

# RISK MANAGEMENT POLICY

**Effective Date:** As per SEBI Circular | **Classification:** Mandatory Compliance | **Applies to:** All Trading Clients

## 1. INTRODUCTION

**Skywards Investec Private Limited** (hereafter referred to as SIPL), is a stock broking company operating with a brand name "**BULLSMART**". We have established a comprehensive and adaptable risk management framework designed to identify, assess, monitor, and mitigate risks arising from its business activities. This framework is continuously reviewed and strengthened to ensure alignment with the regulatory requirements prescribed by the Exchanges, the Securities and Exchange Board of India (SEBI), the Prevention of Money Laundering Act (PMLA), and evolving market conditions.

For the purposes of these Policies and Procedures, the terms "Client," "You," or "Your" refer to any natural or legal person or entity who has agreed to open an account or initiate the account-opening process with SIPL by providing the necessary information during registration on the platform.

SIPL allows individuals to access and browse the website without the requirement of registration. The terms "We," "Us," "Our," refer collectively to SIPL.

This Policy is formulated in compliance with applicable laws and regulations, including:

- Securities and Exchange Board of India regulations and circulars
- Exchange bye-laws, rules, and circulars
- Prevention of Money Laundering Act, 2002
- Applicable circulars on margin, surveillance, and investor protection

This Policy applies to all clients using the Bullsmart platform and all employees, authorised persons, and associated persons of SIPL.

The Company recognizes that risk is an inherent part of capital market operations and aims to manage risks prudently while enabling efficient and compliant business operations.

## 2. DEFINITIONS

For the purpose of this Policy, the following terms shall have the meanings assigned to them below:

### 2.1 "Company / Broker"

Means Skywards Investec Private Limited, a stock broker registered with the Securities and Exchange Board of India and a member of recognized stock exchanges including the National Stock Exchange of India.

### 2.2 "Client"

Shall have the meaning assigned under applicable SEBI regulations and includes any person, whether an individual, body corporate, or other legal entity, who is registered with the Company for availing stock broking and trading services.

### **2.3 “Margin”**

Means the amount of funds and/or eligible securities required to be collected and maintained by the Stock Broker from the Client, as specified under SEBI circulars and Exchange norms, to cover the risk of potential losses arising from open positions.

### **2.4 “Initial Margin”**

Means the margin required to be collected upfront from the Client prior to execution of trades, as prescribed under SEBI and Exchange risk management frameworks, including but not limited to SPAN and Exposure Margin, wherever applicable.

### **2.5 “Maintenance Margin”**

Means the minimum margin required to be maintained by the Client at all times against open positions, failing which risk management actions may be initiated.

### **2.6 “Mark-to-Market (MTM)”**

Means the process of revaluing open positions of the Client on a daily or real-time basis based on prevailing market prices, in accordance with Exchange-prescribed settlement mechanisms.

### **2.7 “Exposure”**

Means the aggregate value of positions taken by the Client in the market, including leveraged positions, determined in accordance with margin availability and applicable risk parameters.

### **2.8 “Collateral”**

Means securities or other eligible assets pledged by the Client with the Stock Broker for the purpose of margin requirements, subject to valuation and applicable haircuts as prescribed by SEBI and Exchanges.

### **2.9 “Haircut”**

Means the percentage reduction applied to the market value of collateral securities to account for market risk, liquidity risk, and volatility, as per SEBI/Exchange norms or as may be determined by the Company.

### **2.10 “Margin Shortfall”**

Means a condition where the margin available in the Client’s account is less than the margin required to be maintained as per SEBI and Exchange requirements or internal risk management policies.

**2.11 “Square-off”**

Means the closure of open positions of the Client by executing offsetting transactions by the Stock Broker, either partially or fully, in accordance with the risk management policy, including in situations of margin shortfall or increased risk exposure.

**2.12 “Liquidation”**

Means the process of selling Client securities, positions, or pledged collateral by the Stock Broker to recover outstanding dues or to mitigate risk, in accordance with applicable laws and contractual rights.

**2.13 “Debit Balance”**

Means any negative balance in the Client’s ledger account with the Company arising due to losses, charges, obligations, or failure to meet margin requirements.

