, the client account can be closed provided the client account is settled. If the client wants to reopen the account in the case client has to again complete the KYC requirement.

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8. **Inactive Client account:**

An **Active Account** is one that qualifies any one of the following criteria:

- a. at least one transaction has taken place in the last one year;
- b. the client has holding in the BO account or in the pool account
- c. account which is opened in the last one year

An account which is not active is **dormant**. If a customer has not made any transaction for the last 12 months and there is no holding both in DP as well as pool account, the account should be classified as Dormant, provided the account is older than one year. Classification of Dormant Account should be done by the Risk Management Dept. periodically. Dormant Accounts should be suspended in the Trading Front End and should not be available for order entry. A Dormant Account can be reactivated only after receiving specific request from the client.

Accounts which are dormant for more than 2 years shall be classified as very Old Dormant Accounts. For resuming transactions for the Very Old Dormant Account, a fresh client registration process has to be conducted.

9. **Client Acceptance of Policies and Procedures stated here in above:**

We have fully understood the same and do hereby sign the same and agree not to call into question the validity, enforceability and applicability of any provision/ clauses this documents any circumstances what so ever. These Policies and Procedures may be amended/changed unilaterally by the broker, provided the change is informed to us with through any one or more means or methods, we agree never to challenge the same on any grounds including delayed receipt/non-receipt or any other reasons whatsoever. These Policies and Procedures shall always be read always be read along with the agreement and shall be compulsorily referred to while deciding any dispute/difference or claim between us and "CRK" before any court of law/judicial/adjudicating authority including arbitrator/ mediator etc.

10. **Policy on Outsource of activities:**

CRK Management has decided not to outsource any activities of Broking Business from Outside agencies.