RISK MANAGEMENT GUIDANCE TO CUSTOMERS

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INTRODUCTION

As a prudent broker, HDFC Securities would like to make customers aware of the inherent Risks involved in dealing in Equities and other instruments. Through this Risk Policy document our approach has been to further simplify the understanding of various Risks involved in Equity Dealings and the important Policies formulated which the customers need to understand and be clear about while dealing to minimize the risk of loss.

In view of the above, HDFC Securities Limited (HSL), as a stock broker, has adopted the following system of risk management:

RISKS INVOVLED IN TRADING ON THE STOCK EXCHANGE (EQUITY AND OTHER INSTRUMENTS)

Investment in Equity shares, derivatives or other instruments traded on the Stock Exchange(s), which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance. In considering whether to trade or authorize someone to trade for you, you should be aware of or must get acquainted with the following:-

Basic Risks:

1. Risk of Higher Volatility:

Volatility refers to the dynamic changes in price that a security/derivatives contract undergoes when trading activity continues on the Stock Exchanges. Generally, higher the volatility of a security/derivatives contract, greater is its price swings. There may be normally greater volatility in thinly traded securities / derivatives contracts than in active securities /derivatives contracts. As a result of volatility, your order may only be partially executed or not executed at all, or the price

at which your order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.

2. Risk of Lower Liquidity:

Liquidity refers to the ability of market participants to buy and/or sell securities / derivatives contracts expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities / derivatives contracts swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price for securities / derivatives contracts purchased or sold. There may be a risk of lower liquidity in some securities / derivatives contracts as compared to active securities / derivatives contracts. As a result, your order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all.

Buying or selling securities / derivatives contracts as part of a day trading strategy may also result into losses, because in such a situation, securities / derivatives contracts may have to be sold / purchased at low / high prices, compared to the expected price levels, so as not to have any open position or obligation to deliver or receive a security / derivatives contract.

3. Risk of Wider Spreads:

Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a security / derivatives contract and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid securities / derivatives contracts. This in turn will hamper better price formation.

4. Risk-reducing orders:

Most Exchanges have a facility for investors to place “limit orders”, “stop loss orders” etc”. The placing of such orders (e.g., “stop loss” orders, or “limit” orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such order.

i. Market Order: -

A Market order will be executed promptly, subject to availability of orders on opposite side, without regard to price and that, while the customer may receive a prompt execution of a market" order, the execution may be at available prices of outstanding orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that security.

ii Limit Order: -

A Limit order will be executed only at the "limit" price specified for the order or a better price. However, while the customer receives price protection, there is a possibility that the order may not be executed at all.

iii. Stop Loss Order: -

A stop loss order is generally placed "away" from the current price of a stock / contract, and such order gets activated if and when the stock / contract reaches, or trades through, the stop price. Sell stop orders are entered ordinarily below the current price, and buy stop orders are entered ordinarily above the current price. When the stock reaches the pre-determined price, or trades through such price, the stop loss order converts to a market/limit order and is executed at the limit or better. There is no assurance therefore that the limit order will be executable since a stock / contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order.

5. Risk of News Announcements:

News announcements that may impact the price of stock / derivatives contract may occur during trading, and when combined with lower liquidity and higher volatility, may suddenly cause an unexpected positive or negative movement in the price of the security / contract.

6. Risk of Rumors:

Rumors about companies / currencies at times float in the market through word of mouth, newspapers, websites or news agencies, etc. The investors should be wary of and should desist from acting on rumors.

7. System Risk:

High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation.

7.1 During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations.

7.2 Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / derivatives contract due to any action on account of unusual trading activity or security / derivatives contract hitting circuit filters or for any other reason.

8. System/Network Congestion:

Trading on exchanges is in electronic mode, based on satellite/leased line based 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 whereby not being able to establish access to the trading system/network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions.

