

TRADESWIFT BROKING LTD.

Risk and Surveillance management policy

The Risk management policy is developed by us considering the rules and circulars as issued by the SEBI/Exchanges time to time. The said policy is subject to change as per rules/regulation issued by SEBI/Exchange and also as per the ruling market environment.

Introduction:

Investment in securities is susceptible to market risks which cannot be predicted. While the risk of loss is inherent in the market, we as your Broker seek to minimize the risk of loss through a dynamic risk management policy which is an essential feature of our operations. As our customer, it is important for you to be aware of our Risk Management Policy and how the Policy would operate to regulate your transactions. It is also important that the Risk Management Policy is not an insurance against losses; these are measures and precautions that are adopted to contain risks to the minimum.

Salient features of the policy are as follow.

Deposit

Margin/Deposit based limits are assigned to the customers for trading purpose. VaR/SPAN margin specified by the exchanges is blocked at scrip level on the positions taken by the clients during the day.

Deposit is calculated at customer level after netting off ledger balance in all segments and Holding lying with us.

Single order quantity and value cap

In order to minimize loss from possible punching errors by a dealer while executing the transaction for a customer, Risk Management puts restriction by capping the maximum quantity and value per order and orders exceeding that maximum quantity or value cap will be rejected. The terminal level limits are also predetermined to combat loss from erroneous trades getting executed. We shall not assume any liability in respect of orders rejected by reason of their quantity or value exceeding the cap value.

Margin Collection

Margin is calculated as follows:

ii) $\text{Margin} = \text{Ledger Balance (Dr/Cr)} + \text{Net value after haircut of holding \& margin pledge available with us.}$

Holding & 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

Margin Reporting:

- 1: For same day margin requirements, clear ledger balance as on date will be considered.
- 2: Ledger balance calculation will be done by netting off balances across segments i.e. Cash, F&O, Currency and Commodity.
- 3: Across all segments, shares in Margin pledge / Client unpaid securities account with previous day's valuation, after prescribed haircut, will be considered.
- 4: Post valuation/calculation of the above, cash segment will be given first preference and in case of excess margin, the same will be considered for reporting of NFO, Currency Derivatives.
- 5: All other terms & conditions including levying of margin shortfall penalty will remain as is and in line with regulatory requirements.

Intimation to clients

Client can view details of his/her ledger, holdings, margin shortfall etc via secured login on our trading website. Regular intimations regarding debit, information about margin shortage with penalty amount (real time margin shortage), communication regarding liquidation is sent through SMS and email on the clients' registered mobile number and email address respectively.

Exposure limits

Exposure limits are allotted to the clients on the basis of his available ledger balance/securities with us after considering Extreme Loss Margin. For this purpose, available securities are valued using previous days closing price. Haircut is then applied, VaR margin rate, to this value. Sum of available ledger balance and residual securities value, after applying haircut, is the Exposure limit of the client for Cash segment. In case of F&O segment, besides the aforesaid items, the securities deposited by client against margin requirement are also considered. We accept only those securities which are accepted by the exchange against margin obligation of F&O segment. These securities are also valued after applying proper haircut as instructed by the exchange.

Extra Exposure limits

During the trading session if client wish to have extra exposure limit, he/she is required to inform his concerned group in-charge about it and the concerned group in-charge after evaluating the risk involved can allow the extra exposure limit. Client can deposit the amount with us equivalent to Extreme Loss Margin and VAR Margin, which is required to get the extra exposure limit, afterwards.

VAR limits

Aforesaid exposure limit, allotted to client, is subject to VAR margin as charged by the exchange and Extreme Loss Margin. ODIN and In-house developed Mobile application, is being used by us for trading activities. It contains features to control trading limits at ID level, Client level and Scrip level. Available exposure limit of the clients are updated daily at server. On entering the order in the trading system by the client, the trading system calculates VAR margin requirement of the entered order and as per available exposure limit allows order to flow to the exchange. If the available exposure limit is not sufficient as per the VAR margin requirement the order gets rejected.

Controlling

Controlling function is done by the Risk management department. All the APs are assigned to different executives (Relationship). The concerned executive is responsible for allowing extra exposure limit to the client. The concerned group executive considers the group net position, available exposure limit of the client and as well as the past record of the concerned group and client for deciding the extra exposure limit. It is at the sole discretion of the group executive to allow/disallow the request of client for extra exposure limit. In case the group executive faces some problem he/she forwards the matter to his/her senior for taking the appropriate decision.

Pay-in / Pay-out of funds and securities

Pay-in amounts of clients is collected at regular basis. Balance the securities purchased by the clients are being transferred to his De-mat account directly. We have strong control over our DP operations to restrict the transfer of securities to other DP account without clearing the debit balance in the Trading account.

Clients are required to deposit deliveries against their securities pay-in obligation at our pool a/c well in time. In case the deliveries are lying with us, against margin obligation, same are released to the pool a/c well in time but on best effort basis. However it is expected from the client to submit the un-pledge request in advance and before the executing the sell order in the said scrip. There is a facility through which the client executes the Power of Attorney in favour of us to the DP for transfer of the shares from his account to our pool a/c. If the shares are lying at the DP account of the client and the client has executed the power of attorney in our favour, DP transfers the shares from the client de-mat account to our pool a/c. In case of short deliveries, short amount is immediately debited to the client account.

Monitoring

Risk management department monitors obligation positions of the clients. Concerned group executive contacts the AP for collection of overdue debits. In such cases either the client fulfills his obligation or else square offs his outstanding position. In case if there is debit balance in client account and no securities are available with us as margin, concerned group executive informs the AP for collection of the overdue within

a time limit. After that the Account department adjusts the default amount of client from the brokerage / commission account of AP.

Collection of Funds:

For all stocks purchased, resulting in obligation of the client as ledger debits, needs to be paid/cleared latest by 4th day from the date of such payout (6th Day from date of Trade, T+6). Stocks equivalent to debits that are more than T-6 day old will be sold off in market at 2:00PM on the next trading day. Any funds received, on 7th Day that is on selling day, such can be considered on best efforts basis.

Review

This risk assessment and management policy shall subject to change and modification, if needed, considering the dynamics of operations, business plans and strategy of managements from time to time. The Board of Directors before implementation shall approve all changes in this policy. The amended policy has to be uploaded on the website of Tradeswift Broking Ltd. from time to time.