

MUKESH BROKERAGE & FINANCIAL (I) LTD.

Member: BSE, NSE.

MUKESH BROKERAGE & FINANCIAL (I) LTD. RMS Policy

Risk Management Policy Applicable To All Clients

OBJECTIVE: In capital market risk management is one of the most important aspects to avoid any future financial crisis; it becomes important to manage risks effectively as it not only affects the organization but it also affects their clients. This can be achieved by placing robust system in place and implementation of the same. Especially in the derivatives market, 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 margin amount. But transactions in derivatives carry a high degree of risk. You should therefore completely understand the following statements before actually trading in derivatives and also trade with caution while taking into account one's circumstances, financial resources, etc. If the prices move against you, you may lose a part of or whole margin amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.

You must know and appreciate that trading in Equity shares, derivatives contracts or other instruments traded on the Stock Exchange, which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance. You should therefore carefully consider whether such trading is suitable for you in the light of your financial condition. You should well verse yourself first about the systems, pay ins & pay outs of funds and securities, order types (intraday, carry forward and delivery trades) and other applicable rules and regulations. You should read RDD which is part of account opening document before beginning to trade or invest. In case you trade on Exchanges and suffer adverse consequences or loss, you shall be solely responsible for the same and Mukesh Brokerage & Financial (I) Ltd./Stock exchanges/its Clearing Corporation and/or SEBI shall not be responsible, in any manner whatsoever, for the same and it will not be open for you to take a plea that no adequate disclosure regarding the risks involved was made or that you were not explained the full risk involved by Mukesh Brokerage & Financial (I) Ltd.. The client shall be solely responsible for the consequences and no contract can be rescinded on that account. You must acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a derivative contract being traded on Stock exchanges.

ROLES & RESPONSIBILITIES: Role of Risk Management Department start from client registration like client categorization, daily limit setting, monitoring of daily transactions, margins etc. checking and monitoring of risk at various level and implementation of Risk Policy.

CLIENT CATAGORIZATION: Classification of both existing and new clients into difference risk categories in back office like Low, Medium, High or CSC depending on the various parameters like client identity, background, financial, transactions pattern etc.

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EXPOSURE / LIMIT SETTING: Daily limits will be set and updated in RMS software on the basis of available balance / collateral.

MARGINS: In derivative segment upfront margin will be collected as per Exchange requirements. 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 / derivatives contract. If the contract has moved against you, you will be required to deposit the amount of loss (notional) which is generally in the range of average historic volatility. This is also called daily settlement price. This amount will have to be paid latest by the next day morning before the commencement of trading. (For Eg a derivative contract worth Rs 100 requires Rs 20 as margin for carried forward trade. The price fluctuates daily, suppose the price rises to Rs 102 for a short position, then the trader has to deposit Rs 2 as margin money next day before the start of market) If you fail to deposit the additional amount by the deadline or if an outstanding debt occurs in your account, MUKESH BROKERAGE & FINANCIAL (I) LTD. may liquidate a part of or the whole position or can sell securities to recover the amount. In this case, you will be liable for any losses incurred due to such close-outs.

QUANTUM OF MARGINS: The client shall pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the stock broker or the Exchange or as may be directed by SEBI from time to time as applicable to the segment(s) in which the client trades. The stock broker is permitted in its sole and absolute discretion to collect additional margins (even though not required by the Exchange, Clearing House/Clearing Corporation or SEBI) and the client shall be obliged to pay such margins immediately failing which the position of the client is liable to be squared off at the sole discretion of Mukesh Brokerage & Financial (I) Ltd..

RISK AND COLLATERAL MANAGEMENT: Mukesh Brokerage & Financial (I) Ltd. has an online real time basis risk monitoring system for each client. If on a real time basis, at any time during the day (including pre opening gaps) the losses(mark to market) exceed more than 80% of the client's total deposits, MUKESH BROKERAGE & FINANCIAL (I) LTD. shall initiate the square off of the position of the client on a real time basis without even informing the client. (Eg. A derivative contract worth Rs 100 requires Rs 20 as margin for carried forward trade or lesser if the trade is for intraday, as the case may be, if at any point of time during the day, price fluctuates more than 16% or more, which means that 80% of the deposit amount is wiped out, (i.e. $20 * 80/100 = 16$) Mukesh Brokerage & Financial (I) Ltd. RMS team in such cases will square off the position) Such eventuality may be rare but often happens in financial markets and therefore it is not feasible to inform the client about auto square off being undertaken by MUKESH BROKERAGE & FINANCIAL (I) LTD.'s RMS team. Such huge volatility should not be construed as normal volatility and such losses have to be replenished immediately otherwise the position will be squared off subject to 80% condition. Clients should not wait for next day to settle such margin calls on the positions on the pretext that this falls under daily settlement process. There is a difference between daily settlement which is nothing but generally average historic volatility and extraordinary volatility which needs to be replenished immediately, daily settlement price can be paid next day

