

POLICY ON RISK MANAGEMENT

OBJECTIVE

In the course of conducting its broking business, SKP Securities Limited (SKP) is exposed to variety of risks including market, credit, liquidity, operational and other risk that are material and require comprehensive controls and ongoing oversight.

The risk management framework of SKP is based upon the different client segments i.e. Institutional and Non-Institutional clients, applicable settlement mechanism and SEBI/Stock Exchange regulations

POLICY

1) Refusal of orders for penny/illiquid stocks

SKP will not accept order for sale/purchase of securities which are not in our permitted list/exchange(s) / SEBI. Order should be accepted keeping in view various factors including market liquidity, value of securities. Based on the relationship with the client Risk Management Department may insist on Compulsory settlement / advance payment of expected settlement value delivery of securities for settlement prior to acceptance / placement of order(s).

2) Setting up Exposure limits

SKP shall be entitled to sanction trading limits to the Client based on the margin lying to the credit of the Client in the form of funds / securities / bank guarantees / fixed deposit receipts. Head-Risk Management at its sole discretion may refuse to accept any security as collateral/margin. SKP shall from time to time publish a list of securities which would be acceptable as collateral/margin. In setting exposure limits for the Client, SKP shall be entitled to consider such factors as it may deem fit, including without limitation, the client's risk profile, risk appetite, loss bearing capacity, payment history, market volatility, and such other factors or conditions which the Head- Risk Management may consider relevant for the purpose. Head-Risk Management will be at liberty to vary the trading/exposure limits of the Client depending upon its risk assessment from time to time having regard to the changes in any of the factors or market conditions bearing on the risk profile of the Client.

3) Trades

Cash Market trades:

In the case of Institutional clients, all transactions executed on the stock exchanges have to be settled by their local custodian through the clearing house / corporation of the exchange. In such cases, the funds /securities obligation is with the custodian

In the case of non-institutional clients, Clients can maintain margins in the form of cash and securities. Appropriate haircuts are applied to the securities accepted as collateral and exposure is given as deemed fit by Head-Risk management. For clients, who maintain their depository accounts with SKP DP and have granted a limited power of attorney to the company to operate the depository account for the purpose of facilitating settlement of transactions, exposure is also given on the shares lying in the DP after applying the necessary haircut.

For those clients who have not granted a limited power of attorney to the company, SKP receives delivery of eligible securities in the Constituent's depository account and exposure is given accordingly.

Futures & Options

As per SEBI and Exchange rules and regulations, margins are collected upfront from the clients. Clients can maintain margins in the form of cash, fixed deposits and Exchange approved securities. Appropriate haircuts are applied to the securities accepted as collateral. MTM, premium and assignment amount is collected in the form of cheque/RTGS.

For those clients who have not granted a limited power of attorney to the company, margin is collected by way of cash and / or security deposited in SKP's constituent account.

4) Selling of Client's Securities

Head-Risk Management shall be entitled, at his 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. He can order sell off all or any securities of the Client lying with SKP 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 SKP.

5) Restrict the Client from taking further position:

SKP is entitled in its sole discretion to:

a) Restrict or refuse execution of any orders for transaction in any scrip if transaction in such scrip is not in accordance with its internal due diligence policy and/or the directives and guidelines of the Exchanges and/or the Regulator issued from time to

b) Impose trade restrictions on any scrip having regard in particular to any one or more of the following factors viz.

i) Market volatility,

ii) Price sensitive announcements relating to any scrip,

iii) Restrictions on trade volume imposed by the Exchange concerned,

iv) Political instability in the country,

- v) External aggression or internal rebellion,
- vi) Default by the Client to maintain applicable collateral/margin or to make payment of dues or such other factors influencing the securities market.
- c) Refuse to accept or act upon any request/order which in SKP's sole opinion, amounts to manipulating trades or price manipulation or artificial trade(s) and/or fraudulent trade(s) or otherwise in breach of applicable laws and/or SKP's internal policies, without obligation to give the Client its reasons for doing so;
- d) Close out any transaction which may have been executed but which SKP was entitled to refuse to execute being contrary to its internal due diligence policies or by reason of any other factors including but not limited to trades being manipulative in nature;
- e) Payment history of the Client like Cheque bouncing etc.

ONLINE MONITORING

The Company has installed "SHAREPRO LIVE" an online Risk Monitoring Software on which the risk is monitored under strict supervision of Head-Risk Management. He is authorized to take appropriate step as it may deem fit to protect the interest of the Company.