RISK MANAGEMENT
&
SURVEILLANCE POLICY

ADROIT FINANCIAL SERVICES PVT. LTD.

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Risk Management and Surveillance:

Trading Member Operations:

We have a client level risk management system wherein the margins/collaterals of all the clients are uploaded to the front office software of the Company. The clients are allotted exposure based on the margin/collaterals available with us.

Upfront margin is collected upfront from all the clients. Margins are collected in the form of Cash Component like Ledger Balance, Fixed Cash Margin etc and Non-Cash Components like Securities (after haircut) in pledge form, Mutual Funds (after haircut) in pledge form, Government Securities / T-Bills etc. Ratio of Cash and Non-Cash component of collateral is 50% - 50%.

The collaterals given by the clients towards margin are accepted only after haircut called "VaR" which is never less than that fixed by the Exchange.

The client is allowed to execute transactions on the basis of Upfront margin available and the margin is blocked, based on the exposure availed by the client. The clients are required to made balance payment before the Exchange pay-in date otherwise it will be liable to square off after the pay-in time or any time due to debit balance or shortage of margin.

Further, if Non cash component of collateral is more than 50%, then ADROIT maycharge interest up to 18% p.a on the excess cash component used by the client or the case will be decided from case-to-case basis in consultation with management.

Further in addition to above as per SEBI circular no. SEBI/HO/MIRSD/MIRSD- PoD-1/P/CIR/2022/153 dated November 11, 2022 related to Handling of Clients' Securities by Trading Members/Clearing Members, following important changes included w.e.f March 31, 2023:

All the securities received in pay-out, shall be transferred to the demat account of the respective clients directly from the pool account of the TM/CM within one working day of the pay-out.

With regard to the unpaid securities (i.e., the securities that have not been paid for in full by the clients), such securities shall be transferred to respective client's demat account followed by creation of an auto-pledge (i.e., without any specific instruction from the client) with the reason "unpaid", in favor of a separate account titled – "Client Unpaid Securities Pledgee Account (CUSPA)".

After the creation of pledge, ADROIT has the right to sell such securities in event of failure by client to fulfill their obligation.

If the client fulfills its funds obligation within five trading days after the pay-out, ADROIT shall release the pledge so that the securities are available to the client as free balance.

If the client does not fulfill its funds obligation, ADROIT shall dispose off such unpaid securities in the market within five trading days after the pay-out. ADROIT, before disposing the securities, shall give an intimation (email / SMS) to the client before such sale.

The unpaid securities shall be sold in the market with the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.

ADROIT shall invoke the pledge only against the delivery obligation/pending dues ofthe client. On invocation, the securities shall be blocked for early pay-in in theclient's demat account with a trail being maintained in the TM/CM's client unpaid securities pledgee account.

Unpaid securities pledged in client's account shall not be considered for the margin obligations of the client.

In case of Margin shortage or Exchange wise/Segment wise Margin shortage or Debit balance, clients are intimated /called upon to make the payments promptly or replenish the deficit immediately. Failure in making payments automatically results in blocking the client from increasing the position or position of the client may be squared off. Further, in case of debit balance the client are insisted to replenish the deficit immediately and in case of failure to clear debit balance, pledged securities may be invoked to meet the shortfall and may also charge interest up to 18% p.a on the running account debit balance of the client.

We shall not initiate internal CUSPA-based holding/liquidation workflows for POA/DDPI-registered clients where debit obligations are covered and recoverable through existing POA/DDPI-backed collateral or margin pledge arrangements

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 or missed OTPs 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. Although such problems may be temporary in nature, but when client(s) have outstanding open positions or unexecuted orders, these represent a risk because of their obligations to settle all executed transactions. The losses if any arising out of such systems/network risk shall be of the client alone.

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 ADROIT 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 Exchange/ ADROIT.

Exchange/ADROIT, at all times, bears no liability towards any reason whatsoever with respect to any opportunity loss for non-execution of any order or non-placement of any order.

BANK RECIEPTS

The collection of the pay in, margin is done at HO level. All amounts are accepted only in the form of Account Payee Cheques/RTGS/NEFT/UPI and in no case cash is accepted from any client. All the cheques received from the clients are entered in the back office system only after verification of bank particulars available with us. In case any cheque is deposited directly by the client to the Company`s Bank account without submitting necessary supporting same shall be treated as third party cheques and shall be credited to Client Suspense Account and client will not be allowed any exposure on such cheques till the time client submits necessary supporting documents. All the third party cheques shall be credited into client suspense account and the clients are asked to take the payment back for these cheques.

Surveillance:

Apart from monitoring the availability of margins and recovery of Debit balance we also identify the incidents which in our opinion, require to be scrutinized.

We keep check on the list of securities provided by exchange as illiquid. No business center is allowed to transact in these securities. Further, we identify the securities that are having very few transactions on regular basis in the market and categorize them also as illiquid securities. The approval to execute transactions in such securities is given on a case-to-case basis and we charge 100% margin on these.

At the End of day, we process the transactions through our offline surveillance system. We monitor the concentration of volume in various securities executed through us. In case where it is identified that we have concentrated more of the market volume in any security, the instance is scrutinized in detail.

We also examine the incidents of trades which are executed in less liquid securities to identify whether the same are used as a mechanism to execute transactions like circular trading, profit transfer incidents etc.