RISK MANAGEMENT POLICY

ADOPTED

BY

ESTEE ADVISORS PVT LTD

FOR

NSE/BSE/MSEI

IN

CASH/FNO/CDS SEGMENT

RISK MANAGEMENT POLICY

Estee Advisors Pvt. L td. (EAPL) has introduced sound Risk Management Policies to provide hassle free trading / investment facility to the registered clients. Risk Management Policies are formulated to take care of the interests of both clients and the Company. Risk Management being an ongoing exercise is re viewed periodically and necessary steps are initiated in this direction. Risk Management Measures followed by **EAPL** are detailed below:

A. CLIENT'S ACCOUNT – OPENING, CLOSING, MAINTENANCE ETC.:

Trading account opened shall be in inactive m ode till the client makes a request over dedicated telephone no. to **EAPL** for activation of the same. **EAPL** may at any time temporarily suspend the trading account of the client based on the written request received in this regard from the client. Where the client has requested for temporary suspension of the account, no trades shall be permitted in such account. To reactivate such suspended accounts, Client is required to make a written request to **EAPL**. Before reactivating such accounts **EAPL** may ask the client to provide for financial statement or other documents as it deems fit and reactivation shall be solely at the discretion of **EAPL**.

EAPL may suspend the accounts from trading on notices received from Statutory, Government or Local Bodies, Income Tax, Judicial or a Quasi-Judicial authority, Regulators etc. or client reported to have expired.

For closure of the trading account, the client is required to submit a written request to **EAPL**. **EAPL** shall examine the same in the light of the compliance requirements, pending queries, security / funds dues if any from the client. The account shall be closed after the necessary approvals as above and after the notice period a s decided by **EAPL** as per the terms of the agreement and regulatory requirements from time to time.

B. CLIENT'S EXPOSURE LIMITS:

Exposure is permitted based on the funds / securities put on hold by the client through the portal / the dealer in the account linked to the trading account or based on the deposits, balances and collaterals available. **EAPL** also permits exposure to the clients to the tune of value of sale proceeds of T day under the delivery based trading product. Unused exposure on account of such value of sale proceeds is carried forward till T + 2 da y. Mark to Market loss if any shall be reduced from the available exposure of the client.

CASH SEGMENT:

EAPL stipulates 100% margin by w ay of hold on funds for the value of buy orders and hold of securities to the extent of sale order for delivery trades. For non-delivery (Intraday) trades **EAPL** provides exposure based on the multiple of fund put on hold for both buy and sell orders. However, for trades under BTST (Buy Today Sell Tomorrow) no separate margins are stipulated by **EAPL** as the client has already paid the full value of share under de livery trade. Leveraged exposures are provided to the clients at the sole discretion of **EAPL** and is subject to change based on the market conditions and client profile.

FNO SEGMENT:

Clients are required to provide Initial Margin i.e. SPAN Margin and Exposure as stipulated by NSE, and an additional margin as decided by **EAPL** from time to time and Margin Report. Statement of Initial /Exposure Margin for FNO will be sent to client on daily basis by way of courier with Contract Notes. Clients are required to provide the margins as stipulated above for both buy and sell of Future contracts and for Sell / Writing of Options. The premium on purchase of opt ions is recovered upfront by way of available balance in the form of hold in bank accounts or credit in the account maintained with **EAPL**.

CDS SEGMENT:

Clients are required to provide Initial Margin i.e. SPAN Margin and Extreme Loss Margin a s stipulated by NSE and an additional margin as decided by **EAPL** from time to time and Margin Report Statement of Initial / Exposure Margin for FNO will be sent to client on daily basis by way of courier with Contract Notes. Clients are required to provide the margins as stipulated above for both buy and sell of Future contracts.

C. MAINTENANCE OF MARGINS / CASH – CLOSURE OF CLIENTS' POSITIONS:

Apart from Exchange stipulated instances and technical failures, **EAPL** shall not allow the client to take further positions or close the existing positions whenever there is shortage of margins. This may be either security specific or client specific based on the circumstances. Client is required to maintain the requisite margin f or the open positions under c ash segment and open / carry forward pos itions under FNO / CD S a t all the times. Further, **EAPL** shall monitor the client's positions through the RMS and has the following policy for squaring off the positions:

EAPL may at its discretion square off open position of the clients under IDT as soon as the clients MTM losses cross 90% of the total fund available in his account. **EAPL** shall also resort to selling the clients' securities / square off the positions when the client fails to provide the funds towards the valuation debit / auction against the BTST trade.
In case of FNO and CD S the client is required to maintain the margins stipulated by **EAPL** at all times. Whenever there is shortfall in the margins, client is required to replenish the same. **EAPL** shall square off the positions of the clients under FNO / CD S without further notice when the shortfall is to the extent of additional margin and exposure margin required for the open positions. All losses consequential to such square off or s ale of collaterals shall be borne by the client. In case **EAPL** is unable to square off or refrain from squaring off the position due to margin shortfall, the client shall not have a right to claim that the position was not squared off and the same has resulted in additional losses. Square off s hall be a t t he discretion of **EAPL** and all consequential losses and charges shall be borne by the client.

