

## INTERNAL CONTROL & RISK MANAGEMENT POLICY

### A. **Change in KYC Details:**

1. In Case of any change in the information, provided by the client in the Registration Kit, the Client agrees to immediately communicate the same in writing, along with relevant proofs to Sharewealth. The Client agrees that it shall not hold sharewealth responsible for any non-communication of such changes.

### B. **Exposures:**

2. Sharewealth will normally give the exposure, equivalent to a pre-determined Multiple / times of the net credit balance in the ledgers (across all exchange & segment), and the value of the collaterals given by the client (after applying appropriate hair cut). The level of exposure granted to the client will also depend on the track record of the client and/or market conditions and/or regulatory directives. The client agrees to abide by exposure norms decided by Sharewealth, from time to time.
3. The client understands and agrees that he/she/it cannot claim any minimum level of exposure, as a matter of right.
4. The Client agrees that, Sharewealth has the discretion to decide the stocks which he can be provided as margin/collateral. In case of shares given as margin/collateral by the client. Sharewealth has the right to apply appropriate hair cut, at their sole discretion, while arriving at the value of the collateral shares. This will depend on the shares offered and/or market conditions and/or the track record of the client's dealings with Sharewealth. The client will not have any objection on the hair cut percentage decided by Sharewealth, from time to time. The client understands and agrees to the same.
5. The client understands and agrees that, under normal market conditions, the previous day's closing price will be taken as the base price for arriving at the value of the securities and the same will be done on a continuous basis. However, during Volatile market conditions, Sharewealth has the discretion to change the valuation method while arriving at the value of the shares given as margin/collaterals.
6. However Sharewealth reserves the right at its sole discretion, to modify on the level of exposure to be given to a particular client and/or change the method of calculating the exposure, without giving any advance notice to the client. The client understands and agrees to the same.
7. The client understands and agrees that the level of exposures, granted by Sharewealth, may vary from client to client and he will not question the same.
8. In case Sharewealth changes exposure policy the same would be intimated the concerned branches. The client also agrees to get in touch with the concerned branch, on a daily basis, to keep track of any such changes.

### C. **Margins:**

9. The client agrees and undertakes that it will pay all the applicable margins within the stipulated time prescribed by exchanges/SEBI/Sharewealth .
10. The client understands and agrees that he/she/it cannot claim extension of time, to pay the margins, as a matter of right. Granting of extension of time is solely discretion of Sharewealth .

11. Collection of margins, for cash segment is not mandatory and is at the sole discretion of Sharewealth , However Sharewealth may collect appropriate margins from clients for cash market transactions in view of its own internal Risk Management Policy. The same depends on the background and track record of the client, market conditions etc. The level of margin collected from clients, for cash market transactions, may vary from client to client. The client agrees and undertakes not to question the same.
12. Sharewealth has the discretion to decide whether the margin will be taken in cash deposit or stocks. Even though the client might be having adequate margins in the form of stocks. Sharewealth may demand the margins in cash deposit depending on market conditions and/or track record of the client. The client understands and agrees to the same.
13. In case the client fails to pay the requisite margins within the stipulated time, then Sharewealth has the discretion to square off the open positions and the collaterals, at an appropriate time, as it deems fit, without any notice to the clients. The client does not have the right to decide on the timing of selling and the open positions and/or collaterals that needs to be sold. The client understands and agrees to the same.
14. Depending upon the market conditions and/or track record, history etc. of the client, Sharewealth may demand additional margin (Ever and above the mandatory margins) from clients, as a part of their risk management. Such margins may vary from client to client. The client understands and agrees to pay the additional margins also.

