

Risk Policy

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The following document describes the risk management policy followed by Horizon Financial Consultants Pvt. Ltd. (Hereinafter referred as “HFCPL”). Please read it carefully as it pertains to your trading activity. The policy is applicable to all the segments of HFCPL.

Frequent Used Terms

RMS	(Risk Management System), this helps HFCPL to identify, monitor & manage the risk of the company and client from the volatility of the market.
Approved Securities	List of securities approved as collateral. These are classified under various groups (A, B, C, D and E).
Non-Approved Securities	All securities other than the approved securities Margin
	The underlying provided by the customer in the form of cash, Cash equivalent and / or Approved stock (Pledge) to execute the trades and manage future obligations
Limit	Combined ledger balances (NSE, BSE, F&O, CD) -unclear cheque + Pledge stock
Haircut	Haircut is the difference between the market value of the securities minus the value after applying haircut % as defined by HFCPL
Cash collateral	This is the clear balance available in the customer’s ledger account in our books.
Non –cash Collateral	Valuation of pledge stocks available with HFCPL.
Unsettled Sell/Buy	Shares bought/sold for which settlement is pending from exchange
Margin in cash segment per Securities)	VAR + ELM + AD HOC margin charged on securities (Varies as per Securities)
Derivatives Margin	Margins for derivative position (SPAN margin, exposure margin & Other additional margins if any)

1. INTRODUCTION

Risk Management is a logical process that provide a systematic method of identifying, analyzing, monitoring and mitigating the risks involved with any financial assets.

As a prudent broker, HFCPL would like to make customers aware of the inherent Risks involved in dealing in Equities and other financial assets. This document showcase the customer to understanding of various Risks involved in Dealings with capital market.

In view of the above, HFCPL, as a Stock Broker, has implemented the following system of risk management.

RISKS INVOLVED IN TRADING ON THE STOCK EXCHANGE

Investment in Equity shares, derivatives shares derivatives or other financial 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:-

Type of Risk associates dealing in financial instruments

- **Liquidity Risk:**
Liquidity in the context of stock markets means a market where large orders can be executed with minimum price difference.
Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities and vice versa, Liquidity Risk can summaries in one word "Higher the liquidity lower the risk and lower the liquidity higher the risk".
- **System Risk:**
Trading on exchanges is in electronic mode, based on combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of system problems or slowness 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.
- **Market Risk:**
Any risk arise due to fluctuations of market variable is called market risk, Market risk is the day-to-day fluctuations in a stock's price. Sudden fall in prices of stocks due to fundamental or other reasons can cause loss in security values.



- **Settlement Risk/Auction Risk**
Currently settlement is done on T+1 for cash & derivative segment.
In cash segment if client sell shares on T+1, before the actual receipt of shares from exchange there might be risk of auction of sold shares.

2. Trading Platform - Order Types

Market Order

A Market order is an order to buy or sell a security at the prevailing market price. This type of order is executed on the basis of the available best price while entering order in the system.

Limit Order

In a Limit order, you set the price at which you want to buy or sell a security- known as limit price. The order gets executed only at the limit price placed by client.

Stop-loss Order

A Stop-loss order helps you limit your losses by exiting a trade, if a specified trigger price (the specific price at which your buy/sell order becomes active for execution) is reached.

E.g. If for stop loss sell order, the trigger is 120.00, the limit price is 118.00 and the market (last traded) price is 122.00, then this order is released into the system once the market price reaches 120.00 and trade will take place within the given price range.

GTC order

GTC stands for Good Till Cancel. GTC is a type of order that enables client to place buying and selling orders with specifying time interval for which instruction of request remains valid.

GTD order

GTD - A Good Till Days/Date (GTD) order allows the Trading Member to specify the days/date up to which the order should stay in the system. At the end of this period the order will get flushed from the system. Each day/date counted is a calendar day and inclusive of holidays.



AMO order

AMO allows you to place an order during non-market hours i.e. either before or after the market hours. This order will be active in the next trading session. AMO orders are helpful to place an order at a certain price before the start of market hours.

Delivery/Margin Orders

Clients may place order in DELIVERY for Delivery transactions in the cash segment. Limits are available to sell stocks in HFCPL's DP for POA client and can be placed in DELIVERY

Exceptions may be requested for selling stocks from third party DP. Sell orders shall be placed as "MARGIN" order.