**2.14 “Risk Management System (RMS)”**

Means the automated and manual risk control mechanisms implemented by the Company to monitor, regulate, and manage risks associated with trading activities, including margining, exposure limits, and position monitoring.

**2.15 “Trading Limit”**

Means the maximum permissible exposure or trading capacity granted to a Client by the Company based on margin availability, collateral, and internal risk assessment.

**2.16 “Intraday Position”**

Means positions created by the Client during a trading day which are intended to be squared off within the same trading day and do not result in delivery obligations.

**2.17 “Delivery Position”**

Means positions that result in actual delivery of securities to or from the Client’s demat account in accordance with settlement obligations prescribed by Exchanges.

**2.18 “Derivatives Segment”**

Shall have the meaning assigned under the Securities Contracts (Regulation) Act, 1956 and includes instruments such as futures and options traded on recognized stock exchanges.

**2.19 “Physical Settlement”**

Means settlement of derivative contracts through actual delivery of the underlying securities in accordance with Exchange regulations.

**2.20 “Short Delivery”**

Means failure by a Client to deliver securities on the pay-in date as per settlement obligations, resulting in auction or close-out as per Exchange norms.

**2.21 “Auction”**

Means the process conducted by the Exchange to procure securities in case of short delivery, in accordance with its bye-laws, rules, and regulations.

#### **2.22 “Margin Trading Facility (MTF)”**

Means the facility provided by the Stock Broker to the Client for purchasing securities by partially funding the transaction, in accordance with SEBI (Stock Brokers) Regulations and applicable circulars.

#### **2.23 “Peak Margin”**

Means the highest margin requirement of a Client during a trading day, as captured by Exchanges at specified intervals in accordance with SEBI guidelines.

#### **2.24 “Volatility”**

Means the rate and magnitude of variation in the price of a security or market index over a period of time.

#### **2.25 “Regulatory Authorities”**

Means the Securities and Exchange Board of India, recognized stock exchanges including the National Stock Exchange of India, and any other statutory or regulatory authority governing securities markets in India.

**2.26 “Authorised Person”:** A person registered with the Exchange and engaged by the Company to act on its behalf for trading and client servicing activities.

**2.27 “Principal Officer”:** An officer designated under PMLA responsible for reporting suspicious transactions and ensuring AML compliance.

**2.28 “Compliance Officer”:** A person responsible for monitoring regulatory compliance and reporting to Exchanges and regulators.

**2.29 “Promoter”:** Any person or entity classified as promoter/promoter group in accordance with applicable laws and regulations.

**2.30 “Associated Person”:** Any individual or entity associated with the securities business of the Company, including employees, dealers, and Authorised Persons.

### **3. SCOPE**

This Policy establishes the detailed requirements and minimum standards necessary for effectively implementing risk management across the Company’s operations. It enables the identification, evaluation, and management of risks associated with business activities, while reducing the impact of unforeseen and undesirable events.

Managing risk at appropriate levels is a fundamental aspect of all business functions. A robust and comprehensive approach to risk management promotes operational stability, supports sustainable profitability, and plays a critical role in maintaining the Company’s reputation.

### **4. ANTI-MONEY LAUNDERING (AML) & COUNTER FINANCING OF TERRORISM (CFT) RISK**

The Company shall implement robust controls to mitigate risks arising under the Prevention of Money Laundering Act, 2002 (“PMLA”) and related rules.

- All clients shall undergo KYC and Customer Due Diligence (CDD) as per regulatory requirements.
- Transactions shall be monitored for suspicious patterns, unusual volumes, or deviations from client profiles.
- Suspicious transactions shall be reported to the Financial Intelligence Unit (FIU-IND) through the designated Principal Officer.
- The Company shall maintain a separate AML Policy, and this Risk Management Policy shall operate in conjunction with the same.