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morning but losses beyond average historic volatility or in other words extraordinary large loss has to be replenished on an immediate and real time basis otherwise Mukesh Brokerage & Financial (I) Ltd.'s RMS team will square off if losses exceed 80% of the deposits at any given time. Such losses shall be of the client and MUKESH BROKERAGE & FINANCIAL (I) LTD. in no way will be held responsible. The client therefore in general is advised to maintain more margins than is required by the Exchanges for his/her safety due to such black swan movement (means massive or abnormal volatility either intraday or due to overnight events) in the prices of the securities. Mukesh Brokerage & Financial (I) Ltd. shall endeavor to close out the position once 80% losses of the deposits are triggered but, MUKESH BROKERAGE & FINANCIAL (I) LTD. in no way, guarantees that the losses will be squared off at such percentage, in reality, it can be more or less. (Eg. Continuing from the above example if the price of derivative contract moves quickly by 20% without giving an opportunity to Mukesh Brokerage & Financial (I) Ltd.'s RMS team to square off at Rs 16 i.e. at 80% but eventually the square off happens at Rs 20, then the client is liable to deposit Rs 4 as the loss amount due to adverse price movements)

TRADING RESTRICTIONS: Restrictions in certain Securities shall be done periodically by RMS Team. MUKESH BROKERAGE & FINANCIAL (I) LTD. shall from time to time classify a list of securities which are illiquid as per the list of illiquid securities notified on a periodic basis by the Stock Exchanges concerned and / or based on such internal criteria as MUKESH BROKERAGE & FINANCIAL (I) LTD. may deem fit. MUKESH BROKERAGE & FINANCIAL (I) LTD. reserves the right to refuse execution of any transaction requests of the Client on such illiquid securities or to reduce the open market interests of the Client in such securities. MUKESH BROKERAGE & FINANCIAL (I) LTD. also reserves the right not to allow any trades or transactions in respect of certain securities or segments or orders/requests which may be below / above certain value / quantity as may be decided by MUKESH BROKERAGE & FINANCIAL (I) LTD. from time to time. Trading in Illiquid Scrip may be restricted as per management directives. RMS Team will closely monitor such type of transactions. Such list of illiquid stocks is updated on the website. In F&O segment no new position will be permitted in Ban Period securities. Penalties if any due to such transactions if initiated by the client shall be borne by the client solely.

ONLINE PAYMENT: Mukesh Brokerage & Financial (I) Ltd. shall give credit to client accounts when it receives the payment advice from IMPS, Payment Gateway, NEFT, RTGS and cheques. Credit limits will be given only on confirmation which generally takes time because Mukesh Brokerage & Financial (I) Ltd. has no control over banks or payment gateways. Delays if any in receiving payments by Mukesh Brokerage & Financial (I) Ltd. and thereby causing a consequential loss to the client either due to Mukesh Brokerage & Financial (I) Ltd.'s RMS auto square off policy or otherwise shall be sole responsibility of the client, Mukesh Brokerage & Financial (I) Ltd. in no way shall be held responsible for the delay of any third party payment systems. Mukesh Brokerage & Financial (I) Ltd. shall not process payouts on bank holidays although exchanges may remain open for trading. All ledger debits are liable for payment of

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interests to Mukesh Brokerage & Financial (I) Ltd. in addition to any penalties that are levied by the exchanges.

MUKESH BROKERAGE & FINANCIAL (I) LTD.'s RIGHT TO SQUARE OFF: Without prejudice to MUKESH BROKERAGE & FINANCIAL (I) LTD.'s other rights (including the right to refer a matter to arbitration), in the event of the Client failing to maintain/supply applicable margin money required to sustain the outstanding market positions of the Client, MUKESH BROKERAGE & FINANCIAL (I) LTD. shall be entitled, at its option and liberty, to liquidate/ close out all outstanding market positions or any part thereof such that the outstanding market positions are either zeroed out or reduced to an extent where available margin covers the market positions remaining after such square off. The Client understands and accepts that authority of MUKESH BROKERAGE & FINANCIAL (I) LTD. to square off outstanding market positions of the Client in the event of the Client failing to furnish margin money immediately on demand is carte blanche qua the entire outstanding position and the Client shall not, as a matter of right, be entitled to reduction of the outstanding positions in stages in order that positions to the extent of available margin are retained in the Client's account. MUKESH BROKERAGE & FINANCIAL (I) LTD. may also sell off all or any securities of the Client lying with MUKESH BROKERAGE & FINANCIAL (I) LTD. as collateral or otherwise, for any amounts due by the Client and adjust the proceeds of such liquidation/close out against the client's liabilities/obligations to MUKESH BROKERAGE & FINANCIAL (I) LTD.. Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the client. Such liquidation/ close out may be without any prior reference or notice to the client. Client shall keep and hold MUKESH BROKERAGE & FINANCIAL (I) LTD. indemnified and harmless from any loss arising out of such closing out/squaring off. Such liquidation or close out of positions shall apply to any segment in which the Client does business with MUKESH BROKERAGE & FINANCIAL (I) LTD.. It shall be the duty of the client to be self vigilant and adequately replenish/deposit the margins and mark to market losses on a immediately basis which are calculated on a real time basis by Mukesh Brokerage & Financial (I) Ltd.