9. **Risk of Buy today and Sell tomorrow (BTST)**

BTST refers to the trades where the client buys shares on a trade date (T day) and sells it on T+1 day or T+2 Day before the stock is settled & delivered into Demat account. This facility is provided to clients who may wish to exit / sell the stock before getting delivery from Clearing Corporation , in case of any upward movement in the stock price or for any other reason. For this purpose, clients are provided security sell limits. However there may be a risk since the client sells shares on the assumption that seller from whom the client has bought shares will deliver the shares. In the event of non-delivery of shares in such cases, client's obligation as a seller for BTST trades will not be met and may face risk of auction penalty.

Basis the securities sell limits provided, the clients may sell the stock on T+1 day or T+2 day before the settlement. The balance shares , post the sell transaction if any, are released with the next day execution date (i.e. next day of settlement date) to the client's demat account. Once the shares are released to the client's demat account, no securities sell limit will be provided to avoid double selling of shares by the client.

Risks Pertaining To Derivatives Trading:-

1. Effect of "Leverage" or "Gearing":

In the derivatives market, the amount of margin is small relative to the value of the derivatives contract so the transactions are 'leveraged' or 'geared'. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the margin amount. But transactions in derivatives carry a high degree of risk.

You should therefore completely understand the following statements before actually trading in derivatives and also trade with caution while taking into account one's circumstances, financial resources, etc. If the prices move against you, you may lose a part of or whole margin amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.

A. Futures trading involve daily settlement of all positions. Every day the open positions are marked to market based on the closing level of the index / derivatives contract. If the contract has moved against you, you will be required to deposit the amount of loss (notional) resulting from such movement. This amount will have to be paid within a stipulated time frame, generally before commencement of trading on next day.

B. If you fail to deposit the additional amount by the deadline or if an outstanding debt occurs in your account, the stock broker may liquidate a part of or the whole position or substitute securities. In this case, you will be liable for any losses incurred due to such close-outs.

C. Under certain market conditions, an investor may find it difficult or impossible to execute transactions. For example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.

D. In order to maintain market stability, the following steps may be adopted: changes in the margin rate, increases in the cash margin rate or others. These new measures may also be applied to the existing open interests. In such conditions, you will be required to put up additional margins or reduce your positions.

E. You must ask us to provide the full details of derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations.

2. **Currency specific risks:**

A. The profit or loss in transactions in foreign currency-denominated contracts, whether they are traded in your own or another jurisdiction, will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

B. Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example when a currency is deregulated or fixed trading bands are widened.

C. Currency prices are highly volatile. Price movements for currencies are influenced by, among other things: changing supply-demand relationships; trade, fiscal, monetary, exchange control programs and policies of governments; foreign political and economic events and policies; changes in national and international interest rates and inflation; currency devaluation; and sentiment of the market place. None of these factors can be controlled by any individual advisor and no assurance can be given that an advisor's advice will result in profitable trades for a participating customer or that a customer will not incur losses from such events.

3. **Risk of Option holders:**

A. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires, to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option.

B. The Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

4. Risks of Option Writers:

A. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount.

B. The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.

C. Transactions that involve buying and writing multiple options in combination,or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is,in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances.

TYPE OF PRODUCTS AND ASSOCIATED RISKS

a) Cash and Carry – Equity (NSE and BSE)

The product is offered to online customers who trade through internet and to offline customers trading through branches. Entire purchase value is blocked before order placement and shares are blocked before sale order is place. 80% credit for sale as limit is provided on successful acceptance of early payin of securities request by depositories. The limit against credit for sale will not be made available in respect of shares for which settlement is open ie shares bought on the previous day and not settled. The clients will be able to buy back upto 50% of same stocks sold on the day.

b) Day Trading Equity (NSE and BSE)

The product is offered to online customers who trade through internet. Upfront Margin between 25 % to 35% (subject to changes) in collected from clients in the form of funds. At the end of the day, the positions of the client are compulsorily squared off irrespective of whether the client is making a profit or loss. The product is offered in only few select securities.

c) Trading in Equity against margin - not margin funding (NSE and BSE)