D. ORDERS FOR BUY / SELL OF PENNY STOCKS:

Generally, Penny stocks have all or any of the following characteristics:
Trading at a price which is less than the Face value of the share.
Small Market Capitalization.
Poor / Unsound fundamentals.
Low liquidity.

Normally finds place in the list of illiquid shares published by the Exchanges. Though the "Penny Stocks" have been not defined, it has been suggested to refer to list of illiquid scrip published by the Exchanges on a Monthly basis to monitor trading in penny scrip. **EAPL** may at its discretion categorize any stock as penny stock as per its Policy and risk perception. EAPL has adopted the following Policy on the Penny stocks:

EAPL shall have the absolute discretion to restrict its clients from placing buy or sell orders in Penny / illiquid stocks in spite of client providing adequate hold of funds, Margin / balance in his / her / its account. To this end **EAPL**, may at its discretion accept and /or refuse any buy or sell order for penny / illiquid stocks from clients over phone. **EAPL** at its sole discretion, introduce blocks to re strict clients from order placement in such penny / illiquid stocks through the online trading portal. **EAPL** may seek declarations from the clients before accepting such orders. **EAPL** may place such restrictions at the beginning or in between the market hours notwithstanding the client has / had previously purchased and / or sold such scrip / contracts through **EAPL** itself in the past. Further, client while placing buy or sell order for penny stocks / illiquid stocks shall not specify the price which is substantially different from the then existing market price. Client must ensure that placing of such orders doesn't result in creation of artificial bid / offer / volume or misleading or false appearance of trading. Client shall also ensure that their trading in penny stocks doesn't operate as a de vice to inflate or de press or cause fluctuations in the price of such s tocks. **EAPL** may a t its discretion, restrict intraday trading in such illiquid / penny s tocks and also does not make available far month future / option contracts for trading in FNO segment of NSE. **EAPL** at its sole discretion may restrict order placement in any other contracts or scrip which are extremely volatile and / o r subject to market manipulations.

EAPL at its discretion may cancel the pending orders in full or pending port ion of the partly executed orders placed by the clients / dealers in respect of such illiquid / penny stocks. **EAPL** shall not be responsible for any opportunity loss or financial loss to the client consequent to non acceptance or cancellation of the pending orders. Further, the client s hall indemnify **EAPL** for any loss caused / may cause to **EAPL** on account of client's trading in penny / illiquid stocks.

E. INTERNAL SHORTAGE:

There is a possibility that the delivery shortage of one client is compensated by the long position of other client of the Company. In such case the shortage will be an internal shortage and s hall not be auctioned on the Exchange as the settlement takes place after netting out the position of all clients across the Trading M ember. Client hereby agrees that if he /she/it has short delivered any securities against his/her/its pay in obligation which resulted into internal shortage and could not be auctioned in the market, then **EAPL** may either go in for a Self-Auction on BSE or close the transaction at and the closeout price will be 10% above, the closing price on the auction day or closing price of trading day or the settlement day whichever is higher. **EAPL** may revise the percentage from time to time. In case of purchaser h e/she/it will receive a credit the amount calculated as per the above formula. **EAPL** may resort to any other method of settlement of transaction if it is mutually agreed by bot h the parties and **EAPL**. Decision of **EAPL** in the matter s hall be final and binding upon bot h the parties.

Following are the basic risks involved in trading on the Stock Exchanges in Equity and other Instruments, which the clients should be aware before commencing the trade / operation of the trading account.

Risk of Higher Volatility:

Volatility refers to the dynamic changes in price that securities / F&O Contracts / Currency Derivatives Contracts undergo when trading activity continues on the Stock Exchange. Generally, higher the volatility of a security/contract, greater is its price swings. There may be normally greater volatility in thinly traded securities/contracts than in active securities/contracts. As a result of volatility, order may only be partially executed or not executed at all, or the price at which order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.

Risk of Lower Liquidity:

Liquidity refers to the ability of market participants to buy and/or sell securities / contracts expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities / contracts swiftly and with minimal price difference, and as a result, investors are more likely to pa y or receive a competitive price for securities / contracts purchased or s old. There may be a risk of lower liquidity in some securities / contracts as compared to active securities / contracts. As a result, order may only be partially executed, or may be executed with relatively greater price difference or may not be executed a t all. Buying/selling without intention of giving and/or taking de livery o f a security / contract, as part of a da y trading strategy, may also result into losses, because in such a situation, stocks may have to be sold/purchased at a low/high prices, compared to the expected price levels, so as not to have any obligation to deliver/receive a security.

Risk of Wider Spreads:

Spread refers t o t he difference in best buy price and best sell price. I t represents the differential between the price of buying a security / contract and immediately selling it or vice versa. Lower liquidity and higher volatility ma y result in wider than normal spreads for less liquid or illiquid securities / contracts. This in turn will hamper better price formation.