**D. Squaring off of positions:**

15. The client agrees and undertakes that he shall settle the transactions, within the exchange specified settlement time, by making the requisite payment and/or delivery the securities.
16. In case the client fails to settle the transactions within the settlement date, then Sharewealth has the discretion to square off the open positions, at an appropriate time, as it deems fit, without any notice to the clients. The client does not have the right to decide on the timing or the open positions that needs to be closed. The client understands and agrees to the same and undertakes that it will not hold Sharewealth responsible for any loss or damages arising out of such square offs.
17. After such square offs of open positions by Sharewealth , as mentioned in the clause 16 above, if there is a debit balances, the client shall pay the same immediately. However, if the client does not clear off the debit balance, Sharewealth shall have the right to liquidate the shares of the client (Kept as collateral / Margin) to the extent of the debit balance, without any intimation to the client. The client also agrees that he does not have the right to decide on the timing of such liquidation of collateral/margin securities and the securities that needs to be sold. The client undertakes the he will not hold Sharewealth responsible for any loss or damages arising out of such selling.

**E. Third Party Payments:**

18. The client agrees and accepts that Sharewealth will refuse payments from any bank account that is not mentioned in the KYC. The client undertakes it will not hold

Sharewealth responsible for any loss or damage arising out of such refusals of third party payments.

19. However, due to oversight, if any such third party payments have been accepted by Sharewealth and the credit for the same has been given in the client's ledger, Sharewealth will immediately reverse such credit entries given. In such a case, Sharewealth reserves the right to liquidate any of the open positions and/or any of the collaterals. The client understands and agrees to the same and will not hold Sharewealth responsible for any consequential damages or losses.

**F. Third Party Deliveries:**

20. The client agrees and accepts that Sharewealth will refuse deliveries from any demat account that are not mentioned in the KYC, even though the same might belong to the client. The client undertakes it will not hold Sharewealth responsible for any loss or damages arising out of such refusals of third party deliveries.
21. However, due to oversight, if any such third party deliveries have been accepted by Sharewealth, then Sharewealth has the rights to reverse the same and consider the sale position as 'Short Sale' (i.e. Sold without delivery) and account for it appropriately. Also, Sharewealth reserves the right to liquidate any of the open positions and/or any of the collaterals if required. The client accepts and agrees to the same and undertakes he will not hold Sharewealth responsible for any losses/damages arising out of such reversals of third party deliveries.

**G. Delayed Payment Charges:**

22. The client agrees that in case he/she/it does not make the payments on time or if there is an outstanding balance in the client's account. Sharewealth has the discretion to levy a Delayed Payment Charge and debit the same in the client's ledger. The client understands and agrees to the same. It is the sole discretion of Sharewealth to charge a lump sum amount as Delayed Payment Charges depending on the background and track record of the client the level of Delayed Payment Charges collected from clients may vary from client to client. The client agrees and undertakes not to question the same.

**H. Cheque Bouncing Changes:**

23. The client undertakes to ensure that all the cheques issued by him/her/it to Sharewealth are honored by the bankers. In case of any cheque bouncing, the charges for the same, as levied by the bank on Sharewealth, will be debited to the client's account. Also, the cost of legal proceeding against the client, initiated towards cheque bouncing, will also be debited to the client's ledger. The client agrees and understands the same.

**I. Deliveries:**

24. It is the responsibilities of client to ensure that the securities are transferred to the concerned demat account Sharewealth, for effecting delivery to the exchange against the sale position of the client. Such transfers will be within the time specified by SEBI/exchange/ Sharewealth. In case the client fails to transfer the shares on time to Sharewealth, the client undertakes that he shall not hold Sharewealth responsible for any loss/damages arising out of such delayed transfers.

25. The client agrees and undertakes that it is responsibility to endure that the Delivery Instruction Slip (DIS) is filled properly, fully and correctly. The client undertakes that they will not hold Sharewealth responsible for any loss/damages arising out of such rejection of DIS due to the DIS not being in order.
26. As a part of its internal policy, Sharewealth will not execute any sale transactions for which delivery will be given by the client in physical form (Non demat form). The client agrees to the same and undertakes that it will not hold Sharewealth responsible for any loss/damages arising out of the same.
27. As a part of its internal policy Sharewealth can refuse purchase of any stocks which will result in physical delivery. In case Sharewealth permits any such purchases. Sharewealth will be held responsible for any loss/theft/bad deliveries of such physical shares. The client agrees to the same and undertakes that it will not hold Sharewealth responsible for any loss/damages arising out of the same.