The product is offered to offline customers trading through branches. Upfront margin between 30 % to 70% (subject to changes) is collected in terms of collateral / funds before placing the order. However, if the scrip is in Trade to trade segment upfront 100% margin is collected. In case of buy, the amount has to be collected from the customer on T+2 day. Follow up in terms of collection from the client is done through branches to bring in money till T +2 day

d) Equity Derivatives (NSE)

The product is offered to all customers. Upfront margin in the form of funds / collaterals is collected from customers before placing an order. The margin collected from clients is SPAN + EXPOSURE + Any other Margin, HDFC Securities may allow trading in selected option / Future contracts at its discretion. For collateral accepted as margins in F&O segment, appropriate hair cut % is applied. Only approved list of securities as defined by exchange are evaluated further to arrive at securities accepted as collateral. Monitoring is done as compared to SPAN + EXPOSURE + Any other Margin charged.

Clients are required to maintain 50% of margin amount in the form of cash or cash equivalent collateral and the remaining 50% in non-cash collateral. In the scenario of an insufficiency in the cash component, interest will be levied on outstanding margin amount.

Physical Settlement:

All Stock Futures & In the Money (ITM) Options are Physically Settled. If the customer leaves the position of Stock Futures & In the Money (ITM) Options for Expiry then it will result in Funds / Shares Obligation depending on the position. The Customer is required to bring in funds for long positions and is required to delivery shares in case of short positions. Delivery margins shall be levied on lower of potential deliverable positions or in-the-money long option positions four (4) days prior to expiry of derivative contract. If there is shortfall on account of delivery margins or due to obligations arising due to positions getting eligible for Physical Settlement , then if need be the customers position to the extent of such actual / probable requirement shall be squared-off to the extent required.

e) Cover (NSE)

Cover order facilitates the customer to place two opposite orders for the same scrip simultaneously. First order is a Market order and the second leg is opposite Stop loss limit order specifying the Stop Loss and the limit price. The cut off time for modification of 2nd leg of Cover orders is at 3.00 pm and all pending positions are compulsorily squared -off.

f) E-Margin / Margin Trading Funding (MTF) (BSE & NSE)

E-Margin product facilitates the customers to carry forward equity positions till T + 275 trading days on acceptance of Terms and Conditions. The product offers margin trading funding facility to the customers. Upfront Margin in the range of 25 % to 85% or higher (subject to changes) is collected from customer in the form of funds / securities. All open positions in T+275 Margin Funding product are Marked to Market on daily basis and customers are required to bring funds to meet the Marked to Market requirement. The Customers are given Margin call as when there is Margin Shortfall. The Customer is required to maintain sufficient margins towards the margin requirement on open positions. If there is margin shortfall in the account of the customer if he fails to replenish the necessary margins than the positions shall be squared to the extent of such requirement. The customer is required to close the position or settle the trade till T + 275 trading days and if in case the customers do not settle their trade till T+275 by 2.45 pm the positions are compulsorily squared off and the trades are settled.

MTF Pledge

As per SEBI regulation the all positions taken in Margin Trading Funding facility (MTF) are required to be compulsorily held by way of MTF Pledge. In compliance of the regulations, the MTF Pledge links are sent on T+2 days to the customers registered mobile number as per the Depository records.. The customer is required to authenticate the MTF Pledge request link on T+2 day itself by entering the PAN or Demat account number. Post authentication, customer will be displayed a list of securities along with the quantity to be

pledged in the favor of HDFC Securities - "Client Securities under Margin funding account". Post validating the details, customer will have to click on the 'Generate OTP' button. NSDL/CDSL shall send an OTP to clients registered email id and mobile number as updated in their records. Customer will have to enter the OTP and to accept the MTF Pledge request.

