RISK MANAGEMENT POLICY

Lotus Global Equities Pvt. Ltd., (LGEPL), as a Corporate Broking entity conducts its business operations based on sound Risk Management Policies to pursue prudent business practices and for providing hassle free trading / investment facility to the registered clients. The function of Risk Management being an ongoing exercise is reviewed periodically and necessary measures are initiated to enhance its overall effectiveness.

Various Risk Management Measures implemented by LGEPL are detailed below:

A. CLIENT'S ACCOUNT – ACTIVATION, MAINTENANCE ETC.:

For a new client, compliance department verify the credentials of the client before activating the account. After this, a KYC alongwith the required documents is obtained. Once the KYC details are accepted by the exchange, a code is generated by back office and informed to the client. If adequate details are not provided by the client, the KYC is rejected.

For closure of the trading account, the client is required to submit a written request / send the request from the email registered with the company. LGEPL shall examine the same in the light of the compliance requirements, pending queries, security / funds dues, if any, from the client.

B. CLIENT'S EXPOSURE LIMITS:

Exposure is permitted based on the funds / securities put on hold by the client. Unused exposure on account of such value of sale proceeds is carried forward till T+2 day. Mark to Market loss if any shall be reduced from the available exposure of the client.

CASH SEGMENT:

LGEPL stipulates margins as required by the exchange for sale as well as purchase orders.
The collection of pay in, margin, limits setting for exposures & turnover for clients, terminals and branches are DONE ONLY AT H.O LEVEL and ON DAILY BASIS. The monitoring of Debit balances are on daily basis. Trading Member has a system of periodic reconciliation wherein client expressly accept the balance confirmation. Trading Member will request for clearing old debits to the clients. If client will not clear his/her debit then TM will take legal action against him/her. Trading Member can square off all positions as and when necessary. Risk Management procedure will vary from client to client as per their Trust and margin fund deposited. The exposure with respect to every sub-broker & dealers terminal is controlled

through the Head office. Trading member regularly assesses the trades being executed by the clients / branch / sub-brokers / sub-brokers client to check the trades in illiquid / risky stocks. The past operations are also tracked, to assess the risk level of the company in dealing with such clients.

F&O SEGMENT:

Clients are required to provide Initial Margin i.e., SPAN Margin and Exposure Margin as stipulated by NSE. In addition, adequate margins are maintained for MTM losses, if any. 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 options is recovered upfront by way of available credit balance in the account maintained with LGEPL.

C. TRADE RESTRICTIONS ON SCRIPS COMING UNDER GSM & S+ FRAMEWORK

In order to enhance market integrity and safeguard interest of investors, Securities and Exchange Board of India (SEBI) and Exchanges, have been introducing various enhanced surveillance measures. In spirit of the above measures, the exchanges have introduced GSM, Graded Surveillance Measures (BSE Notice No 20170223-44 Dated 23 Feb 2017, NSE Ref No. NSE/SURV/34262 Dated 23 Feb 2017) and S+ Framework (BSE Notice Number 20170607-24, Dated 07-06-2017). According to the exchange circulars, the price rise of GSM and S+ framework scrips are not commensurate with financial health and fundamentals of the company which inter-alia includes factors like Earnings, Book value, Fixed assets, Net worth, P/E multiple, etc. The underlying principle behind defining under GSM framework is to alert the market participants that they need to be extra cautious and diligent while dealing in such securities as the need has been felt to place them under higher level of surveillance.

D. Dealing errors:

Dealing errors may occur on account of punching orders for higher / lower quantity than the ordered by the client or placing a buy order instead of a sell order or placing an order for a scrip other than the one ordered by the client or placing an order at a different price than specified by the client. Immediately on identifying the mistake, the dealer needs to bring the mistake to the notice of the client and seek his concurrence for the trade already executed. Simultaneously the mistake has to be also brought to the notice of the General Manager in charge of dealings. In case the client refuses to accept the trade reversal of the trade needs to be undertaken and the client to be informed that the actual loss on account of dealing error shall be absorbed by the Company. It should be ensured that the Customer has the feeling that his position has been restored without any loss. After putting the trades, change in the customer code shall not be permitted under normal circumstances. However, if dealing errors

necessitates change in customer code, it should be only done with the permission of the Managing Director of the Company. Further internal auditors of the company shall verify such changes made on a monthly basis and confirm authenticity and correctness of the same in their monthly report.