**J. Internal Auctions:**

28. Due to internal shortages, Sharewealth might not be in a position to deliver the securities purchased by the client. In such circumstances close out credits, for the undelivered shares will be given to the client as per the internal formula prescribed by Sharewealth from time to time. The client understands and agrees to the same. The client undertakes that it will not hold Sharewealth responsible for any loss/damages arising out of the same.
29. Similarly, if the client fails to deliver securities against his sale transactions, then appropriate amount will be debited from the client's ledger as close out debits as per the auction close out formula decided by Sharewealth from time to time. The client understands and agrees to the same. The client undertakes that he will not hold Sharewealth responsible for any loss/damages arising out of the same.
30. The client agrees that it is his responsibility to get in regular touch with our branches to know about the Sharewealth internal auction formula.

**K. Corporate Benefits:**

31. Sharewealth will make its best efforts to intimate the clients, who avail the running account facility and/or clients whose shares are lying with Sharewealth as collateral/margin, about the corporate benefits/ announcements declared in the respective stocks. However, the client agrees that it is the responsibility of the clients also to keep track of such corporate announcements. The client understands and agrees to the same. However the client will not hold Sharewealth responsible for any loss/damage arising out of such non communication from either side on such announcement.
32. In case any client wishes to avail corporate benefit like right, bonus etc. and the client's securities are lying with Sharewealth as margin/collateral, the client should intimate Sharewealth in writing about their consent to avail the corporate benefit, in such a case Sharewealth will apply to the corporate benefits on behalf of the clients and will debit the cost to the client's account. However the client will not hold Sharewealth responsible for any loss/damages arising out of such communication.
33. In case the client wishes to apply for the corporate benefits on their own, then Sharewealth will transfer the securities to the client's account upon request in writing

from the client provided there is no debit balance in the account and the securities are paid for fully by the client. The client has to give their consent, at least 48 hours prior to the record date announced for such corporate benefits. The client understands and agrees to the same. However the client will not hold Sharewealth responsible for any loss/damages arising out of such non communication.

34. In case the client is availing the facility of running account and wants the securities transferred to his demat account, prior to record date, to avail any corporate benefits, the client has to make a written request for the same at least 48 hours prior to the record date. In such a case, Sharewealth will transfer the securities only if there is no outstanding debit balance in the client's accounts and only if the securities are fully paid for. In case there is outstanding debit balance in the client's account. Sharewealth will retain the securities equivalent to the debit amount and the balance securities will be transferred to the client's account. The client understands and agrees to the same. However the client will not hold Sharewealth responsible for any loss/damages arising out of such non communication.

**L. Arbitration / Legal Expenses:**

35. In case of any arbitration / legal proceedings initiated by Sharewealth for the client and the final arbitration award /court decision is in Sharewealth favour, then the cost incurred by Sharewealth towards arbitration / legal case, will be debited to the client's ledger by Sharewealth. The client understands and agrees to the same.

**M. Not to act as unregistered sub-broker:**

36. The client agrees and undertakes that in the trading account opened by him with us. He will deal only for himself not on behalf of other clients i.e. the client agrees and undertakes that he will not act as unregistered sub-broker. In case the client wishes to deal for other clients also he undertakes to obtain written permission from Sharewealth and also obtain a sub-broker registration from SEBI.
37. In case Sharewealth finds that the client is acting as an unregistered sub-broker, Sharewealth reserves the right to immediately suspend the trading account and close all open positions and adjust credits (across all segments) with the dues by the client to Sharewealth. The same will be done by Sharewealth without giving any notice or option to the client. Sharewealth also reserves the right to inform the concerned regulatory authorities about the same.
38. In case Sharewealth finds that the client is acting as unregistered sub-broker, the Client agrees and undertakes to indemnify Sharewealth from any loss/ damages/ claim arising out of such activity of the client.