## **5. RISK MANAGEMENT PHILOSOPHY**

The Company follows a zero-tolerance approach towards uncovered risk exposure, ensuring that:

- All trades are backed by adequate margins
- Risk is continuously monitored at client and portfolio level
- Automated controls override manual intervention where required
- Risk mitigation actions are executed without delay

The Company defines its risk appetite through measurable parameters, including:

- Maximum client-level exposure shall not exceed a defined multiple of available margin.
- Aggregate exposure to a single client may be capped as a percentage of the Company’s net worth.
- Uncovered debit balances beyond permissible limits shall not be allowed under any circumstances.
- Concentration risk in a single security or sector shall be monitored and restricted beyond defined thresholds.

## **6. OBJECTIVES OF RISK MANAGEMENT POLICY**

- To establish a comprehensive framework for identification, measurement, monitoring, and control of risks arising from stock broking operations in accordance with regulations issued by the Securities and Exchange Board of India and recognized stock exchanges including the National Stock Exchange of India.
- To ensure that all client trades are backed by adequate upfront margins and to prevent creation of uncovered or excessive exposure.
- To implement robust, automated Risk Management Systems (RMS) for real-time monitoring of client positions, margin utilization, and Mark-to-Market (MTM) losses.
- To define and enforce exposure limits, margin requirements, and risk thresholds in line with regulatory and internal risk parameters.
- To establish clear procedures for margin shortfall handling, including timely margin calls, trading restrictions, and compulsory square-off/liquidation of positions.
- To mitigate credit risk arising from client defaults and ensure timely recovery of dues.

- To manage market risk arising from volatility and adverse price movements through dynamic risk controls and position monitoring.
- To minimize operational risk through standardized processes, system controls, and error prevention mechanisms.
- To ensure strict compliance with applicable laws, regulations, circulars, and exchange guidelines.
- To safeguard client funds, securities, and the Company's capital against potential losses.
- To promote a strong risk awareness and compliance culture across the organization.
- To ensure orderly conduct of business and contribute to the stability and integrity of the securities market.

## 7. DETAILED PRE-TRADE RISK CONTROLS

The Company has implemented a robust and automated pre-trade risk management framework to ensure that no order is executed without adequate risk checks. All client orders are subject to real-time validation through the Risk Management System (RMS) in compliance with regulations prescribed by the Securities and Exchange Board of India and stock exchanges including the National Stock Exchange of India.

### 7.1 Upfront Margin Verification

- The Company shall ensure collection of 100% upfront margin prior to permitting any trade.
- Orders shall be accepted only if sufficient margin is available in the client's account.
- Margin shall be validated on a real-time basis considering:
  - Ledger balance
  - Collateral value after haircut
  - Margin already utilized
- In case of insufficient margin:
  - Orders shall be rejected at RMS level

### 7.2 Acceptable Margin Components

The following shall be considered for margin purposes:

- Cash and cash equivalents
- Approved pledged securities (after haircut)
- Mutual fund units, if permitted under regulations

Unpledged or unapproved securities shall not be considered for margin.

### 7.3 Collateral Valuation & Haircut Application

- Collateral shall be valued after applying applicable haircut as per Exchange VAR + ELM norms or higher internal thresholds.

- The Company may impose:
  - Additional haircut for volatile or concentrated securities
  - 100% haircut for restricted or illiquid stocks
  
- Collateral valuation shall be:
  - Updated periodically
  - Adjusted dynamically based on market conditions

#### **7.4 Client-wise Exposure Limits**

- Exposure limits shall be assigned to each client based on:
  - Available margin
  - Type of segment (Cash / Derivatives / Currency)
  - Risk profile of the client
  
- The Company may:
  - Reduce or withdraw exposure limits without prior notice
  - Impose tighter controls during periods of high volatility

#### **7.5 Order-Level Risk Validation**

All orders placed by clients shall be subject to the following validations before execution:

- Margin sufficiency check
- Price band / circuit limit validation
- Quantity freeze limits as prescribed by Exchanges
- Order value limits (max order size)
- Client-specific exposure checks

Orders failing any of the above checks shall be automatically rejected.

