**RISK MANAGEMENT POLICY**

* **Background**

The Regulators mandate members to have a system of risk management to protect themselves from client defaults. The same should be well documented and be made accessible to all the stakeholders. Risk Management System (RMS) function includes:

* + To define clear procedure for risk management of clients in Equities & Derivatives.
	+ To check capital adequacy for exposure and requirements of the client.
	+ Monitoring of Clients Order, Pattern of Trades, Order rejections, increasing of Exposure/limits.
	+ Monitoring MTM profit/loss incurred out of trades.
	+ Margin v/s Exposure of client.
	+ Decision taking with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across.
	+ Other monitoring procedures.
* **Objective**
	+ To identify various risk areas to which Pinnacle Forex and Securities Pvt Ltd (PFSPL) may get exposed in the normal course of broking business.
	+ To build in process checks/controls to mitigate / minimize the risk exposure.
* **Products Offered**
	+ Delivery Trading (i.e. Long Term - Cash and Carry (CNC))
	+ Intraday Trading (i.e. Intraday Square-off (MIS))
	+ Futures and Options (i.e. Carry and Intraday)
* **Acceptable Collaterals**

Clients are required to provide liquid assets, which adequately cover various margin requirements. Liquid assets of the client which may include Cash component or any other acceptable collateral to get the trading limits. The client can provide cash and non-cash collateral.

* + **Cash Component:**
		- Net Client Ledger Balance:

Net Client Ledger Balance including funds payin during the day across all segments and Exchanges and Credit entry passed in Client ledger towards securities for which any delivery obligation is already provided by the client and Early Pay-In (EPI) to the Exchange has been done upto the Exchange prescribed guidelines and limits.

* + - Fixed Deposits
	+ **Non Cash Component:**
* Securities

PFSPL may accept approved securities as defined by the Exchange and / or Non-Approved Securities, at the discretion of Risk Team, after applying appropriate haircut. Approved securities are liquid Securities, in dematerialized format, actively traded on the national exchanges, which are specifically not declared as illiquid shall be pledged as margins, as per the pledging/ re-pledging mechanism specified by SEBI/NSDL/CDSL/CC from time to time.

Appropriate Haircut, equal to Value at Risk (VAR) margin or such higher percentage as prescribed by the PFSPL from time to time, shall be applied to the closing price of the securities as prescribed by Exchange. VAR Margin shall mean all the Margin available in the VAR Margin files received from exchanges. Value of securities, after consideration of appropriate haircut, shall be considered as value of securities pledged.

Collateral Margin shall not be considered for equity delivery positions (Cash and Carry product) and Options Buy carried forward positions.

PFSPL shall reserves the right to re-pledge the approved securities to the Clearing Corporations. In case the client defaults, PFSPL and/or the Clearing Corporations shall be entitled to invoke securities pledged by the client.

* Mutual Funds

List of approved Mutual Funds is specified by the Clearing Corporation from time to time. Clients shall be permitted to pledge an open-ended Mutual Fund units available in demat form as Collateral.

Appropriate Haircut, equal to Value at Risk (VAR) margin or such higher percentage as prescribed by the PFSPL from time to time, shall be applied to the closing NAV of the Mutual Fund Units as prescribed by Exchange / AMFI. VAR Margin shall mean all the Margin available in the VAR Margin files received from exchanges. The collateral value of Mutual Fund units shall be arrived at after deduction of Haircut. Also, the total value of Mutual Funds provided as non-cash portion (Collateral) has certain Member level limits as per Clearing Corporation. Hence, client shall be unable to pledge mutual funds/securities above the said limit.

In case of others (Mutual Funds not listed) the haircut will be as prescribed by Risk team

Valuation Rate of Scrips/ Exchange Traded Funds for margin reporting purpose

Valuation based on T-1 day rate as per NSE Bhavcopy. In case, scrip is not listed on NSE or not traded on NSE, then valuation rate as per BSE Bhavcopy shall be applied.