The MTF Pledge requests should be accepted by the customer on T+2 day. All position(s) for which MTF Pledge Requests are not accepted on T+2 day shall be squared–off on T+3 day on or after 11.00 am. The customers will have time to sell their Open Positions or convert the positions to delivery till such time the square off is executed.

g) Currency Derivatives (NSE)

The product is offered to all customers except NRI clients. Upfront margin in the form of funds / collaterals is collected from customers before placing an order. The margin collected from clients is (SPAN + EXPOSURE) x Multiplier. HDFC Securities may allow trading in selected option / Future contracts at its discretion. For collateral accepted as margins in Currency segment, appropriate hair cut % is applied. Only approved list of securities as defined by exchange are evaluated further to arrive at securities accepted as collateral. Monitoring is done as compared to (SPAN+ EXPOSURE) x Multiplier margin charged.

h) Commodity Derivatives (MCX)

The product is offered to all customers except NRI clients. Upfront margin in the form of funds is collected from customers before placing an order. The margin collected from clients is SPAN +ELM+OTHER MARGINS, which is collected by the Exchange. HDFC Securities may allow trading in selected Option/Future contracts at its discretion. Monitoring is done as compared to SPAN +ELM+OTHER MARGINS margin charged.

Commodities with compulsory delivery are required to be Squared off a day before their respective delivery intention periods. On the start of the delivery intention period, Risk team shall Square off clients' open position to avoid Compulsory Delivery in case the client

has not squared off the positions. Clients are advised to close their positions a day before the delivery intention period begins and tender margins become applicable. On the start of Delivery intention period, Fresh positions in Contract on Bullion, Base Metals & Agriculture Commodities will not be available. Physical Delivery of Commodities is not allowed.

i) SLB (NSE)

Securities lending & borrowing product is offered for all customers except NRI clients. For lending transaction shares are held from clients linked demat account upfront before placing lending order. For borrowing transaction upfront margin collected is VAR+ ELM+ MTM+ Transaction value in form of cash from clients linked saving account.

j) ENCASH

ENCASH Product is product whereby clients can get the payout of securities sold on the Trade Day itself. The Client can sell securities worth Rs 25 lacs under ENCASH Product. The product is available for certain select securities only

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The terms and conditions have been defined for each of the products and the same is available on HDFC Securities Website. Any exceptions are subject to requisite internal approvals.

POLICIES AND PROCEDURES FOLLOWED

A. Refusal of orders for penny stocks

The stock broker may from time to time limit (quantity/ value) / refuse orders in one or more securities due to various reasons including market liquidity, value of security (ies), the order being for securities which are not in the permitted list of the stock broker / exchange(s) / SEBI. Depending on the market condition and risk management policy of the company, the stock broker reserves the right to refuse to provide the limit in Penny Stocks and losses if any on account of such refusal shall be borne by client only.

B. Setting up clients exposure limits

The stock broker may from time to time impose and vary limits on the orders that the client can place through the stock broker's trading system (including exposure limits, turnover limits, limits as to the number, value and/or kind of securities in respect of which orders can be placed etc.) which can be enhanced by coordinating with respective RM's or customer care. The stock broker may vary or reduce the limits or impose new limits urgently on the basis of the stock broker's risk perception and other factors considered relevant by the stock broker including but not limited to limits on account of exchange/SEBI directions/limits (such as broker level/market level limits in securities specific/volume specific exposures etc.), and the stock broker may be unable to inform the client of such variation, reduction or imposition in advance. The stock broker shall not be responsible for such variation, reduction or imposition or client's inability to route any order through stock broker trading system on account of any such variation, reduction or imposition of limits.

The stock broker may at any time, at its sole discretion and without prior notice, prohibit or restrict the client's ability to place order or trade in securities through the stock broker, or it may subject any order placed by the client to a review before its entry into the trading systems and may refuse to execute/allow execution of orders due to but not limited to the reason of lack of margin/securities or the order being outside the limits set by stock broker/exchange/SEBI and any other reasons which the stock broker may deem appropriate in the circumstances. The losses, if any on account of such refusal or due to delay caused by such review, shall be borne exclusively by the client alone. For any debit balances, shares are held at approximately 150% of the debit value to take care of any movement in market prices of securities. We have a margin based Risk Management system. Client Exposure Limits are set based on collateral and funds deposited by the client.

As per SEBI mandate, the settlement of running account of funds of client shall be done by HSL after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges on first Friday of the Quarter. For clients, who have opted for Monthly settlement, running account shall be settled on first Friday of each month. If first Friday is a trading

holiday, then such settlement shall happen on the previous trading day. In case any funds are retained, a statement with explanation regarding the retention will be sent to client on registered email id. The statement of accounts will be sent to clients intimating the payout amount.