Derivatives (Carry forward orders)

Client can place order under CARRY FORWARD for Futures & Options trade. Margin is charged as per exchange i.e. span + exposure margins + additional margins, if any. Options purchases require cash balance equivalent to the premium amount. These margins need to be available before the order is placed.

Position conversion:

Client can convert position from Delivery to Margin and vice versa during the day. Client can go to Net Position window – select the position and right click to convert the position.

3. Trading Limits & Criteria

BOD Limit

Bod Limits are made available against the collateral available in a client account in the form of deposits, ledger balance (funds) and /or securities pledged as a margin.

Ledger Credit against receipt of funds

Credits are posted into the ledger for direct clients against RTGS / EFT transfers on EOD basis provided the details of such transfers are reported as

per due process by the client. Credits for online fund transfer receipts through HFCPL portal shall be credited same day and given exposures post receipt of funds. Credits against deposit of the cheque are given based on bank statements only.

Margin is calculated as below at Beginning of the Day (BOD) as below:

Margin = Combined ledger balances as on T date (NSE, BSE, CD)

- Value of unclear cheque posted into client ledger
- Derivative margins on outstanding positions as per exchange
- 120% Gross Value of Securities sold pending to be received
 (Sold from Non POA DP or outside DP, delivery credit of such shares pending)
- + Margin Pledge Stock

Limits Criteria

- Limits are made available based on client collateral. It's also determined by risk of the exposure proposed to be taken, i.e., the securities bought / sold (This is governed by securities classification)
- Client securities lying in client's HFCPL DP beneficiary a/c or client margin a/c can be sold directly selecting the Delivery option. Limits will be enhanced against delivery stocks sold – CFS limit 80% of sell value. (subject to regulatory changes)
- For short deliveries (including securities sold from outside DP not transferred into HFCPL), an amount equal to 20% shall be deducted from margin available in addition to blockage of credit for sale.
- Margins on Overnight derivatives positions are not debited to the client ledger. Therefore, net BOD trading limits available will be deposit / margin amount available less the FO margin blocked on open positions.
- Non POA clients will not be allowed limits against stocks lying in their HFCPL DP account or against stocks sold from their DP account until the pay-in of such shares are effected to the exchange
- During the day our RMS will update on Real-time basis and adjust Incremental/Decrement exposure for further utilization. Unrealized profits will not be considered for trading limits.

4. Dealing with Restricted Scrips

- Trading in scrips other than A, B series of BSE and EQ series of NSE segment is blocked in the system. Orders may be placed by the advisor / client / dealer after a request to RMS desk to unblock the same for a particular order. Such



- unblocking maybe done selectively at the discretion of the RMS desk for limited period of time. Maximum order size in such stocks should not exceed 20% of DTV (daily trading volume) at the time of order. Allowing of trades in illiquid / shady / penny scrips will be at the sole discretion of RMS team.
- GSM scrips are also blocked by the system. Wherever ASD is applicable, despite client having funds buying is not allowed. Squaring off of existing holding is however permitted.
- The dealer / client shall not take any fresh positions in F&O scrips which are in Ban Period (where incremental exposure is disallowed by the exchange). Only square off trades/rollover trades shall be permitted in such underlying.
- Fresh position in Derivatives Current month series on expiry day are blocked by the system, only square off orders are allowed.
- Maximum single order transaction quantity, lots and value across cash and derivatives segment shall be set by RMS which is subset of exchange allowed permitted limits. The same varies between dealers as well as clients.

5. Physical Delivery in Derivative Segment

- All the scrips traded in Derivative segment are physically settled. In monthly expiry week additional margins are charged by exchange on incremental basis daily which client needs to maintain in the account.
- On exceptional basis the client will be allowed to carry the position and get converted into delivery if there is either sufficient stock to be delivered in case of short position or has credit balance to the extent of contract value in case of purchase, else client has to square off the position before 2.00 pm from their end to avoid any RMS liquidation.

Collection policy

- Funds may be due from clients towards stock purchases, trading losses, Mark to Market loss on open positions, option purchases, margins against outstanding positions, past dues, charges etc. from time to time.
- All amounts billed against securities traded on the exchange are overdue if funds are not received in HFCPL's account before the settlement time / date. The settlement date is currently T+1 F&O and Cash segment.