#### **7.6 Scrip-Level Risk Controls**

The Company reserves the right to impose restrictions on specific securities, including:

- Complete or partial ban on trading in:
  - Illiquid or penny stocks
  - Stocks under GSM (Graded Surveillance Measure) / ASM (Additional Surveillance Measure)
  - Securities flagged by Exchanges or regulators
  
- Imposition of:
  - Higher margin requirements (up to 100%)
  - Reduced or zero exposure

#### **7.7 Segment-wise Risk Controls**

##### **(a) Equity Cash Segment**

- Delivery trades allowed only against available margin
- Intraday exposure subject to internal RMS limits

### **(b) Derivatives Segment (F&O)**

- Margin requirement based on:
  - SPAN margin
  - Exposure margin
- No positions allowed without full margin availability
- Additional margin may be levied for:
  - Volatile contracts
  - Near-expiry contracts

### **(c) Currency Segment**

- Margin requirements as per Exchange norms
- Exposure limits may be restricted based on volatility

## **7.8 Intraday Trading Controls**

- Intraday exposure shall be:
  - Restricted up to 5 times of available margin (as defined by RMS)
- Intraday leverage may be:
  - Reduced or withdrawn at any time without prior notice

## **7.9 Product-wise Risk Restrictions**

The Company may define different products such as:

- Intraday (MIS)
- Delivery (CNC)
- Margin Trading Facility (MTF)

Each product shall have:

- Separate margin requirements
- Separate exposure limits
- Independent risk controls

## **7.10 Peak Margin Compliance**

All trades shall comply with Peak Margin requirements as prescribed by Exchanges

RMS shall ensure:

- No order breaches peak margin norms
- Adequate margin is maintained throughout the trading day

## **7.11 Client Categorization-Based Controls**

Clients may be categorized based on:

- Risk profile
- Trading pattern
- Financial strength

Based on categorization, the Company may:

- Assign differential exposure limits
- Apply stricter margin requirements
- Restrict high-risk trading activities

### 7.12 System-Driven Risk Controls

- All pre-trade checks shall be:
  - Fully automated
  - Non-bypassable
- Manual intervention shall not override RMS controls except under approved exceptional circumstances with proper authorization and audit trail.

### 7.13 Right to Refuse or Restrict Orders

The Company reserves the absolute right to:

- Reject any order at its discretion
- Modify or cancel pending orders
- Restrict trading activity without prior notice

in order to safeguard market integrity and manage risk exposure. While the Company reserves the right to reject any order, reasonable efforts shall be made to communicate the reason for such rejection to the client, wherever feasible.

## 8. REAL-TIME RISK MONITORING SYSTEM (RMS)

The RMS framework is designed to ensure continuous assessment of client exposures, margin adequacy, and market risks on a real-time basis, in compliance with applicable regulations, circulars, and guidelines issued by the Securities and Exchange Board of India and recognized stock exchanges including the National Stock Exchange of India.

The system ensures that risk is proactively managed through automated controls, without reliance on manual intervention, thereby safeguarding the financial integrity of the Company and protecting client interests.

### 8.1 System Framework and Architecture

The RMS operates through an integrated technology framework comprising:

- Order Management System (OMS): Captures and routes client orders
- Risk Management Engine: Performs pre-trade and post-trade validations
- Margin Computation Engine: Calculates margin requirements including SPAN, Exposure, and Peak Margin
- Market Data Interface: Provides real-time price feeds for continuous valuation
- Collateral Management System: Applies haircuts and revalues pledged securities
- Alert & Notification System: Generates real-time risk alerts
- Square-off Engine: Executes automated liquidation of positions

All client orders are mandatorily routed through the RMS layer, and no order is permitted to be executed unless it satisfies defined risk parameters.

### 8.2 Real-Time Margin Monitoring

The RMS continuously monitors margin availability and utilization for each client on a real-time basis.

- Available margin shall be computed as:
  - Ledger balance
  - Plus value of approved collateral after applicable haircut
  - Less margin utilized and Mark-to-Market (MTM) losses
- Margin sufficiency shall be checked:
  - At the time of order placement (pre-trade)
  - Continuously during the lifecycle of open positions
- Any erosion in margin due to market movements or collateral value fluctuation shall be immediately reflected in the system.