Margin Pledge Mechanism Securities as collateral will be accepted only by way of pledge mechanism. Client has to initiate the pledge request. Once request is initiated, a authentication link will be provided to clients registered mobile no/ Email id with Depository participant. Client has to enter PAN no/Demat account no and OTP and submit. Once the client had successfully self-authenticated the pledge request, limits will be provided on best-effort basis. The type of acceptable collateral as well as the exposure limit varies from customer to customer depending on the profile and the channel of trading of the customer. HDFC Securities may allow trading in selected option / Future contracts at its discretion.

The categorization of the stocks and the haircut applicable is reviewed from time to time and is made available on HDFC securities website. For collateral accepted as margins, appropriate hair cut % is applied which is also considered for the purpose of retention during settlement of funds & securities as per exchange guidelines. Any specific event which leads to increase in risks involved related to a particular scrip would also lead to change of category/haircut of such scrip. Also, in extremely volatile market with abnormal price/volume movements, or in case of warnings by regulators/exchanges, scrip may be re-categorized without prior notice and the customers shall regularize their accounts and trades accordingly

C. Imposition of penalty/delayed payment charges :

Any amounts which are overdue from the clients towards trading or on account of any other reason to the stock broker will be charged with delayed payment charges at the rate up to 2% per month The stock broker may impose fines / penalties for any orders / trades / deals / actions of client which are contrary to this agreement / Rights & Obligations rules / regulations / bye laws of the exchange any other law for the time being in force, at such rates and in such form as it may deem fit.

Further where the stock broker has to pay any fine or bear any punishment from any authority in connection with / as a consequence of / in relation to any of the orders / trades / deals / actions of the client, the same shall be borne by the client. Further the Member may restrict the client to trade or take further positions.

End of Day Margins and Peak Margins As per Exchange guidelines Margins has to be collected upfront & reported in all Segments i.e Equity, Equity derivatives, Currency derivatives and Commodities. Broker has to report the margin collected from clients on daily basis to Clearing Corporation of Exchange.

With implementation of the Peak Margin Reporting, the member shall have to report the margin collected from each client, as at End of Day (EOD) and peak margin collected during the day, in the following manner:

a) EOD margin obligation of the client shall be compared with the respective client margin available with the Broker at EOD.

AND

b) Peak margin obligation of the client, across the snapshots, shall be compared with respective client peak margin available with the Broker during the day.

Higher of the shortfall in collection of the margin obligations at (a) and (b) above, shall be considered for levying of penalty. In case of any shortfall reported, penalty will be levied by exchange.

Client will be levied penalty in case margin shortfall arises due to margins other than "upfront margins" such as consolidated crystallized obligation, Delivery margins, other margins (Mark-to-market & additional margins).

The penalty percentage on margin shortfall amount is as follows:

Short collection for each client	Penalty percentage
(< Rs 1 lakh) And (< 10% of applicable margin)	0.50%
(= Rs 1 lakh) Or (= 10% of applicable margin)	1.00%

Furthermore, If short/non-collection of margins is reported for a client for more than 3 consecutive days or for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day of shortfall beyond the 3rd consecutive day or after the 5th day in the month as the case may be.

D. The right to sell clients' securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues and Conditions under which a client may not be allowed to take further position or the broker may close the existing position of the client

The client has to immediately deposit with the stock broker such cash, securities or other acceptable security which the stock broker may in its own discretion from time to time require as margin. The stock broker shall be entitled to require the client to deposit with the stock broker a higher margin than that prescribed by the Exchange. The client is liable to pay an initial margin up-front on or before creating a position in any Derivatives Contract, MTF /E-margin, Intraday, cover, margin products. Such margin shall be decided upon by the stock broker or the Exchange from time to time. Furthermore the client is liable to pay daily margins depending on whether the price of the Derivatives Contract, MTF /E-margin moves against the position undertaken. The client may also be liable to pay withholding margins, special margins or such other margins as are considered necessary by the stock broker or the Exchange from time to time. The stock broker is permitted in its sole and absolute discretion to collect additional margins (even though not imposed by the Exchange, the Futures and Option Segment of the Exchange, any other segment of the Exchange, the clearing house or clearing corporation of the Exchange or SEBI) and the client shall be obliged to pay such margins.