Valuation Rate of Other Mutual Funds (MF) i.e. not listed on Exchange units which are neither listed on NSE or BSE shall be valued as per AMFI NAV file of T-1 day.

* **Setting up Client's Exposure Limits for all segments**

PFSPL may, from time to time impose and vary limits on the orders that the client can place through the PFSPL’s trading system (including exposure limits, turnover limits, limits as to the number, value in respect of which orders can be placed etc.). The client is aware and agrees that the PFSPL may, need to vary or reduce the limits or impose new limits urgently on the basis of the PFSPL’s risk perception and other factors considered relevant by the PFSPL including but not limited to limits on account of Exchange/ SEBI directions/limits and the PFSPL may be unable to inform the client of such variation, reduction or imposition in advance. The client agrees that the PFSPL shall not be responsible for such variation, reduction or imposition or the client's inability to route any order through the PFSPL's trading system on account of any such variation, reduction or imposition of limits.

The client further agrees that the PFSPL may refuse to execute / allow execution of orders or change limits set by PFSPL/ Exchange / SEBI and any other reasons which the PFSPL may deem appropriate in the circumstances. The client agrees that the losses, if any, on account of such refusal or delay caused by such review, shall be borne exclusively by the client alone

While computing and reporting the available margin following parameter consider‐

* + Clear credit lying in client's settlement and margin ledger account.
	+ Value of Securities Pledge (after haircut) to the extent of Exchange guidelines as prescribed from time to time.
	+ Any successful online funds transfer.
	+ Credit entry for EPI passed in client ledger.
	+ In case of Futures, Clients shall be allowed to trade only up to the applicable client wise position limits set by the Exchanges/Regulators from time to time.

Kindly Note: -

* The exposure limits can be increased or decreased on the basis of client’s profile & PFSPL’s risk appetite.
* In addition to above, PFSPL may apply specific scrip wise Margin as prescribed by Exchange from time to time.

PFSPL shall not be responsible for any delay/non-receipt of link/OTP from depositories for creation of pledge or non-confirmation of pledge request by the client or due to any other issue at depository as well as at PFSPL’s end.

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| **Sr. No.** | **Particulars** | **Limits** |
| 1 | Intraday Limits | Intra-day existing available limits will be available to the extent of (VaR + ELM + Adhoc) % or minimum % as prescribed by the Exchanges in cash segment from time to time and (Span Margin + ELM) % in FO segment. Leverage shall be provided considering scrip wise position and market conditions at the discretion of Risk team from time to time. M to M will be charged over and above available margins as and when required. Any square off on account of an Intra-day transaction would release the blocked margin after adjusting realised losses/charges. Open positions may be squared off before Close of market by the risk team depending on shortfall in margin or due to other risk parameters. |
| 2 | Carry Forward | Clients with sufficient Cash balance shall be allowed to Carry Forward their positions depending upon the product subscribed by the clientFor F&O, client can carry forward their positions after giving sufficient margin in the form of Cash and/ or Collaterals. |
| 3 | Square off Criteria and Timing | * + MTM square off: At any given point in time if the MTM level of the client breaches 50% minimum or as defined by the risk team of his available margin, the risk team would square off the relevant positions of the client. The final discretion will be of the Risk Team at all the times.
	+ Margin square off: if clients does not clear settlement / margin shortfall within the stipulated time.
	+ ADHOC Square off: It may be initiated due to conditions such as stock hitting circuit, physical delivery, market circuit etc. at the discretion of the risk team

Note: It would be client responsibility to ensure that sufficient margin is available at all the times. |

* **Setting up Terminal Level Limits**

Trading Terminals are allotted to PFSPL by Exchanges. These CTCL terminals enable PFSPL to place, modify and execute orders on behalf of clients. There may be instances where due to punching error or technical issues, unusual orders may be placed at high prices which might lead to execution of unrealistic orders or orders being executed at unrealistic prices. In cases where the order/price of such orders is high, it might lead to huge losses to PFSPL. In order to avoid such a situation, it is imperative that certain limits are prescribed for each terminal allotted to PFSPL.