### 8.3 Mark-to-Market (MTM) Monitoring

- All open positions shall be marked-to-market on a real-time basis using live market prices.
- MTM losses shall be continuously adjusted against available margin.
- The RMS shall track:
  - Unrealized losses
  - Rapid adverse price movements
  - Volatility-driven risk exposure
- Increase in MTM losses shall trigger risk-based actions as per defined thresholds.

### 8.4 Client-Level Risk Monitoring

The RMS monitors each client account independently to ensure effective risk containment.

Key parameters tracked include:

- Total exposure across segments
- Margin utilization levels
- MTM profit/loss positions
- Concentration in specific securities or sectors

The system ensures that no client exceeds permissible exposure limits or trades beyond available risk capacity.

### 8.5 Peak Margin Compliance

The RMS ensures compliance with peak margin requirements prescribed by Exchanges.

- Margin utilization shall be monitored at exchange-defined intervals throughout the trading day.
- The system shall prevent execution of trades that may result in peak margin shortfall.
- Records of margin availability at peak snapshots shall be maintained for audit and regulatory reporting purposes.

### 8.6 Margin Shortfall Identification and Action

The RMS identifies margin shortfalls on a real-time basis and initiates appropriate actions:

#### (a) Early Warning Stage

- Automated alerts are generated when margin utilization reaches defined thresholds.
- Clients are notified through system-generated communication channels.

#### (b) Trading Restriction Stage

In case of continued margin erosion:

- Fresh positions may be restricted
- Only position-reducing trades may be permitted

#### (c) Liquidation Stage

- If margin shortfall persists or risk thresholds are breached:
- RMS shall initiate partial or full square-off of positions

### 8.7 Automated Square-off Mechanism

The RMS includes an automated square-off mechanism to mitigate risk arising from margin shortfall or adverse market movements.

- Square-off may be triggered under the following conditions:
  - Significant MTM losses
  - Margin utilization reaching critical thresholds
  - Failure to meet margin requirements within stipulated time
- Square-off actions may include:
  - Partial liquidation of positions to reduce exposure
  - Complete liquidation in case of severe risk
- Square-off shall be executed through market orders to ensure timely execution.

- The Company reserves the right to determine the sequence and extent of liquidation based on risk considerations.

### **8.8 Collateral Monitoring and Dynamic Revaluation**

- The RMS continuously monitors the value of collateral securities.
- Haircuts shall be applied as per Exchange norms or higher internal thresholds.
- In case of decline in collateral value:
  - Available margin shall be reduced
  - Risk exposure recalculated
  - Appropriate RMS actions triggered
- The Company may:
  - Increase haircuts
  - Disallow certain securities as collateral
  - Apply 100% haircut in case of illiquid or restricted securities

### **8.9 Intraday Risk Monitoring**

- Intraday positions are monitored separately due to higher leverage exposure.
- The RMS may:
  - Restrict intraday exposure
  - Reduce leverage in volatile market conditions
  - Initiate early square-off
- All intraday positions may be squared off prior to market closure if not converted into delivery.

### **8.10 Concentration Risk Monitoring**

- The RMS tracks concentration of positions in:
  - Single securities
  - Specific sectors
- Where concentration risk is identified, the Company may:
  - Restrict further exposure
  - Impose additional margin requirements

### **8.11 Alerts, Notifications, and Client Communication**

The RMS generates real-time alerts for:

- Margin shortfall
- MTM losses
- Exposure breaches
- Square-off initiation

Alerts may be communicated through:

- Trading platform notifications
- Email and/or SMS (where applicable)

However, non-receipt of alerts by the client shall not absolve the client of margin obligations.

### 8.12 MTF Communication Clause

For Margin Trading Facility (MTF) clients:

- Margin calls and shortfall notifications shall be communicated through multiple channels including email, SMS, and platform notifications, in compliance with applicable regulatory requirements.

### 8.13 System Controls and Non-Bypassability

- All RMS controls are:
  - Fully automated
  - System-driven
  - Non-bypassable
- Manual intervention, if permitted under exceptional circumstances, shall:
  - Require appropriate authorization
  - Be recorded with complete audit trail

### 8.14 Stress Market Conditions

During periods of abnormal volatility or market stress, the RMS may enforce enhanced risk controls, including:

- Increase in margin requirements
- Reduction or withdrawal of exposure limits
- Restriction on specific securities or segments
- Suspension of intraday leverage

Such measures may be implemented without prior notice to clients.

