RISK DISCLOSURE DOCUMENT FOR CAPITAL MARKET AND DERIVATIVES SEGMENTS

RISK DISCLOSURE ON DERIVATIVES
• 9 out of 10 individual traders in equity Futures and Options Segment, incurred net losses. • On an average, loss makers registered net trading loss close to ₹50,000. • Over and above the net trading losses incurred, loss makers expended an additional 28%of net trading losses as transaction costs. • Those making net trading profits, incurred between 15% to 50% of such profits as transaction cost.

Derivatives trading involves substantial risk of loss and is not suitable for all investors.

Investors should carefully assess their financial condition, risk tolerance, and investment objectives before participating in the derivatives market.

1. PREAMBLE

This Risk Disclosure Document ("Document") contains important information regarding trading in the Capital Market (Equity) Segment and Equity Derivatives (Futures & Options) Segment.

All prospective and existing clients are advised to read this Document carefully before undertaking any trading activity.

This Document does not disclose all risks and other significant aspects of trading. In light of the risks involved, you should undertake transactions only if you understand:

The nature of the contractual relationship

The extent of your exposure to risk

Your financial ability to bear losses

Neither the Exchanges nor SEBI guarantee profits or assume responsibility for losses incurred by investors.

2. GENERAL RISK ACKNOWLEDGEMENT

This document highlights key risks but does not disclose all possible risks associated with trading in securities and derivatives.

By undertaking trading activity, you acknowledge that:

- Investments in securities are subject to market risk.
- There is no guarantee of profits.
- Losses may exceed capital deployed (particularly in leveraged products).
- You are solely responsible for your investment decisions.

Neither the Exchanges nor SEBI guarantee returns or assume liability for losses.

3. RISKS IN CAPITAL MARKET (EQUITY SEGMENT)

2.1 Market Risk

Security prices fluctuate due to macroeconomic factors, company performance, liquidity conditions, geopolitical developments, and investor sentiment.

Volatility may result in:

- Execution at prices significantly different from expected levels.
- Partial or non-execution of orders.
- Significant notional or realized losses.

2.2 Liquidity Risk

Certain securities may have low trading volumes, which may result in:

- Difficulty in exiting positions
- Wider bid–ask spreads.
- Increased price impact costs.

2.3 Risk Associated with Order Types

Market Orders

Executed at the best available price, which may differ from last traded price.

Limit Orders

May not execute if the specified price is not reached.

Stop-Loss Orders

May not provide protection during sharp market movements or price gaps.

In fast-moving markets, order execution may occur at prices materially different from intended trigger levels.

2.4 News and Information Risk

Corporate announcements, regulatory changes, or global developments may cause abrupt price movements.

Investors should avoid acting on unverified rumours or speculative information.

2.5 Technology and System Risk

Trading is conducted through electronic systems. Risks include:

- Connectivity failures
- System outages
- Exchange-imposed trading halts
- Latency or execution delays

Open positions during such disruptions may expose investors to losses.

4. RISKS IN EQUITY DERIVATIVES SEGMENT

Derivatives are leveraged instruments and inherently carry higher risk compared to cash market investments.

4.1 Leverage Risk (Amplification of Losses)

Derivatives require margin that is small relative to the contract value.

While leverage magnifies potential gains, it equally magnifies losses.

- You may lose the entire margin deposited.
- Losses may exceed the initial margin amount.
- Additional funds may be required at short notice

4.2 Mark-to-Market (MTM) Risk – Futures

Futures contracts are settled daily.

If market moves adversely:

- You must provide additional margin within stipulated timelines.
- Failure to do so may result in compulsory square-off.
- You remain liable for any deficit.

4.3 Increased Margin During Volatility

Exchanges may revise margin requirements in volatile markets.

Margin revisions may apply to existing open positions, requiring additional capital infusion.

4.4 Risks Specific to Option Buyers

- Options are wasting assets.
- Entire premium may be lost.
- Time decay reduces option value even if price movement is limited.

- Out-of-the-money options may expire worthless.

4.5 Risks Specific to Option Writers (Sellers)

- Potential losses may be unlimited in case of uncovered positions.
- Margin requirements may increase sharply.
- Adverse movements may lead to significant mark-to-market losses.
- Complex option strategies increase risk exposure.

4.6 Risk of Illiquidity or Market Disruption

Under extreme conditions such as:

- Circuit filters
- Suspension of trading
- Low participation

You may not be able to exit positions at desired prices.

5. COST IMPACT DISCLOSURE

Transaction costs materially impact net returns.

- Costs may include:
- Brokerage
- Exchange transaction charges
- Clearing charges
- SEBI turnover fees
- Stamp duty
- GST and statutory levies
- DP charges

In derivatives trading, transaction costs may significantly reduce profitability, even in profitable trades.

6. SUITABILITY AND INVESTOR RESPONSIBILITY

You must assess whether trading in equities or derivatives is suitable in light of:

- Financial resources
- Investment experience
- Risk appetite
- Ability to withstand losses

High-frequency trading, speculative strategies, or leveraged exposure may not be suitable for retail investors with limited capital.

You confirm that:

- You are aware that derivatives trading involves high risk.
- You understand that historical performance does not guarantee future returns.
- You will not hold the Trading Member, Exchanges, Clearing Corporations, or SEBI responsible for trading losses.

7. REGULATORY FRAMEWORK

All trades are subject to:

- Rules, Bye-laws and Regulations of the Exchanges
- Circulars issued by Exchanges and Clearing Corporations
- SEBI regulations and guidelines issued from time to time

Disputes, if any, shall be resolved through the arbitration mechanism prescribed by the Exchanges.

8. INVESTOR GRIEVANCE & PROTECTION

Investors are entitled to:

- Contract notes within prescribed timelines
- Periodic statement of accounts
- Trade verification facility
- Investor Grievance Redressal Mechanism
- Arbitration
- Investors' Protection Fund (IPF) benefits subject to prescribed limits.

9. SUITABILITY AND RESPONSIBILITY

The Client must assess suitability based on:

- Financial capacity
- Investment objectives
- Risk tolerance
- Trading experience

High-frequency trading leveraged exposure and speculative strategies may not be suitable for retail investors with limited capital.

The Client confirms that trading decisions are undertaken at his/her/its own risk.

10. DEFINITIONS

Client / Constituent: A client, customer or investor dealing with a Trading Member for acquiring and/or selling securities through the mechanism provided by NSE/BSE.

Member / Trading Member: A trading member, broker or stock broker admitted as such by NSE/BSE and holding a valid registration certificate from SEBI.