Tradewings Solutions Ltd.

Risk Management Policy

Risk Management Policy

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Prefunded Instruments Policy

Purpose

The objective of the *Risk management* policy *is to ensure that all risks, which threaten the business, are recognized, controlled and reduced to an acceptable level and all applicable regulatory requirements of the various regulatory authorities are complied with.*

Scope

The management of TWSL commits to put in place a Risk Management system to recognize, assess and mitigate the risks that the organization maybe exposed to. The risk management function shall be modified and improved as business changes and improved processes and procedures becomeavailable.

Definitions

Within this Policy, the following definitions will be used:

Confidential Information (Sensitive Information) – Any TSL information that is not publicly known and includes tangible and intangible information in all forms, such as information that is observed or orally delivered, or is in electronic form, or is written or in other tangible form. Confidential Information may include, but is not limited to, source code, product designs and plans, beta and benchmarking results, patent applications, production methods, product roadmaps, customer lists and information, prospect lists and information, promotional plans, competitive information, names, salaries, skills, positions, pre-public financial results, product costs, and pricing, and employee information and lists including organizational charts. Confidential Information also includes any confidential information received by TSL from a third party under a non-disclosure agreement.

Information Asset – Any TSL data in any form, and the equipment used to manage, process, or store TSL data, that is used in the course of executing business. This includes, but is not limited to, corporate, customer, and partner data.

Partner – Any non-employee of TSL who is contractually bound to provide some form of service to TSL.

Data Classification – the process which can be defined as a tool for categorization TSL data depends on its value and importance to the company.

Risk Management Policy

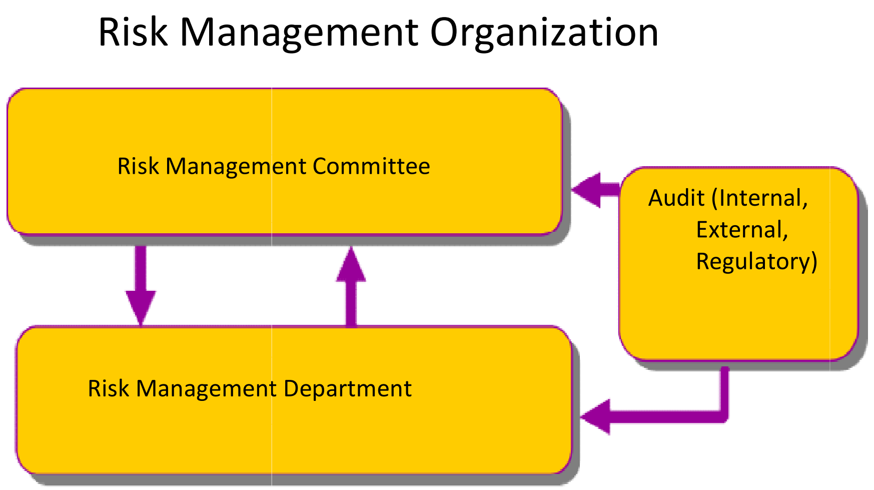
Risk Definition
Risk at TWSL is classified into two broad categories-

- TradingRisk
- Non- traderisk

TradeRisk
Trading risk encompasses risk arising out of trading operations of TWSL on behalf of the clients and Sub Broker trading with the Exchange. The objective of Trading risk managementistoensurethatobligationsofTWSLwiththeExchanges, Sub –Broker & Clients, Sub Broker & client Obligations with TWSL are fulfilled in an accurate and efficient manner. Trade Risk Management encompasses adherence to Capital Adequacy requirements of the exchanges, limit settingand monitoring mechanism, liquidity management fulfillment of trading and settlement obligations and receivablesmanagement.

Non-TradeRisk:
Non- trade risk management includes management of Client Risk (Client default/sub Broker default /Client absconding), Human risk (override of internal controlsand regulatory framework) and Information technologyrisk.

Risk Management Organization



Risk Management Committee – Constitution and Role Definition
The higher authorities of TWSL shall form a Risk Management Committee (RMC) to control and mitigate Risks confronting the organization. The Risk Management Committee shall be the apex committee to perform environment scanning particularly with respect to developments in the business and political environment, regulatory changes, and their impact on capital markets and more specifically the business operations of TWSL. The RMC shall base on such analysis and assessment formulate Risk Management Policy guidelines or necessary changes thereto, Oversee and monitor the implementation of a comprehensive Risk Management framework, Develop Risk Management

processes and Monitor the overall performance of the Risk Managementfunction.