Risk-reducing orders:

Most Exchanges have a facility for investors to place “limit orders”, “stop loss orders” etc”. The placing of such orders (e.g., “stop loss” orders, or “limit” orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders.

1. “**Market**” order will be executed promptly, subject to availability of orders on opposite side, without regard to price and that, while the customer m ay receive a prompt execution of a “ market” order, the execution may be a t available prices of out-standing orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that security.
2. “**Limit**” order will be executed only at the “limit” price specified for the order or a better price. However, while the customer receives price protection, there is a possibility that the order may not be executed at all.
3. “**Stop Loss**” order is generally placed “away” from the current price of a stock / contract, and such order gets activated if an d when the s tock / contract reaches, or trades through, the stop p rice. Sell stop orders are entered ordinarily below the current price, and buy stop orders are entered ordinarily above the current price. When the s tock reaches the pre -determined price, or trades through such price, the stop loss order converts to a market/limit order and is executed at the limit or better. There

is no assurance therefore that the limit order will be executable since a s tock / contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order.

Risk of News Announcements:

Issuers make news announcements that may impact the price of the securities / contracts. These announcements may occur during trading, and when combined with lower liquidity and higher volatility, may suddenly cause an unexpected positive or negative movement in the price of the security / contract.

Risk of Rumors:

Rumors about companies at times float in the market through word of mouth, newspapers, websites or news agencies, etc. The investors should be wary of and should desist from acting on rumors.

System Risk:

High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation. During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations. Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / contract due to any action on account of unusual trading activity or stock hitting circuit filters or for any other reason.

System/Network Congestion:

Trading on NSE/BSE/MSEI is in electronic mode, based on satellite/leased line based communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond the control of and may result in delay in processing or not processing buy or sell orders either in part or i n full. Clients are cautioned to note that although these problems may be temporary in nature, clients having outstanding open positions or unexecuted orders, these represent a risk because of their obligations to settle all executed transactions.

As f ar as Futures and Options segment an d Currency Derivatives Segment are concerned, Client shall get acquainted with the following additional features: -

Effect of "Leverage" or "Gearing" The amount of margin is small relative to the value of the derivatives contract so the transactions are 'leveraged' or 'geared'. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the principal investment amount. But transactions in derivatives carry a high degree of risk.

Therefore the client should completely understand the following statements before actually trading in derivatives trading and also trade with caution while taking into account one's circumstances, Financial resources, etc. If the prices move adversely to the position of the client, then the client may

Lose a part of or whole margin equivalent to the principal investment amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount. Futures trading involve daily settlement of all positions. Every day the open positions are marked to market based on the closing level of the index / F&O Contract / Currency Derivatives Contract. Based on the movement of the index / price of underlying client will be required to deposit the amount of loss (notional) resulting from such movement. This margin will have to be paid within a stipulated time frame, generally before commencement of trading next day.

If client fails to deposit the additional margin by the deadline or if an outstanding debt occurs in client's account, **EAPL** may liquidate a part of or the whole position or substitute securities. In this case, Client will be liable for any losses incurred due to such close-outs.

Under certain market conditions, an investor may find it difficult or impossible to execute transactions. F or example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.

In order to maintain market stability, the following steps may be adopted: changes in the margin rate, increases in the cash margin rate or others. These new measures may also be applied to the existing open interests. In such conditions, client will be required to put up additional margins or reduce positions. Client must ask **EAPL** to provide the full de tails of the derivatives contracts which he / she / it plans to trade i.e. the contract specifications and the associated obligations.

Risk of Option holders:

1. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. I f the price of the underlying does not change in the anticipated direction before the option expires to an extent sufficient o (Zero) cover the cost of the option, the investor may lose all or a significant part of his investment in the option.
2. The Exchange may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

Risks of Option Writers:

1. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount.
2. The risk of being a n opt ion writer may be reduced b y t he purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even w here the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.
3. Transactions that involve buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with

someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances.

Currency specific risks:

1. The profit or loss in transactions in foreign currency-denominated contracts. Whether they are traded in own or another jurisdiction, will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.
2. Under certain market conditions, Client may find it difficult or impossible to liquidate a position. This can occur, for example when a currency is deregulated of fixed trading bands are widened.
3. Currency prices are highly volatile. Price movements for currencies are influenced by, among other things: Changing supply-demand relationships; trade, fiscal, monetary, exchange control programs and policies of governments; foreign political and economic events and policies; changes in national and international interest rates and inflation; currency de valuation and sentiment of the market place. None of these factors can be controlled by any individual advisor and no assurance can be given that an advisor's advice will result in profitable trades for a participating customer or that a customer will not incur losses from such events.

Pay-in Of Fund & Stock:-

Third party pay-in of securities & fund will not be accepted. Same way pay out of shares and fund will be directly done to client account only.

Collections of Funds:-

Cash will not be accepted under any circumstances except cheque bouncing.

Collection of cheques from clients must be done by T+2 days except clients who have authorized us to have running account balance.