- Non collection of funds towards obligation may trigger RMS square off as per the square off policy.
- All amounts billed towards charges including DP charges, Annual Maintenance charges etc. are due when billed.
- All Ad-hoc margins charged by exchange has to be collected from the client. Failing which DPC (Delayed Payment Charges) on the short amount collected will be levied at agreed ROI. (Rate of Interest)

6. Square off policy

- **Daily Ageing Square off**

It is the customer's obligation to clear ledger debit balances in T+1 day (i.e. on settlement day) where in T is the transaction/trading day. If there is a failure on part of the customer to clear the ledger debit then HFCPL reserves the right to liquidate the stock upon ageing of the ledger debit beyond T+5 days. The stock will be sold from customers' accounts on T+6 days after the ledger debit. For e.g.: trades executed on Monday will be squared off on next Week Tuesday (T+6) where T indicates Trading-day.

- **CUSPA Square off**

As per SEBI circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated 11th Nov 2022, new rule has come in force for the unpaid securities. Regarding the unpaid securities (i.e., the securities that have not been paid for in full by the clients on T Day), 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 favour of a separate account titled – client unpaid securities pledgee account (CUSPA) on T+1 day. Customer need to fund their account to fulfil obligation or sell the securities within T+6 days, else HFCPL has the right to sell the unpaid securities.

We shall invoke the pledge only against the delivery obligation of the client with due prior intimation to the extent of consolidated debit balance of the respective client. On invocation, the securities shall be blocked for early pay-in in the client's demat account with a trail being maintained in the CUSPA account.

The value of CUSPA shares retained are exclusive of current market VAR of the previous closing day. Hence the value of stock retained in the CUSPA will be higher than the actual consolidated debit balance on the given day.

Setting up Client Exposure Limit: The limit shall be provided as per the availability of the margin. In case of cheque, the limit shall only be given upon clearance only.

- **Margin Shortage Square off**

Margin is collected upfront from all clients in derivatives segment. Daily Mark to Market losses shall have to be paid latest by T+1 day and any shortages in respect of Margin shall be payable forthwith. In case of default to provide Mark to Market losses or Margins accordingly, HFCPL shall be entitled to square off the open positions. In case of extreme market volatility, margins may be demanded on intra-day basis and Client should be able to fulfill margin obligation on immediate basis to avoid square off.

- **MTM Square off**

HFCPL reserves the right to square-off all intraday positions (cash as well as derivatives) and carry forward derivatives trades, where-in MTM crosses 80% and above. The customers will be alerted by notifications at 60%, 70% on a best effort basis, however, given the market volatility, sending an alert should not be mis-construed as an obligation for HFCPL. The position will be reduced on the best effort basis and the customer will be liable for any losses arise due to square-off. All pending orders of the customer will be cancelled. Customer needs to Maintain Coverage of 20% against buying in cash segment. If coverage goes below, RMS has the right to sell client holdings up to required coverage.

- **Derivative - Physical Settlement Square off**

All Contracts in derivatives segment are physically settled. Open position in all Futures & Option contracts need to be squared off before 2 pm on Expiry day to avoid Physical Delivery. In case client wish to take physical delivery ledger credit need to be maintained in case of Buy Position & Stock should be made available for pay-in in case of Short Position.

7. Margin Shortage & Penalty

It is mandatory for Broker (HFCPL) to report margin collection client wise to Exchange on Daily basis of clients who holds position NSE FNO/NSE Currency. In case if Client fails to pay margin and if margin shortfall is reported to Exchange. Exchange levy penalty clientwise for short collection of Margin which is as follows.

The following penalty shall be levied in case of short reporting by trading/clearing member per instance

Short collection for each Client.	Per day Penalty as %age of 'a'
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5 %
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0 %

Note.:

1. If short/non-collection of margins for a client continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.
2. If short/non-collection of margins for a client takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.

Notwithstanding the above, if short collection of margin from clients is caused due to movement of 3% or more in the index (close to close value of Nifty/Sensex for all equity derivatives) and in the underlying currency pair (close to close settlement price of currency futures, in case of all currency derivatives) on a given day, (day T), then, the penalty for short collection shall be imposed only if the shortfall continues to T+2day.