Composition of the Risk Management Committee:

The Risk Management Committee (RMC) shall comprise of CEO of TWSL with the Risk Department activities. The RMC shall also delegate powers to one/two Directors for overseeing and monitoring Risk Management Activities and taking appropriate action if the same is outside the Risk Guidelines framed by the RMC. The directors shall also approve actions to be taken by the Risk Department as mentioned in the Risk Management guidelines.

Frequency of Meeting

The Risk Management Committee shall meet every fortnight and as and when the situation demands.

Roles and Responsibilities of RMC:

The Roles and Responsibilities of RMC shall be as follows:

1. Formulate a Risk Policy Framework to be followed by the organization and obtain the Board of Director's approval for thesame.
2. To approve the procedures/changed procedures to be followed by the Risk department for implementing thepolicies.
3. Review the Key Risk Indicators and exceptions report prepared by the RiskDepartment.
4. Review and follow of decisions taken by Directors in the Risk Policy Framework and require review/additions to the Risk ManagementPolicies.
5. To approve new products proposed to be introduced by TWSL for trading after ensuring that proper systems and processes are in place for the said new products and all risks issues are addressed and fullycovered.
6. To approve trading in new products introduced by the Exchange after ensuring that proper system systems and processes are in place for the said new products and all risks issues are addressed and fullycovered.
7. Review the major issues of the previous fortnight, exceptions and actiontaken
8. Review any other Risk Management Issues arising out due to change in TWSL Business policies, Exchange Rules and Regulations, SEBI Guidelines/Regulations or any other StatutoryAuthorities.
9. TWSL To delegate powers to directors for monitoring the risk exceptions and for taking necessarydecisions

RISK DEPARTMENT

The Risk Department shall be responsible for controlling risk and ensuring that proper mechanism/system is in place to check/monitor Clients/Branches/sub broker's turnover and gross exposure positions. He shall monitor and optimize the Capital adequacy with Exchanges for ensuring smooth flow of operations. No Operation activities shall be undertaken by the Risk Department and the Risk department shall focus solely on controlling risksactivities.

Roles and Responsibilities of HOD-Risk Department:

The Roles and Responsibilities of HOD- Risk Department shall be as follows:

1. To implement the Risk management policies and follow the procedures strictly as approved by the RMC.

2. To ensure that the amount of Capital Adequacy to be kept with the Exchanges is adequate commensuratewiththemarketconditionsatthestartofthedayandthroughoutthetradinghours.
3. To disable terminal ID's limits, and increase/decrease limits based on marketsituations.
4. Toenableterminallimits,fixlimitsforSubBroker/ClientasapprovedbytheRMC.
5. To set limits for VAR based on NSE CM, BSE CM and SPAN for Derivative segment.
6. To prepare the Combined Risk Report and to ensure that the same is before the start of the trading hours.
7. To monitor online and offline Clients, Branches, Sub Broker exposure position and take appropriate action as per the RiskGuidelines.
8. To square off Client's positions in case the branch/Sub broker failto square off the trades.
9. To review the documentary evidence made available to the Risk Department with respect to Turnover and Gross Exposure for new Sub Broker and to propose ID limits based on such documentation.
10. To review the documentary evidence made available to the Risk Department for anticipated Turnover and Gross Exposure of new Clients dealing in derivative through Sub Broker and to fix ID limits based on suchdocumentation.
11. Prepare supporting documentation for the reviewing the ID limits fixed for various SubBroker/Client.
12. Prepare supporting documentation for the limits to be fixed for Derivative Clients of various Sub Broker.
13. To disable Sub Broker/Client from trading in case any Sub Broker/Client position is not commensurate with his/her financialstrength.
14. To conduct scenario analysis by collating statistical analysis for understanding the impact on the organization and Sub Broker/Client positions in different scenarios and to take informed decisions on occurrence of suchevents.
15. To ensure that proper risk mechanism is in place for new products to be introduced by TWSL/Exchange prior to its actual launch and to ensure that all risks issues are addressed and fullycovered.
16. To ensure that the Risk management practices as approved by RMC are implemented and properly followed by Risk Department personnel at H.O and also byBranches.
17. Any other Risk Management Issues arising out of day-to-day businessOperations.