SYSTEM/NETWORK CONGECTION RISK: Trading on the Exchange is in electronic mode, based on satellite/ leased line 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 including delayed 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 in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions. The losses if any arising out of such systems/network risk shall be of the client alone.

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The Client shall not have any claim against the Exchange or the Stock broker on account of any suspension, interruption, non-availability or malfunctioning of the Mukesh Brokerage & Financial (I) Ltd. trading system or Service or the Exchange's service or systems or non-execution of his orders due to any link/system failure at the Client/Stock brokers/Exchange end for any reason beyond the control of the Mukesh Brokerage & Financial (I) Ltd./Exchanges.

DORMANT CLIENTS RMS: Team will update the dormant client list (inactive from more than 12 months) & restrict their trading rights. Activation of such clients will be done as per Dormant Client policy.

PAY-IN & PAYOUT OF FUNDS & SECURITIES: Third party pay-in of funds & securities will not be accepted. Same way payout of shares and fund will be directly done to client account only. No securities belonging to one client be used/transferred for other client or for Own purpose. Securities sold by client on intraday basis which for whatsoever reasons are not squared off, then such losses, on account of price difference between the selling price and auction purchase price shall be on the account of the client alone and Mukesh Brokerage & Financial (I) Ltd. shall not, in any way, be responsible for such losses. Client initiating buy today and sell tomorrow strategy is prone to security shortage risks which eventually, if any, will result into losses on account of difference in auction price and client's original trade price, the losses arising on such transactions shall be of the client's account and Mukesh Brokerage & Financial (I) Ltd. in no way is responsible for any such losses.

Detailed Explanation about Margin Policies and Limits

Margin Limits and Policies are a very critical point for consideration for every Trader and Investor in the markets. We at MUKESH BROKERAGE & FINANCIAL (I) LTD. in this post have tried to detail the margin policies that shall be available under different product categories. We have tried to be transparent and upfront in our risk management approach however Mr. Markets may require us to change our policies based on its mood swings.

Broadly, the entire risk management policy is designed for 3 types of trading patterns and segments

Equities

Derivatives – Futures

Derivatives – Options

1. Trading in Equities i.e. Shares Listed on NSE/BSE

All market participants can trade in the Equities or Cash Market Segment on the NSE/BSE using the following Product Types with MUKESH BROKERAGE & FINANCIAL (I) LTD.

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a. For Intra-day Trades

MIS – (Margin Intraday Square-off)

In this MIS product type, additional leverage is available for intraday trades since there is lower risk to positions especially since positions are not carried forward and therefore there is no overnight market risk. Clients will be required to choose MIS as a product type while placing their orders in the MUKESH BROKERAGE & FINANCIAL (I) LTD. Trader. By selecting MIS as a product type, leverage from 3x – 15x will be available depending on the liquidity of the stock. However, one thing to remember is that all orders in the MIS product type should be compulsorily squared off before 3.14 pm failing to do which will require the MUKESH BROKERAGE & FINANCIAL (I) LTD. RMS to square-off positions at 3.15 pm.

b. Delivery Trades

To execute delivery trades with MUKESH BROKERAGE & FINANCIAL (I) LTD., you will need to use the product type – CNC i.e. Cash and Carry. As the name suggests, you will need to completely pay up the margin for delivery trades upfront prior to executing a trade. In case you have Rs. 50,000 in your account, you will be able to buy delivery of only Rs. 50,000 by using the CNC product type. Also, whilst selling in the CNC product type, you will be required to have the stock either in your MUKESH BROKERAGE & FINANCIAL (I) LTD. DP account or the MUKESH BROKERAGE & FINANCIAL (I) LTD. Client Beneficiary Account. You will not be permitted to sell stock which is not a part of the MUKESH BROKERAGE & FINANCIAL (I) LTD. ecosystem. This is to ensure stocks are sold only when stocks are available to be delivered to the exchanges as obligation.