In case the client does not provide the required margin or any other payment whatsoever within the time frame specified by the stock broker, the stock broker shall have the right to appropriate and/or sell and/or instruct the Designated Bank to sell and/or transfer all or any Securities or money in the client's Account and/or any Associated Account and/or the proceeds thereof, Square-off all

or any Outstanding Positions, prevent any new orders from being placed and / or executed by the client or take such other action as the stock broker thinks fit and proper. The stock broker may exercise all or any of the above rights in such manner as the stock broker thinks appropriate, without demand for additional margin, security or collateral, or advance notice or advertisement, on any exchange or other market where such business can be transacted, at a public auction or by private sale and the stock broker may be the purchaser / seller for its own account. The giving of any prior demand, call or notice shall not be considered as a waiver of the stock broker's right to exercise its rights without any such demand, call or notice. In case of high market volatility, the stock broker may require the client to pay instantaneous margins in addition to the margins that may have already been paid by the client as per margin calls. The stock broker may be compelled to in such circumstances of market volatility, in absence of the payment of the said instantaneous margins by the client, Square-off all or any Outstanding Positions, prevent any new orders from being placed and / or executed by the client or take such other action as the stock broker thinks fit and proper.

The stock broker may in exceptional circumstances be compelled to Square-off all or any Outstanding Positions, prevent any new orders from being placed and / or executed by the client or take such other action as the stock broker thinks fit and proper, even without calling for the payment by the client, of the aforesaid instantaneous margins by the client. In case of short-fall in margin the stock broker shall check for availability of additional limits in clients Associated Accounts to see whether adequate additional limits are available to restore the margin level to the initial margin level and if no such limits are available then the client's Outstanding Positions may be Squared- off by the stock broker, at its discretion, without notice to client. If the client has been permitted to do margin trading, the stock broker shall be entitled to Square-off the client's Outstanding Position, inter alia, where, in the stock broker's opinion, the mark-to-market loss has breached or may breach the margins available with the stock broker, where the margin or Security placed by the client and available with the stock broker falls short of the stock broker's requirement, where any limit given to the client has been breached or where the client has defaulted on any existing obligation.

E. Shortages in obligations arising out of internal netting of trades

The stock broker shall not be obliged to deliver any securities or pay any money to the client unless and until the same has been received by the stock broker from the Exchange , the Clearing corporation/ Clearing House or other Company or entity liable to make the payment and the client has fulfilled his / her / its obligations first. The policy and procedure for settlement of shortages in obligations arising out of internal netting of trades is as under:

a. The short delivering client is debited by an amount equivalent to 20% above of closing rate of day prior to payin / payout day.
b. The short delivering seller is debited at closing rate of that scrip on T+2 day (i.e. Auction trade day in Equity segment) / Expiry +3 day (i.e Auction trade date in case of Physically Settled Contracts in Equity Derivatives) + 5% OR at the highest price prevailing in the NSE/ BSE from the first day of the relevant trading period till auction trade day, whichever is higher. The provisional entry debited to the short delivering client will be reversed on auction settlement day.

F. Temporarily suspending or closing a client's account at the client's request

On the request of the client in writing, the client account can be suspended temporarily and the same can be activated on the written request of the client only, the stock broker may do so subject to client accepting / adhering to conditions imposed by stock broker including but not limited to settlement of account / release of holds and / or other obligation. The stock broker can withhold the payouts of client and suspend his trading account due to his surveillance action or judicial or / and regulatory order/action requiring client suspension.

G. Security Order Qty & Value limits Single Order and Overall

In accordance to the regulatory guidelines there are various checks in place at single order quantity level , order value level and overall security quantity / value level , individually or combination thereof as may be applicable.