Risk Management Policy:-

1. Every Relationship Manager ,Dealer and Branch Manager should follow the prudent Risk Management policy devised by the HO for enrolling and activating the client and monitoring the trade done by him in Commodity segment. Risk management policy should be well documented and be made accessible to the clients whenever the same is demanded by thelater.
2. The Dealer/Relationship Manager/Branch Manager should carry out due diligence and risk profiling based on KYC procedures specified in KYCpolicy and Risk Management policy of the company.

Types of Risk and Margins in Commodity Segment (MCX):

3. Risk is generally used synonymously with the probability of known loss.Risk can be categorized into

the following threetypes:

- LowRisk
- TechnicalRisk
- HighRisk

4. To cover the above different types of risk, various types of margins are required to be collected from the clients to allow to trade and also to minimize the risk arising to member when there is sudden down fall inthe Commoditymarket.
5. Margin is a minimum amount of funds that must beheld by a client in a trading account in order to allow trading in Commodity market.
6. Certain types of margins are required to be collected from the clients on upfront basis and others as per his trading practice and requirement ofthe Exchange.
7. Types of margins with their terminology in CommoditySegment are given as under:
   Commodity Market(MCX):
   - InitialMargin
   - Exposure Margin
   - AdditionalMargin
   - Additional CashMargin
   - Tender Margin /DeliveryMargin

8. Understanding of Limits:
   In the following manners limit shall be assigned in Commodity segment. Limits shall be reset on daily basis by generating a file from the back office system (Shilpi Back office) at HO.
   Commodity Segment (MCX):
   a) Client shall be allowed trading in derivatives segment basedon upfront availability of margin collected by the member from client.
   b) Exposure on client stock shall be allowed after providingscrip wise VAR haircuts as prescribed byexchange.
   c) Additional Limit provided to clients on case to casebasis.

   Calculation Mechanism ofMargin:

   - 90 % of Actual Margin received from the client (as appears in Client'sledger separately)
   - (+) Logical balance of Commoditysegment ledger balance of the client(MCX) (I.E T+1 day) (COMMODITY as onEOD)
   - (+) Cash collateral Commoditysegment
   - (-) all Un-clearedCheques

   1. The Company shall decide the component of cash and non-cash collaterals from time to time either in general or for any particular client as the case may be. In any case, cash component

should not be lessthan 50%.

2 Ensure that the collaterals received are from the client's designatedDP account and not from thirdparty.

3

Placing ofOrder:

Branch Manager/RMs/Dealers should ensure that orders are placed through CTCL/IBT/WT (Wings) Terminals with in the exposure limits applicable to clients as decided by the RMS Team and theHO.

Mechanism of Fund Collection in Commoditysegment:

- In case of Commodity segment, 90 % exposure is allowed andinitial margin is mandatory to trade Commoditysegment.
- In Commodity segment position shall not be allowedto carry forward in Shortmargin.
- All illiquid contracts are block for trading in Commodity segment (Refer separate policy for identifying illiquid contract in Commodity segment)
- Un-cleared cheques will not be considered as Margin, BranchManager shall consider Additional Margin for Funds received for Margin only on Clearance of thecheque.
- Branch Manager/Relationship Manager to collect MTM margin immediately on T day in case the margin has fall below the required level as per the policy decided by HO, in other case on next day (i.e. T+1day).

Giving Exposure to theclient:

In setting exposure limits to the client, the factors shall beconsidered like client's risk profile, risk appetite, loss bearing capacity, payment history, market volatility, risk management policy of the company and such other factors or conditions which the company may consider relevant for the purpose from time totime.

Enhancing/Adjusting the Exposure or available Margin for Clients during theday:

- During the trading hours, exposure or available margin can beenhanced/adjusted for clients based on the following:
- On receipt of funds through RTGS/NEFT/Transfer Cheques/BankRecco Cheques (with priorapproval)
- On withdrawal of funds (with prior approval of RMSTeam)
- Exposure may be adjusted on receipt of news from market (marketwise, client wide or security wide, if any), general volatility in the market.etc.
- In case of funds received through RTGS, funds should havebeen received and the necessary entries in the software arepassed.
- The exposure shall be enhanced only after adjusting the shortfall, ifany from the additional margin received during theday.