**N. General:**

39. The client understands and agrees that it is the prerogative of Sharewealth to open any new trading account for any client. Sharewealth can refuse opening of any new account for any client. The client agrees and understands that it cannot insist, on a matter of right Sharewealth to open the trading account just because they have filled up the registration kit.
40. The client understands and agrees that the trades executed by him/her/it might result in profit or in loss. The client agrees and undertakes that he/ she will not deny the trades, if the same resulted in loss and shall not hold Sharewealth responsible to such losses arising out of the client's trading decisions.

41. All recommendations given by the Research Department of Sharewealth are based on technical and/or fundamental analysis of the securities / sector / market. The client understands and agrees that these are recommendatory calls and the clients will take his own decisions whether to act on such recommendations or not.
42. The client understands and agrees that due to volatility in the market or due to liquidity of the stock, it may happen that the actual rate of trade might differ from the rate at which the client has placed the order. The client undertakes not to hold Sharewealth responsible for any loss or damages arising out of the same.
43. The client acknowledge and accepts that Sharewealth has the sole discretion not to accept any order for reasons like margin shortfall, ledger debit balance, etc. accordingly, Sharewealth has the right to reject or cancel any order, if already placed. The client understands and agrees on the same and will not hold Sharewealth responsible for any consequential loss or damages, including notional/opportunity loss.
44. In case client wishes to modify or cancel the order, the same shall not be deemed to have been executed unless and until the same is confirmed by Sharewealth . It might be possible that some times the trade would have been executed before Sharewealth modifies/cancels the order due to the market conditions prevailing at that point of time. In such a case the client will not hold Sharewealth responsible for any loss/damages.
45. Sharewealth has the discretion to refuse orders, if in its opinion; the trades are of manipulative in nature and/or against the regulatory directives and/or might result in regulatory query/scrutiny at a later date. This is as a part of the due-diligence being done by Sharewealth. The client understands and agrees to the same.
46. Sharewealth may refuse execution of orders in 'penny stock' or stock which are quoting at less than Rs.10/- as a part of their due diligence and risk management policy. The client agrees to the same and undertakes it will not question the same.
47. The client understands and agrees that inadvertent errors may occur while executing order of the clients. In such circumstances Sharewealth shall make all reasonable effort to rectify the same and ensure that the client is not put to any monetary loss. The client understands and agrees that he will not hold Sharewealth responsible beyond this and claim additional damages/loss.
48. The client undertakes not to execute transactions either singly or in tandem with other clients, which in Sharewealth's knowledge may be viewed as manipulative trades viz.artificially raising, depressing and maintaining the price, creation of artificial volume etc. or which could be termed as manipulative or fraudulent trades by SEBI/Exchanges. In case the client is found to be indulging in such activities, Sharewealth reserves the right to inform the exchange/SEBI/other regulatory authority of the same. Client understands and agrees to the same.
49. Sharewealth may record the conversations of the client with the dealer or any other staff of the Sharewealth. The client agrees to the same and will not dispute or raise any objection on the same.
50. The client understands and agrees that any trades in any illiquid scrip/contract would be solely at client's risk in terms of traded prices and lack of liquidity. The client agrees and undertakes that he will not hold Sharewealth responsible for any loss of damages if any, incurred due to trading in such illiquid scrip/contract. The client also agrees that he will not deny such trades if the same has resulted in a loss.

51. Any errors in the contract note should be brought to the notice of Sharewealth within 48 hours of receipt of the same. If no discrepancy or error is pointed out by the client, in writing, within 48 hours of receipt of the contract, it will be presumed that the client accepts the trades as mentioned in the contract notes and the client shall not hold Sharewealth responsible for any damages, loss or claims, at a later date.

( The word 'he' also means 'she' and 'it' as the case may be the usage of masculine gender in this agreements also refers to the feminine gender or the natural gender as the case be. Sharewealth Securities Limited hereinafter for the sake of brevity shall be referred to as 'Sharewealth )