Northeast Broking Services Limited

Risk management policy

The following document describes the risk management policy followed by NBSL. Please read it carefully as it pertainsto your trading activity. The policy is applicable to all the segments of NBSL.

Definitions

1. RMS (Risk Management System) - This helps NBSL manage the risk of the company and client from the volatility ofthe market.

2. Cash - This is the clear balance available in the customer's ledger account in our books.

3. Margin - The underlying stake provided by the customer in the form of cash or stock to mitigate market(price) or settlement (auction) risk.

4. Exposure - The aggregate of the customer's obligations arising out of buy and sell trades awaiting settlement inthe cash segment and profit/ loss amounts that are yet to be settled on the closed positions including future andoptions.

5. Exposure multiplier - The number of times that exposure is allowed on the underlying margin on the cash segmentwould have to be made either on the availability of cash margin or on the availability of the stocks (which are to be sold) in our margin account, by executing a transfer before any order is initiated.

6. Stock qualifying for margin in cash segment transactions - Securities in the approved list of Stock Exchange as perSEBI guidelines and NBSL.

7. Total Deposit - The overall client deposit available with us in the form of cash only.

Nature of Customer's Transactions

1. Setting up exposure limits

a) Cash Segment

We provide an exposure limit to a client which would be a multiple of the clear ledger balance in the account of theclient. The value of the "multiple" will be decided by the company based on market conditions and SEBI regulations.

Clients can place orders in three products:

- Delivery – For taking stock delivery by paying the full cash amount upfront
- Margin – For clients placing intraday leveraged position based on VAR and ELM and other applicable margins from time to time. Orders put in this type will be squared off automatically between 3:15 to 3:25 every day. All short sell transactions will necessarily need to be put as margin trades only. NBSL does not bear any risk if the square off does not

happen or any reason but not limited only due to lack of buyers or sellers in the stock.

- PTST – For clients only paying margin upfront orders can be placed as PTST and if the remaining amount is not received then the client will need to square off this position after receiving delivery.

b) Derivatives Segment (Equity, Currency and Commodities)

Exposure limits for each client is based on the amount of margin money deposited by each client, as per Exchangeregulations. Upfront margin is collected from the client.

Clients can place orders in two products in the F&O segment:

- Intraday – Clients can place orders as intraday but will still have to pay the entire required margin upfront. However, all orders placed in this type will be squared off automatically between 3:15 to 3:25 every day
- Carryforward - Clients can place orders in carryforward as long as the entire required margin is there upfront.

2. Policy for penny stocks

Stocks which appear in the list of illiquid securities issued by the Exchanges every Quarter are considered pennystocks. These stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bid-ask spreads, small capitalization and limited following and disclosure. Depending on the market conditionand RMS policy of the company, NBSL reserves the right to refuse to allow trading and/or provide limits on pennystocks.

3. Delivery Trades

The net purchase or sale of scrip in a client account that is settled by way of a delivery on T+1 (or as per settlement schedule). Delivery in respect of sale transactions in the cash segment must be settled by the client by tenderingsecurities in Demat form before the pay-in deadline. By not doing so, the client faces the risk of entering in auction.

4. Trading in newly listed shares, illiquid securities and illiquid F&O contracts

Newly listed securities, illiquid securities and Trade-to-Trade securities which have high VAR margin are subjectto high market risks and rate fluctuations. Illiquid securities and Trade-to-Trade securities will have a daily pricerange (DPR) whereby the chances that these shares can reach the Upper DPR or Lower DPR during a trading day arehigher than other securities. Hence, the dealing in these securities will be subject to permission from the surveillance department and will be subject to the available credit balance.

In case of Derivative contracts which are Illiquid, dealing would be restricted and would be subjected to permission from the Risk and Surveillance department.

5. Policy for GSM Securities

In GSM securities the Company would be Blocking of the scrip under GSM from grade II - grade VI. Exchanges has vide their respective circulars have provided for guidelines on GSM securities. The client can refer to the same in caseof explanation required.

Newly listed shares usually do not have a DPR and hence, the chances for rate fluctuations are higher. The dealing innewly listed shares will be restricted to the available credit balance after considering the Mark-to-Market (Mark-to- Market) levels.

Intraday Margin Exceptions

Intraday Margin may be reduced on certain days due to any of the following reasons:

a) Exchange policy changes or regulation

b) Government policy changes or regulation

c) Broker policy changes

d) Excessive or abnormal market movement / turnover / volatility

NBSL shall not be liable for any loss arise due to RMS selling on non-payment as well as loss in case where RMS Selling may not be done as mentioned above by RMS due to any reason.

NBSL reserves the right to change the above policies any time in general or in particular case within the Exchange / SEBI regulations / guidelines.

Risk Management (Online Surveillance)

NBSL utilizes a margin based automated RMS. Total deposits of the clients are uploaded in the system and the clientmay take exposure on the basis of margin applicable for the respective security as per the VAR based marginingsystem of the stock exchange and / or margin defined by the RMS team based on their risk perception.

In case the exposure taken on the basis of shares margin, the payment is required to be made before the ex-changepay in date. Otherwise it will be liable to square off after the pay in time or any time due to shortage of margin.

Mark-to-Market Square-OFF

At any given point in time if the MTM level of the client breaches levels not acceptable to NBSL , the risk team would square off the complete positions of the client with or without intimating the clients.

Also, in case the MTM square off is done, the residual fund if any will be blocked to trade till the client adds fresh funds to bring the overall MTM percentage sufficient below the threshold limit.

Further the square off will also be based on the extreme volatility in the market which may have severe impact on theclient and the company. The Company may or may not inform the client on the same in case of potential fluctuation. (SEBI guideline on close out/square off)

There may or may not be a margin calls or intimation from our RMS desk.

Margin Square-OFF

Positions which do not have sufficient funds can be squared off any time at the discretion of our RMS desk. There may or may not be a margin calls or intimation from our RMS desk. Positions would be squared off proportionally by the risk team to bring down your margin shortfall.

MCX Tender Period Positions

At NBSL, we do not allow clients for Physical Delivery Positions. All the deliverable contracts of MCX enter "Tender Period positions" as mentioned by exchange from time to time.

Commodity Options Contracts

Permitted Lot Size and the Tick size of commodity derivatives options contracts shall be as per the respective contractspecification.

Margins

Risk management is managed with Standard Portfolio Analysis of Risk (SPAN*). The initial margin shall be imposedat the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity. Margins shall be adequate to cover 99% VaR (Value at Risk) and Margin Period of Risk (MPOR) shall betwo days. For buyer of the option, buy premium shall be charged as margins and blocked from the collaterals. Oncompletion of settlement, the premium blocked shall be released.