PFSPL shall ensure documentation of internal controls on areas like order modification / cancellation, client code changes and post-trade activities are in place and are being updated from time-to-time.

The following limits shall be defined for each terminal:

* + Quantity Limit for each order
	+ In cases where a large trade is to be done, dealer can intimate the Risk Team of the higher limit requirement and the Risk Team can raise the limit accordingly.
	+ Value Limit for each order
	+ Turnover Limit for each user ID
	+ Pending Order Limit for each ID
	+ Member Level Turnover Limit
	+ Spread Order Quantity and Value Limit (For all Segment) Checks in place
	+ A dedicated Risk monitoring team to monitor the exposure, limit, etc.
	+ RMS Terminal which has a facility to block the client as well as restrict to use over exposure.
	+ Terminals limits will be set up by the Front Office official designated at Correspondence Office.
	+ No user will be provided unlimited limit.
	+ Limits shall be monitored on daily basis, taking following criteria’s: Turnover, Exposure, past trends, Location, Deposit/Collateral, etc.
	+ Any other limits as prescribed by Exchanges from time to time.
* **Trading in New Listing:**

Newly listed shares (usually do not have any DPR), shares are subject to the high market risks. Dealing in these securities will be allowed after verification of credit balance and M-to-M levels and shall also be subject to certain conditions as it may deem fit and proper in its absolute discretion.

Risk team shall restrict Order Quantity/Value for IPO/OFS on the day of listing. Also, Margin / Limits shall be set for the same considering various factors like size of IPO, allotment, floor price, etc. by Risk team.

* **Trading in Illiquid Scrips/Penny Stocks:**

As a part of Due Diligence, Illiquid Securities/Trade to Trade shares/Penny Stocks and Scrips with less volume in FO segment may be restricted by Risk team. The list of such Restricted Scrips shall also include GSM/ASM/SMS List and will change from time to time.

* **Order Receipt & Execution:**
	+ All orders routed through RMS are monitored by PFSPL's risk department and after confirmation about client’s margin status (availability of prescribed margin), order shall get executed.
	+ Clients can enter trades primarily through Mobile App and / or Desktop Application. Order confirmation screen is displayed in order to confirm the trade details entered. Further, trade executed only if all the parameters are complied for execution else the trade will be rejected.
	+ The dealers shall take utmost care while executing the trades of the clients regarding the accuracy of Client Code, Quantity and Price etc. The orders from the clients are promptly executed by the dealers and the order confirmation of the placement of the orders is immediately provided to the clients. Moreover, only registered dealers are allowed to enter the dealing room for placing the orders.
	+ Any communication gap in receiving orders from the client also poses a risk to the PFSPL. Accordingly, order from clients shall be received only through such means of communication which leave an audit trail.
	PFSPL shall execute trades of clients only after keeping evidence of the client placing such order; it could be, inter alia, in the form of:
		- Physical record written & signed by client,
		- Telephone recording,
		- Email from authorized email id,
		- Log for internet transactions,
		- Record of SMS messages,
		- Any other legally verifiable record.
	+ Further, wherever the order instructions are received from clients through the telephone, the PFSPL shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records
	+ A record of error trades will be kept separately and authorisation will be taken from authorised personnel for such orders.
	+ Specific Orders :
	Bulk / Block deal: Prior approval from Risk & compliance shall be required. Bracket Order and Cover Order (BO & CO): It shall be permitted subject to restrictions. Risk team will clearly specify scrip, quantity and value restrictions with respect to BO & CO orders in Cash and FO segment during market hours
	After Market Orders (AMO) Orders: It shall be allowed for pre-fixed timings by Risk team and shall be subject to Minimum Order Value. Such orders will stand cancelled if placed without sufficient margin. AMO orders will be revalidated by Risk team before they are placed in Market.
* **Monitoring of Debit Balances**

Clients can enter trades primarily through PFSPL’s App and Desktop Application. One of the parameters for acceptance of client’s trade is subject to availability of sufficient margins. Client can purchase intraday/delivery stocks as per available margin.