Why do CNC trades require 100% Margin upfront? When stocks are purchased and carried forward, the price risk due to overnight events is extremely high. We have often seen stocks reacting to news events with 20% gap up/ gap down movements. In such cases, it's best to have un-leveraged positions which require 100% margin.

An important point to note is that positions can be converted from MIS to CNC and vice versa at any point of time subject to margin availability. For instance, if you had purchased 1,000 shares of Reliance @ Rs. 900/share in MIS product and blocked Rs. 1,80,000 in margin (say 20%) and decided at 3 pm that you wanted to carry forward this as an CNC trade, all you'll need to do is go to the MUKESH BROKERAGE & FINANCIAL (I) LTD. trader and convert your position from MIS to CNC. However, this conversion would be permitted only if you had Rs. 7,20,000 (CNC Margin difference of 80%) available in your account as free balance.

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2. Trading in Derivatives – Futures (Equity Derivatives, Currency derivatives)

For trading in the futures contracts in the derivatives segment of the exchanges i.e. NSE-F&O, , BSE-CDS, traders will be required to use the following product types with MUKESH BROKERAGE & FINANCIAL (I) LTD.

a. For Intra-day Trades

MIS – (Margin Intraday Square-off)

In this MIS product type, additional leverage is available for intraday trades since there is lower risk to positions especially since positions are not carried forward and therefore there is no overnight market risk. Clients will be required to chose MIS as a product type while placing their orders in the MUKESH BROKERAGE & FINANCIAL (I) LTD. Trader.

However, one thing to remember is that all orders in the MIS product type should be compulsorily squared off before cut-off time failing to do which will require the MUKESH BROKERAGE & FINANCIAL (I) LTD. RMS to square-off positions.

The margin for MIS trades will be charged as a percentage of NRML Trades which shall be as follows

For Equity Index Futures (NIFTY, Bank Nifty and others) – 75% of NRML margin

For Equity Stock Futures – 75% of NRML Margin

For Currency Futures – 75% of NRML Margin

b. Carry Forward Trades

To execute carry forward trades with MUKESH BROKERAGE & FINANCIAL (I) LTD. i.e. trades that you'd like to carry overnight, you will need to use the product type – NRML i.e. Normal. As the name suggests, you will need to completely pay up the normal margin as required by the exchanges (SPAN + Exposure margin) for carry forward trades upfront prior to executing a trade. In case you have Rs. 50,000 in your account, and you want to execute a trade to buy 100 units of NIFTY Futures @ 8,500 and the applicable normal margin is 5%, then Rs. 42,500 ($5\% * 8,50,000$) from your account will get blocked once your trade is executed.

When you execute a trade using NRML product type, you will be permitted to carry your positions till the expiry of the contract.

To calculate the margin applicable on your positions, you can visit the F&O Margin calculator on the MUKESH BROKERAGE & FINANCIAL (I) LTD. Website.

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3. Trading in Derivatives – Options (Equity & Index Options and Currency Options)

For trading in the options contracts in the derivatives segment of the exchanges, traders will be required to use the following product types with MUKESH BROKERAGE & FINANCIAL (I) LTD.

a. For going Long options i.e. Purchasing Options

When you buy options, MUKESH BROKERAGE & FINANCIAL (I) LTD. provides no additional leverage. So if you are buying calls or puts of any contract, the premium required to buy them has to be available in your account with MUKESH BROKERAGE & FINANCIAL (I) LTD..

b. For going Short options i.e. Selling Options

Selling options requires margin to be blocked and the premium received from the short options is credited to your trading account.

You can short option either using the product type as NRML or MIS. To calculate the margin applicable on your positions, you can visit the F&O Margin calculator on the MUKESH BROKERAGE & FINANCIAL (I) LTD. Website.

The margin for MIS trades will be charged as a percentage of NRML Trades for short options which shall be as follows

For Equity Index Options (NIFTY, Bank Nifty and others) – 75% of NRML margin

For Equity Stock Options – 75% of NRML Margin

For Currency Options – 75% of NRML Margin

The margins displayed in the margin calculators are for information purposes only and are only indicative in nature and do not constitute the final margin as would be levied by the exchanges. Clients should maintain some extra margins in their accounts to manage initial margins and marked to market losses, if any. MUKESH BROKERAGE & FINANCIAL (I) LTD. reserve the rights to square off all client positions in case of margin shortfall and in case of an erosion of more than 80% of balance available due to mark to market losses without any prior notice. In case of more than 80% erosion of balance by way of mark to market losses due to price fluctuation, MUKESH BROKERAGE & FINANCIAL (I) LTD. also reserves the right to restrict additional exposure and can place the clients account in square off mode only.