If Client fails to meet his/her Margin requirement and shortfall is reported and due to that, Penalty levied by the Exchange will be levied to respective client.

8. Quarterly Settlement of Funds

The settlement of running account of funds of the client shall be done by the trading member after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges,

Vide SEBI circular no. SEBI/HO/MIRSD/DOP/P/CIR/2022/101 dated July 27, 2022, the settlement of running account of funds of the client shall be done by the trading member 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 (i.e., Apr-Jun, Jul-Sep, Oct-Dec, Jan– Mar) for all the clients i.e. the running account of funds shall be settled on first Friday of October 2022, January 2023, April 2023, July 2023 and so on.

For clients, who have opted for Monthly settlement, running account shall be settled on first Friday of each month.

Clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by trading member, on the First Friday of the month irrespective of the date when the running account was previously settled.

Quarterly Settlement on F&O Segment

For the clients having outstanding obligations on the day on which settlement of running account of funds is scheduled, the following funds may be retained by a member at the time of settlement. Entire pay-in obligation of funds outstanding at the end of day on date of settlement, across all segments.

Margin liability as on the date of settlement of running account, in all segments and additional margins (maximum up to 125% of total margin liability on the day of settlement). The margin liability shall include the end of the day margin requirement excluding the margin on consolidated crystallized obligation/ MTM; therefore, the member may retain 225% of the total margin liability in all the segments across exchanges

Additional Information with Regards to RMS

- 1) Delayed Payment charges will be charged on the outstanding debit balances and also on F&O margins not maintained as per 50:50 cash & non-cash ratio.
- 2) HFCPL approved securities list shall be reviewed at least once a month with ad-hoc additions and deletions from time to time
- 3) Penalties charged by the exchange (excluding up front Margin) owing to margin shortfalls shall be billed to the client along with charges as may be levied by HFCPL.

9. Margin Trading Facility (MTF)

It is a facility offered to investors in buying of shares and securities (Only MTF Approved) by allowing the investor to pay a portion of the total transaction value called margin.

Only Group I securities are eligible for MTF. As per SEBI guidelines minimum margin charged is as below:

- Group I stocks available in F&O segment –VAR + 3 times ELM
- Group I stocks other than F&O & Equity ETF -VAR + 5 times of ELM
- ☐ Stocks purchased in MTF will be shown NET POSITION window under product type MTF.



- Once billing is done on T day client will get a link from CDSL to pledge the purchased stock, which should be validated through OTP on same day or maximum by T+1 day before 11:00 a:m
- Margin payable by the client shall be in the form of Cash and exchange approved pledge stock. Client need to always maintain the applicable margin towards his exposure in MTF.
- Customers can carry position upto 360 days trading days.

MTF Sq-Off policy:

If maintenance margin call is not fulfilled by client, funded stocks may be partially liquidated to equalise the “Required margin at MTF” with “Available Margin at MTF”. Such liquidation shall be done anytime within 5 working days from the date of margin call, provided the part/whole of the shortage remained on the day prior to the day of such liquidation.

Disclaimer; The above guidelines are to be considered as broadly indicative and subject to changes at its sole discretion without any notifications and assigning reasons in line with the changes in market environment as may be perceived by HFCPL. No claims on basis of the above guidelines by any party will be entertained and HFCPL is fully entitled to make variations in allowing limits towards credit and exposures and square off / liquidate the collaterals in case of any default by the parties.

Policy and procedures for provide facility of Voluntary freezing/ blocking the online access of the trading account to the client on account of suspicious activity.

1. INTRODUCTION

In order to enhance the ease of doing business and ease of doing investments for investors and to enhance protection of investors from suspicious activities; SEBI, has vide its circular ref. No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024 has mandated that a framework shall be laid down by stock exchanges for Trading Members to provide the facility of voluntary freezing/blocking the online access of the trading account to their clients. Accordingly, stock exchanges have issued circulars providing a framework for trading members for the facility of voluntary freezing/blocking the online access of the trading account for clients.

In accordance with the above, Trading Members are required to frame a policy in line with the exchange prescribed framework, which shall be part of the trading member's Risk Management Policy and shall be displayed on its website along with the process and mode(s) through which the client can place the request to freeze / block & unfreeze / unblock the trading account along with the timelines that will be followed by the trading members for the same.