During extreme market volatility, including scenarios aligned with index-level circuit breakers prescribed by Exchanges, the RMS may impose additional controls to manage systemic risk.

### 8.15 Audit Trail and Record Maintenance

- All RMS actions shall be logged with complete details, including:
  - Timestamp
  - Client identification
  - Margin position
  - Action taken (rejection, restriction, square-off)
- Records shall be maintained in accordance with regulatory requirements and shall be made available for inspection by the National Stock Exchange of India, Securities and Exchange Board of India, and other regulatory authorities.

### 8.16 Right to Modify RMS Parameters

The Company reserves the right to modify RMS parameters, thresholds, and controls from time to time based on:

- Market conditions
- Regulatory changes
- Internal risk assessment

Such changes may be implemented without prior notice in order to protect the interests of the Company and maintain market integrity.

## 9. MARGIN SHORTFALL MANAGEMENT

### 9.1 Categories of Margin Shortfall

Margin shortfalls shall be classified as follows:

- **Initial Margin Shortfall:** Arises when the client fails to maintain the required upfront margin at the time of trade execution.
- **Mark-to-Market (MTM) Margin Shortfall:** Occurs due to adverse price movements resulting in erosion of available margin.
- **Peak Margin Shortfall:** Occurs when margin available during exchange-defined peak snapshots falls below the prescribed requirement.

### 9.2 Actions in Case of Margin Shortfall

The Company shall initiate appropriate risk mitigation measures based on the severity and persistence of the shortfall, as outlined below:

Scenario	Action
Minor Shortfall	Intimation/alert shall be issued to the client
Persistent shortfall	Restriction on further trading and/or blocking of fresh positions
Severe shortfall	Initiation of partial or complete square-off of open positions

Clients shall be provided a reasonable opportunity to rectify margin shortfalls:

- Intraday shortfall: Immediate action, including square-off, may be initiated
- Other shortfalls: Client may be given up to T+1 day or such shorter duration as deemed necessary

Failure to meet margin requirements within the stipulated time shall result in liquidation.

### 9.3 Penalty for Margin Shortfall

Any margin shortfall shall attract penalties in accordance with the applicable norms, circulars, and guidelines issued by the National Stock Exchange of India and the Securities and Exchange Board of India, as amended from time to time.

## 10. SQUARE-OFF & LIQUIDATION MECHANISM

The Company reserves the right to liquidate positions without prior notice; however, best efforts shall be made to notify the client prior to such action. Any surplus funds remaining after liquidation and recovery of dues shall be credited back to the client's account.

### 10.1 MTM-Based Liquidation Triggers

- At 60% margin erosion → Alerts generated
- At 70–80% margin erosion → Partial liquidation
- At 90%+ margin erosion → Full liquidation

### 10.2 Intraday Risk Management

- Intraday positions may be squared off:
- 15–30 minutes before market close
- Earlier in case of high volatility

### 10.3 Derivatives Risk Controls

- Continuous MTM monitoring
- Immediate square-off for:
  - Margin default
  - Expiry-related risk

### 10.4 Physical Settlement Risk

For F&O stocks under physical settlement:

- Positions may be squared off 2–3 days before expiry if:
  - Funds/stocks are insufficient
- Avoidance of delivery obligations is prioritized

### 10.5 Collateral Liquidation Rules

The Company may:

- Invoke pledged securities
- Sell collateral without client consent
- Apply proceeds towards debit balance

Priority of liquidation:

- Open positions
- Collateral securities
- Ledger recovery

## 11. MARGIN TRADING FACILITY (MTF)

MTF is provided strictly as per SEBI framework.