E. Fixing of limits:

Company shall fix the limits at the surveillance level to restrict and monitor the trades based on the price of the shares. The Manager in charge of the Mid Office (Surveillance Department) is the Risk Manager of the company and is responsible for various risk mitigation practices prescribed by the company. Broadly, limits for the following shall be fixed:

1. Quantity limit for each order
2. Value Limit for each order
3. Value limit for each User ID.
4. Security wise limit for each User ID.

F. HANDLING DORMANT ACCOUNTS :

A dormant/inactive account is the one that hasn't had any buy or sell transaction for a period, of two years. To reactivate dormant account, a written request for reactivation will be obtained by registered mail/written.

G. PHYSICAL SETTLEMENT OF SECURITIES :

Accordingly, if clients hold a position in any Stock F&O contract, at expiry and doesn't square-off positions before the close of trading hours on the expiry day, he or she will either have to take delivery (for long futures, long in the money calls, short in the money puts) or give delivery of the underlying stock (short futures, long in the money puts, short "In the money" calls) as per the nature of contract.

Obligation of the clients:-

All positions that result in receiving delivery of shares will require the clients to have funds equivalent:

- For Futures: Settlement Price *Lot Size* Number of lots
- For Options: Strike Price *Lot Size*Number of Lots.

All positions that result in giving delivery of shares will require the clients to have shares in their demat account equal to the deliverable quantity i.e Lot Size * Number of lots.

Failure to deliver the security:-

In the event the clients do not have the required quantity of shares, this settlement would result in a short delivery. The Short delivery position will be covered in *"buy-in-auction"* for the shares by Clearing Corporation as per auction schedule declared periodically. Currently auctions will be conducted on Expiry+3 days and settled on Expiry+4 days. Appropriate penalties shall be charged on such short deliveries. There is no fixed price for the Auction to happen. The exchange specifies a range within which the auction participants can offer to sell their shares.

H . HANDLING OF CLIENT'S SECURITIES BY TRADING MEMBERS – OPENING OF EXCLUSIVE ACCOUNTS

Company shall segregate these securities of the clients in separate accounts.

As mandated by SEBI, company is maintaining the following beneficiaries accounts for settlement purpose:

1. Client Unpaid Securities A/c. "CUSA"
2. Client Collateral A/c.

Maintenance and operation :-

1. Client Unpaid Securities Account (CUSA):-

In case of non-payment/partial payment by the clients the securities received from Clearing Member, the concerned client securities shall be transferred from TM's pool account to the "Client unpaid Securities Account".

"Securities kept in "Unpaid securities account" can be considered towards client's margin obligation after adjusting any debit balances in such client ledger, across all segments and Exchanges.

The securities kept in the 'client unpaid securities account' shall either be transferred to the demat account of the respective client upon fulfillment of client's funds obligation or shall be disposed-off in the market by us within five trading days after the pay-out.

However, sale of securities lying in Client collateral/collateral account, based on client's specific instruction, can be considered towards such unpaid securities provided clear funds are received within such 5 trading days.

As the SEBI circular mandates liquidation of securities in case of non-payment within 5 days from the pay-out date, no pre-order confirmation is required.

In case of partial payment, company shall retain full value of securities till the 5th trading day from the pay-out date. On 6th day a final call regarding the disposal of the securities in proportion to the amount not received after taking into account any amount lying to the credit of the client will be taken.

In case there are multiple securities in the "Client unpaid securities account", company shall follow the First in First Out (FIFO) method to adjust the outstanding liability at their end.

2. Client Collateral A/c.

As mandated, we are maintaining Client Collateral accounts with NSDL. The purpose of opening and maintaining the Client collateral account is to transfer the securities by clients for the purpose of collaterals either with CM or CC. Excess client securities can be kept in the "Client collateral account" without pledging to CC or transferring to CM.

It should however be ensured that collateral of one client is not utilised for meeting the obligation of any other client or for proprietary obligation.

GENERAL RISK COVERAGE :-

The Company should have adequate insurance cover for different types of exposures, including but not limited to fidelity insurance, and replacement of equipment and other business and data processing devices. To reduce the systemic risk, Stock Broker Indemnity Policy of Rs. 5 Lacs which covers losses on account of trading as well as back office losses shall be obtained. The company's risk policies and measurements and reporting methodologies are subject to regular review on annual basis or when there are significant changes to the products, segments,