2. SCOPE AND APPLICABILITY

- A. Horizon Financial Consultants Pvt. Ltd., being a Trading Member providing Internet Based Trading/ Mobile Trading/ other online access for trading, is required to make available to the clients at least two modes as prescribed by the exchanges through which the client may request for voluntary freezing/ blocking the online access of trading account if any suspicious activity is observed in the trading account.
- B. The policy shall be applicable with effect from July 01, 2024.
- C. The policy shall be provided to new on boarded clients as part of account opening kit with effect from applicable date, July 01, 2024.
- D. It shall be communicated to all existing clients via email or any other suitable mechanism which can be preserved by July 01, 2024. In case, communication gets bounced /undelivered, the same shall be communicated through alternate channels to such clients. Other suitable mechanism may include physical delivery/SMS/electronic instant messaging services after adhering with the safeguards prescribed on Issuance of Electronic Contract Notes (ECN) through SMS/electronic instant messaging services.

3. Mode of receipt of request for freezing/blocking the trading A/c:

Following modes shall be provided by the Company for receipt of request for freezing/blocking the clients trading A/c:

A. An e-mail ID stoptrade@horizon.net.co to be provided to the clients for making request for voluntary freezing/ blocking of the online access of the clients' trading account.

B. A dedicated mobile number **+91 93306 95426** is provided to clients to place request via call or SMS for voluntary freezing/ blocking of the online access of the clients' trading account.

4. Procedure to be followed on receipt of request for freezing/blocking the trading A/c.:

On receipt of request from clients through any of the prescribed modes of communications; for freezing/blocking of the online access of the trading account from the client:

- a. Company shall validate that the request is received from a registered client and issue an acknowledgement for the same.
- b. Company shall freeze/block the online access of the client's trading account and simultaneously cancel all the pending orders of the said client.

To validate that the request for freezing/blocking of the online access of the trading account is received from the respective client; company shall verify, whether request is received from the registered e-mail Id / mobile number of the client

c. The timelines for freezing/ blocking of the online access of the clients' trading account is as under:

Scenario	Timelines for issuing acknowledgement as well as freezing / blocking of the online access of the trading account.
Request received during the trading hours and within 15 minutes before the start of trading.	Within 15 minutes
Request received after the trading hours and 15 minutes before the start of trading.	Before the start of next trading session

d. Post freezing/blocking the client's trading account, company shall send a communication on the registered mobile number and registered e-mail ID of the client, stating that the online

access to the trading account has been frozen/blocked and all the pending orders in the client's trading account, if any, have been cancelled along with the process of re-enablement for getting the online access to the trading account.

e. Company shall also communicate / provide the details of open positions of client (if any) along-with contract expiry information within one hour from the freezing/blocking of the trading account. Company shall maintain the appropriate records/logs including, but not limited to, request received to freeze/block the online access of trading account, confirmation given for



freezing/blocking of the online access of the trading account and cancellation of pending orders, if any, sent to the clients.

f. In case of failure of in freezing/ blocking the online access within the prescribed timelines, there is a risk that company may be held responsible for any trades executed from the time of receipt of such request till such time the online access is blocked / frozen.

5. Re-enabling the client for online access of the trading account: -

Company shall re-enable the online access of trading account after carrying out necessary due diligence including validating the client request and unfreezing / unblocking the online access of the trading account.

6. Clarification for clients:

1. Freezing/blocking is only for the online access to the client's trading account, and there shall be no restrictions on the Risk Management activities of company.
2. The request for freezing/ blocking does not constitute request for marking client Unique Client Code (UCC) as inactive in the records of respective Exchanges.

7. Record Management:

1. Company shall maintain a verifiable record of communication of this policy to all existing clients and obtain a confirmation of providing a copy of this policy from all new on boarded clients with effect from July 1, 2024
2. Company shall maintain a verifiable record of all such requests received for freezing/ blocking of online access to trading account received from clients as per record management guidelines prescribed by the exchanges/regulator.

8. Reporting of freezing / blocking of the online access of the clients trading account:

The data relating to freezing / blocking of the online access of the clients trading account shall be reported as per compliance requirement prescribed by SEBI / Exchanges, if any.