The margin shortfall in Commodity segment:

- Positions of the client may be closed out to the extent of marginshortfall on the T+1 basis /Real time monitoringbasis.
- If there is a Mark to Mark loss TWSL has rights to square offthe positions as per RMSpolicy
- While computing margin shortfall, value of unapproved securities shall not beconsidered.
- While squaring off/closing the client's positions, TWSL may not take into consideration Cheques showing unclear although deposited by the client with TWSL until clear proceeds of such instruments are received by TWSL in its bank account. For this purposes Demand Draft/ Pay order will not be taken intoconsideration.
- TWSL shall have the right to sell/square-off client's positions in case of Ageingof debit and margin shortfall in the clientaccount.

Conditions under which a client may not be allowed to take further position or TWSL may close the existing position of aclient

- Client is not having adequate margins as per conditions inRisk Managementpolicy.
- The client has not made payment for Market to Market loss inLedger

Intra-day positions:

- TWSL shall have right to close out any intra-day positions taken bythe client after a defined 'Cut-off' time (Presently 15 minutes before close of market)
- Client is trading "illiquid" scrips and volume in his account exceed internal cut off limit fixed by TWSL as per RMS Illiquidpolicy.

Penalty levied to Clients for Short collection of Margin/Other Margin/MTM Margin as specified by Exchange

- TWSL will impose/collect penalties from Clients as per Exchangein Commoditysegment.
- Further TWSL reserved the right to keep client on a square off mode or can reduce position in case where client has imposed penalty by Exchange 3 times or more during a month for Shortmargin/MTM.

Further exposure not allowed as per SEBIcircular:

Further exposure not allowed to client if the debit continues (T+2+5) as per SEBI circular dated 26.09.2016 in allsegment.

Other Norms:

Risk Team generates on daily basis, debtors/client's list with securedand unsecured/uncovered

amount along with the ageing list. Absolute debit balance in client account in and/or in excess of 7 days shall be separately monitored by RiskTeam.
The following are some of the indicative actions which may beinitiated by Risk Team in a Volatile MarketConditions:

- Increase the hair cut onCollaterals
- Increase the Margin rate
- Reduce Intradayexposure/Multipliers
- Disallow scrip to trade
- Liquidation of positions
- Disallow client to take exposure (based onnews)
- Provide Margin calls to clients after valuing theirportfolio

Violations

TSL reserves the right to notify the appropriate law enforcement authorities of any unlawful activity and to cooperate in any investigation of such activity. TSL does not consider conduct in violation of this policy to be within an employee’s or partner’s course and scope of employment, or the direct consequence of the discharge of the employee’s or partner’s duties. Accordingly, to the extent permitted by law, TSL reserves the right not to defend or pay any damages awarded against employees or partners that result from violation of this policy.

Any employee or partner who is requested to undertake an activity which he or she believes is in violation of this policy, must provide a written or verbal complaint to his or her manager, any other manager or the Information Security Department as soon as possible.

Changes, Review and Update

- Technological advancements and changes in the business requirements will necessitate periodic revisions to policies. Therefore, this policy may be updated to reflect changes or define new or improved requirements.
- This document may be viewed, printed by authorized personnel only.
- A policy review should be performed at least on an annual basis to ensure that the policy is current.
- It is the responsibility of Information Security Department to facilitate the review of this policy on a regular basis. Personnel and Department Head from relevant departments should also participate in the annual review of this policy.
- Deficiencies within this policy should be immediately communicated to the Information Security Department. Policy changes should require the approval of Management.
- Change log should be kept current and should be updated as soon as any change has been made.

Enforcement / Compliance

- Compliance with this policy is mandatory and all TSL Departments Heads should ensure continuous compliance monitoring within their department.
- Compliance with the statements of this policy is a matter of periodic review by the Information Security Department. Any violation will result in disciplinary action in accordance with TSL process.
- Disciplinary action will be depending on the severity of the violation which will be determined by investigations. Actions such as termination or others as deemed appropriate by executive Management should be taken.

Exceptions/Waiver

- This policy is intended to address information security requirements. If needed, waiver requests should be formally submitted to Security Authority, including justification and benefits attributed to the waiver.
- The policy waiver period has maximum period of three months, and should be reassessed and re-approved, if necessary for maximum three consecutive terms. No policy should be provided waiver for more than three consecutive terms.