H. Securities in Ban Period in F&O segment:-

In compliance of rules laid down by Exchange for Securities in Ban Period in F&O segment, if a client creates position in securities which are in ban period, penalty will be levied for the same. The list of securities in ban period is updated on NSE website on daily basis. The link is as below: https://www.nseindia.com/products/content/derivatives/equities/sec_ban.htm

I. Exchange Trade Alerts:-

For each of the transactional alerts received from the Exchanges, appropriate analysis, monitoring and reporting is done as the process and guidelines defined by the Exchange.

J. Refusal of Orders in Stocks which are Settled in Physical mode/ Optional Demat mode:-

The Securities forming a part of the part of below group will not be allowed for trades. In case the clients have bought the shares through HDFC Securities limited, exit route will be allowed to the clients.

BSE /NSE Group	**Particulars**
P	Scrips traded and settled in Physical mode/ Optional Demat mode
ZP	Scrips of Non-compliant companies (Non-compliance with clauses of Listing Agreement) & traded and settled in Physical mode/ Optional Demat mode
R	Rights Renunciation Forms - Settled in Physical mode
BZ	Z Category stocks settled on Trade for Trade basis.

K. Huge Debits with Single Scrip Concentration:-

For any client, if the outstanding debit exceeds a certain amount and concentration is in a particular security on account of buying done / collateral provided, HDFC Securities may restrict the client from further buying or trading in that security. The client will be allowed to place only sell orders to reduce the debit. HDFC Securities will take discretionary decision to allow the client to trade if

he brings in fresh Funds to clear the Debit or brings in different security as collaterals other than security which forms the significant concentration. The Clients Position may be squared off if necessary to reduce the debit.

L. Additional Surveillance Margin (Equity Derivatives Segment)

Exchanges in order to strengthen the Risk Management practices may levy additional surveillance margin on certain clients of Broker for their open positions in Equity Derivatives. Since the exchanges levy and collect these margins from the Broker for the positions in Equity Derivatives and as matter of prudence HSL may collect the same from their clients respectively.

M. Additional Surveillance Margin (Equity Segment)

Exchanges in order to strengthen the Risk Management practices may levy additional surveillance margin on certain Securities as a part of their subjective diligence measures put certain securities under 100 % margin and restrict the price band to 5 %. HSL may remove / disallow these securities from being part of some or all of its products offered and also from valid collateral list.

N. Collateral Limits (Scrip wise Client wise)

As a prudent Risk Management practice and to mitigate risk arising out of concentrated collaterals there are quantity limits in place for every security that are accepted as collaterals. It means there is a restriction in Quantity of security which is accepted as collateral.

O. Transfer of unpaid client securities from pool/unpaid securities demat account to client's demat account:

With regard to securities that have not been paid in full by the clients (unpaid securities), shall be transferred into a separate client account titled – "client unpaid securities account". All securities lying in Client unpaid securities account, not beyond 5 trading days after the pay-out, will be transferred by HSL from unpaid securities demat account to clients demat account. (Exceptions being ISIN suspended, Security in Lower Circuit or regulatory enforcements / court directions)

P.) Policy for process of liquating the client securities, in case of multiple securities in "Clients unpaid securities account"-

In case there are multiple securities in the "Client unpaid securities account", First in First Out (FIFO) logic will be followed. However in case, the stock basis FIFO logic could not be sold due to less liquidity or due to security in lower circuit or any other reason, then HSL may sell any other security to clear the outstanding debits.

Reporting to the Exchange(s)

In case the client is found indulging in suspicious activities, HDFC Securities limited may report such transactions to the exchange(s). The company is not responsible for any loss incurred by the client if he/she is found guilty of unethical practices. The company will share all the required information to the regulator, exchange, or any other recognized regulatory body when a client specific details is asked for. The company reserves the right to inform the client based on the directions received by the fore mentioned regulatory body.

The Company reserves right to amend/modify any of the policies/procedures mentioned above from time to time depending upon regulatory, market, external conditions and our internal risk management framework, and the customers can obtain such change/ modification from the Company's website.