### 11.1 Eligibility

- Available only in approved securities
- Client must execute MTF agreement
- MTF shall be provided only in Exchange-approved securities

**11.2 Margin Requirements**

- Initial Margin: As per regulatory norms
- Maintenance Margin: Continuous requirement

**11.3 MTF Liquidation Triggers**

- Margin shortfall beyond permissible limit
- Adverse price movement
- Funding withdrawal

**11.4 Interest & Funding**

- Interest charged on funded amount
- Rates disclosed separately

**11.5 Risk Rights of Company**

- Right to liquidate funded stock
- Right to recall funding at any time

**12. DEBIT BALANCE MANAGEMENT**

- Debit balances are monitored continuously
- Interest charged on delayed payments
- Trading restrictions may apply on overdue accounts
- Interest shall be charged on debit balances as per the Company's tariff sheet
- Persistent debit balances may trigger:
  - Trading restrictions
  - Legal recovery proceedings
- Recovery process may include:
  - Client reminders
  - Formal notices
  - Legal action where necessary

**13. SHORT DELIVERY & AUCTION**

- Short delivery handled via Exchange auction
- Auction losses debited to client
- Penalties as per Exchange norms

**14. TECHNOLOGY & CYBER RISK CONTROLS**

- Secure trading infrastructure
- Multi-factor authentication (MFA)

- Periodic vulnerability testing
- Disaster recovery (DR) & business continuity planning (BCP)
- Cyber incidents shall be reported to Exchanges within prescribed timelines
- Periodic vulnerability assessments and penetration testing shall be conducted
- Client data shall be securely stored and protected against unauthorized access
- Third-party vendors and APIs shall be subject to risk assessment and monitoring

## 15. CLIENT RISK PROFILING

The Company shall adopt a structured approach for risk profiling of clients to ensure effective risk management and appropriate application of controls under the Risk Management System (RMS).

### 15.1 Client Categorization

Clients shall be classified into the following risk categories:

- Low Risk
- Medium Risk
- High Risk

### 15.2 Basis of Classification

The categorization shall be based on a combination of factors, including but not limited to:

- **Financial Capacity:** Net worth, income levels, and ability to meet margin obligations
- **Trading Behavior:** Frequency of trading, speculative or high-risk strategies, and past trading patterns
- **Exposure Patterns:** Size and concentration of positions, leverage utilization, and segment-wise exposure

The Company may also consider additional parameters such as past defaults, margin shortfalls, and overall risk history of the client.

### 15.3 Application of Differential Controls

Based on the assigned risk category, the Company shall apply appropriate RMS controls, including:

- Assignment of client-specific exposure limits
- Imposition of differential margin requirements
- Restriction or limitation on intraday leverage
- Enhanced monitoring and stricter square-off thresholds for higher-risk clients

### 15.4 Review and Reclassification

- Client risk categorization shall be reviewed periodically or upon occurrence of significant changes in trading behaviour or financial profile.
- The Company reserves the right to reclassify clients into a different risk category based on updated risk assessment.

### 15.5 Discretion of the Company

The Company reserves the right to apply additional restrictions or controls on any client account, irrespective of classification, to safeguard against potential risk.

## 16. GOVERNANCE & OVERSIGHT

### Board of Directors

- Approves and reviews RMS policy
- Monitors implementation
- Updates risk thresholds

### Compliance Officer

- Ensures regulatory adherence

## 17. SEBI-COMPLIANT DISCLAIMERS

- Investments in securities market are subject to market risks. Read all related documents carefully before investing.
- The Company is a member of recognized stock exchanges and is registered with the Securities and Exchange Board of India.
- The Company acts as an execution-only intermediary and does not provide investment advice unless specifically authorized.
- Trading in leveraged products such as derivatives carries a high degree of risk and may result in losses exceeding initial investment.
- The Company shall not be liable for losses arising due to system failures, network disruptions, or force majeure events.
- The Company reserves the right to liquidate positions and/or collateral without prior notice in case of margin shortfall.
- Clients are solely responsible for their investment decisions and risk exposure.

## 18. POLICY REVIEW

- Reviewed annually or upon regulatory changes
- Immediate updates in case of:
  - SEBI circular changes
  - Exchange RMS updates
  - Internal risk events

## 19. CONCLUSION

This Policy ensures that the Company maintains a robust, technology-driven, and regulator-compliant risk management framework, safeguarding both client and organizational interests in a dynamic market environment.