Further, in exceptional situation, due to technical issues, trade order are dealers punched then, there is a system for monitoring client debit balances, if any, on a daily and online basis. Risk team to monitor the debtors as well as asking for the margin money are deployed.

Clients can be followed up either by telephone, sending SMS or e-mails:

* + No further exposure is allowed if debit balance continues for 5 days from the date of payin.
	+ In case full payment not received from the client, Risk team may retain those securities in CUSPA account as per SEBI guidelines.
* **Margin Collection Procedure (CM Segment)**
	+ Client limits are allowed as per margin norms of the relevant Exchanges. Clients are required to provide upfront margin in the form of funds or Securities before any trade as per the discretion of Risk team
	+ PFSPL shall take proper and adequate margin from clients and shall allow to carry forward positions as per the Exchanges/SEBI norms and guidelines. At the end of the day, shortage of client margin is calculated and reported to the Exchanges. During the trading hours, if any short margin observed, Risk team may square off the positions of the client.
* **Margin Collection Procedure (FO Segment)**

In this segment, the Exchanges stipulate that every position taken should be based on the available initial margin. Apart from the initial margin, Exchanges have introduced exposure margin in order to meet the market volatility and risk associated.

Based on the requirements of Exchanges, PFSPL insists that all the clients in F&O segment should have sufficient margins (Span + Exposure margin) for taking position in the F&O segment. The margin should either be clear credit balance or in the form of collaterals i.e. Value of securities (after applying appropriate haircut) accepted as collateral from the clients by way of 'Margin Pledge' created in Depository system for the purpose of Margin. Appropriate hair cut would be applicable for collaterals in the form of Securities before taking the valuation.

The MTM loss arising in F&O positions need to be paid on the same day (T day) or till T+1 day so that MTM settlement can be performed properly, failing which the positions may be reduced to the available margin level. In order to retain the position in such cases is possible only if Funds are transferred from the client's bank account either through online banking or Fund Transfer.

Additional Adhoc Margin (i.e. over & above span margin) may be levied as a risk containment measure to be determined on the basis of market factors and risk factors associated with the securities being traded.

* **Options RMS:**

The options carry forward and intraday buying position may be allowed against clear credit balance / premium credit or collaterals. The same will be at the sole discretion of PFSPL risk team.

Options selling involve unlimited risk and thereby Exchanges specify high span margin & exposure margin and hence will be allowed only after sufficient margin provided by the client. Deep out of the money options selling may not be entertained and similarly option’s having less liquidity may not be allowed. Risk team may restrict Trading in near month contract from Expiry-2 days. Trading may be allowed in near month contract at the sole discretion of PFSPL

The risk team will have sole discretion to allow or disallow trading in any contract basis risk parameters.

* **Physical Settlement in Derivatives:**

A client can request for physical delivery in FO segment only if he brings entire delivery margin on or prior to the expiry day. If the client wants to convert ITM/ATM to physical delivery then client shall bring the required margin as prescribed by the Exchange or PFSPL from time to time. In case the required margins are not provided by client then PFSPL reserves the right to liquidate the contract without allowing client to convert to physical settlement

The risk team will have sole discretion to allow or disallow trading in any contract basis risk parameters.

* **Right to Liquidate Position**

Without prejudice to the stock broker's other rights (including the right to refer a matter to arbitration), the client understands that the stock broker shall be entitled to liquidate/close out all or any of the client's positions for non-payment of margins or other amounts, outstanding debts, etc. and adjust the proceeds of such liquidation/close out, if any, against the client's liabilities/obligations. Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the client.

In the event of death or insolvency of the client or his/its otherwise becoming incapable of receiving and paying for or delivering or transferring securities which the client has ordered to be bought or sold, stock broker may close out the transaction of the client and claim losses, if any, against the estate of the client. The client or his nominees, successors, heirs and assignee shall be entitled to any surplus which may result there from. The client shall note that transfer of funds/securities in favour of a Nominee shall be valid discharge by the stock broker against the legal heir subject to completion of all necessary transmission related formalities.

Risk Head to decide on the priority of securities to be square off from securities of a client i.e. which scrip is to be liquidated first. Generally, security with highest collateral value will be liquidated first.

* **CUSPA square off Process**

The CUSPA account shall be used to hold securities of clients who have not paid for the purchases. Such shares cannot be held for more than seven trading days with broker, after which securities need to be sold if the client does not bring in money. In case where Securities are transferred to CUSPA then Stock Broker shall be at liberty to sell such client’s securities as per prevalent market rate of such securities from time to time to the extent of unpaid amount.

* **Disclaimer**

Client agrees and accepts that if for any reason there is system/network issue/Exchange circuits and Trading is halted or open positions could not be squared off, client will not hold PFSPL responsible for the losses arising out of the same.

* **Other Risk Management Mechanism:**

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| **Sr. No.** | **Particulars** | **Limits** |
| 1. | Restricted Scrips & Banned Scrips | * + Securities in BAN Period: No fresh positions will be allowed in Securities declared in BAN period in FO by exchange
	+ PFSPL reserves the right to refuse execution of trade in below mentioned Restricted Scrips:
		- Securities in ASM/GSM/SMS List
		- Securities Restricted as per Internal Policy
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| 2. | Penalty/ Delayed Payment Charges | * + Any delay payment after settlement will attract up to 18% interest p.a. or such other rates as decided from time to time. Further client may not be allowed to take fresh exposure till debit balance is cleared within the Exchange prescribed guideline.
	+ Any penalty related to Ban period/Short Margin due to MTM Loss or any other penalty by the Exchange on transaction will be recovered from the respective client. It will be subject to Exchange regulations and as decided from time to time.
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| 3. | Surveillance | In case of unethical practices strict action will be taken and the decision will lie solely with the PFSPL. Such as:* + Synchronized trading
	+ Off market Transfer to Multiple clients and from multiple to single account
	+ Client Script Concentration
	+ Profit loss transfer
	+ Circular /Insider Trading/Price Rigging is strictly prohibited and subject to action
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| 4. | Single Order Limit | PFSPL reserves the right to restrict order/request above certain value/quantity in respect of certain securities as a part of due diligence. |
| 5. | General | * + No Family adjustment of ledger is allowed.
	+ No third-party collateral securities will be accepted.
	+ No unlimited limits will be given on any Client ID and Dealer ID.
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**Note:** PFSPL Risk team reserves rights to give exceptions/deviations to this policy at their discretion.

* **Margin Trading Facility - Risk Management**

Clients availing Margin Trading Facility, should maintain margins as per terms agreed upon for availing such facility.

The stocks deposited as collateral for availing margin trading facility and the stocks purchased under the margin trading facility (Funded stocks) shall be marked separately and monitored on a real time basis. There would be no benefit of the Mark to Market Profit for the MTF position in terms of releasing any limits for trading.

Client shall pay any shortage in the required margin immediately on receiving demand (margin call) on the trade day failing which PFSPL shall be at liberty to liquidate the funded shares and/or collateral shares to recover the outstanding dues

In case there is a shortfall, margin call would be made on T day. In the normal market condition, it is expected that the client makes good the shortage within T +4 day failing which the position would be liquidated on T+5 day to the extent of margin shortfall or positions may be squared off at the discretion of risk team

PFSPL at its sole discretion reserves the right to withdraw the facility and ask for payments from the client or ask for higher margins depending on the extreme situations.

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| Policy reviewed by: | Mr. Mehul Prakash Bhadra |
| Policy Approved by: | Mr. Arvind Vinchhivora |
| Approved by the Board on: | April 15, 2025 |
| Name of the entity: | Pinnacle Forex & Securities Pvt Ltd |