

Policies and Procedures related to Risk Management & Controls

a. Refusal of orders for “Penny Stocks”

Although, the term “Penny Stock” has not been defined by BSE / NSE/MCX-SX or any other stock exchange or by SEBI, a “Penny Stock” generally refers to a stock which has following characteristics:

1. Has small market capitalization;
2. Trades at a price less than its face value;
3. Has unsound fundamentals;
4. Is illiquid

(A list of illiquid securities is jointly released by NSE and BSE from time to time.)

LKP Securities Ltd recognizes that it is the client’s privilege to choose shares in which he / she would like to trade.

However, LKP Securities Ltd likes to pay special attention to dealing in “Penny Stocks”. To this end:

1. LKP Securities Ltd may refuse to execute any client’s orders in “Penny Stocks” without assigning any reason for the same.
2. Any large order for purchase or sale of a “Penny Stock” should be referred to Head - Dealing before such orders can be put in the market for execution.
3. Clients must ensure that trading in “Penny Stock” does not result in creation of artificial volume or false or misleading appearance of trading. Further, clients should ensure that trading in “Penny Stock” does not operate as a device to inflate or depress or cause fluctuations in the price of such stock.
4. Clients are expected not to place orders in “Penny Stocks” at prices which are substantially different from the prevailing market prices. Any such order is liable to be rejected at the sole discretion of LKP Securities Ltd.
5. In case of sale of “Penny Stocks”, clients should ensure the delivery of shares to LKP Securities Ltd before the pay-in date.

b. Setting up client’s exposure limit

- Exposure limit for each client is determined by the Risk Management Department based on client’s net worth information, client’s financial capacity, prevailing market conditions and margin deposited by client in the form of funds / securities with LKP Securities Ltd .These limits may be set exchange-wise, segment-wise, and scrip-wise.
- The limits are determined by Risk Management Department based on the above criteria and the payment history of the client in consultation with Sales / Sales traders.
- LKP Securities Ltd retains the discretion to set and modify, from time to time, any client’s exposure limit decided as above.
- Whenever any client has taken or wants to take exposure in any security, LKP Securities Ltd may call for appropriate margins in the form of early pay-in of shares or funds before or after execution of trades in the Cash segment. In case of any margin shortfall, the clients will be told to reduce the position immediately or they will be requested to deposit extra margin to meet the shortfall. Otherwise, LKP Securities Ltd may refuse to trade on behalf of such client at its own discretion.

c. Applicable brokerage rate

- Brokerage Rate is mutually decided between the LKP Securities Ltd and each client based on client’s net worth, expected trading volume, etc. The maximum brokerage chargeable will not exceed the rates prescribed by SEBI and the exchanges.
- The applicable brokerage rate will be mentioned in the Client registration form and any change in the brokerage rate in future will be communicated to the client.

d. Imposition of penalty / delayed payment charges by either party, specifying the rate and the period

- Penalty and other charges levied by Exchanges pertaining to trading of the client shall be recovered from the respective client.
- If there is delay on the part of the client in satisfying his / her margin obligation or settlement obligation then LKP Securities Ltd shall levy delayed payment charges at the rate of 2% per month on such shortfall for the period of delay on such client. LKP Securities Ltd shall recover such delayed payment charges from the client by debiting the client's account.
- No interest or charges will be paid by LKP Securities Ltd to any client in respect of retention of funds or securities towards meeting future settlement obligations and in respect of running account authorizations.

e. Right to sell clients' securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues

- LKP Securities Ltd has the right to close out / liquidate or square off any open position of the client (limited to the extent of settlement / margin obligation), without giving any prior notice, all or any of the client's positions as well as securities / collaterals placed as margins for non-payment of margin or other amounts due from such client in respect of settlement or any other dues that are recoverable from the client by LKP Securities Ltd. The proceeds of the same shall be adjusted against the client's liabilities / obligations. Any loss or financial charges on account of such close-out / liquidation shall be debited to the client's account.

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

- In case of shortage in meeting the settlement obligation, either party shall endeavor to make good such shortage through securities / value of shortage as per the Rules, Regulations and Bye-laws of the respective stock exchange. LKP Securities Ltd has an existing policy in handling internal shortages, which is hereto annexed as Annexure A

g. Conditions under which a client may not be allowed to take further position or the broker may close the existing position of the client

- LKP Securities Ltd shall have absolute discretion and authority to limit client's volume of business or to close any existing position of a client without giving any prior notice to the client under following conditions:
- Extreme volatility in the market or in particular scrip or in the F&O segment.
- There is shortfall in the margin deposited by client with LKP Securities Ltd
- There is insider trading restrictions on the client.
- There are any unforeseen adverse market conditions or any natural calamity affecting the operation of the market.
- There are any restrictions imposed by Exchange or Regulator on the volume of trading outstanding positions of contracts.
- The client is undertaking any illegal trading practice or the client is suspected to be indulging in money laundering activities.
- LKP Securities Ltd has reached its limit in that script.
- The client has breached the client-wise limit.
- The client has taken or intends to take new position in a security which is in the banned period.
- Due to abnormal rise or fall in the market, the markets are closed.

h. Temporarily suspending or closing a client's account based on the client's request:

- Any client desirous of temporarily suspending his or her trading account has to give such request in writing to the management. After management's approval, further dealing in such client's account will be blocked. Whenever trade has to be resumed in any suspended client account, a request in writing should be made by the client to the management and the management may ask for updated financial information and other details for reactivating such account. After receiving necessary documents, details, etc. and approval from the management, the client account will be reactivated and transaction will be carried out.
- Similarly, any client desirous of closing his / her account permanently is required to inform in writing and the decision in this regard will be taken by the management. After necessary approval from the management, the client code will be deactivated. Only after scrutinizing the compliance requirements and a "no pending queries" confirmation is taken, securities and funds accounts will be settled.

i. Deregistering a Client

LKP Securities Ltd may, at its absolute discretion, decide to deregister a particular client. The illustrative Circumstances under which LKP Securities Ltd may deregister a client are given below:

- SEBI or any other regulatory body has passed an order against such client, prohibiting or suspending such client from participating in the securities market.
- Such client has been indicted by a regulatory body or any government enforcement agency in case of market manipulation or insider trading or any other case involving violation of any law, rule, regulation, guideline or circular governing securities market.
- Such client is suspected of indulging in illegal or criminal activities including fraud or money laundering.
- Such client's name appears in the UN list of prohibited entities or in the SEBI debarred list.
- Such client's account has been lying dormant for a long time or the client is not traceable.
- Such client has been declared insolvent or any legal proceedings to declare him / her as insolvent have been initiated.
- Such client has been irregular in fulfilling obligations towards margin or settlement dues.
- Such client has a tainted reputation and any business relationship with such clients is likely to tarnish the reputation of LKP Securities Ltd or may act as detriment to LKP Securities Ltd prospects.

j. Dormant/Inactive account

If the client does not do a transaction for a period/gap of 1 year, his/her account will be treated as a dormant/inactive account.

However, after one year if the client is willing to re-activate the account he will provide a letter to the member for activating his dormant account. In case there is any change with respect to the proofs / documents given earlier, copies of all latest supporting documents i.e. proof of residential address, proof of bank account, proof of demat account (LKP DP account to be ignored) shall be provided by the client. The client will also provide his telephone details and email ids, if any. The letter to be obtained from the client is enclosed herewith.

For Derivatives account, client in addition to the above will have to provide the proof of income of last financial year as on the date of request for activating the dormant account.

Note-"I understand that the policies are subject to change from time to time and I shall regularly keep my self updated as per your policies which are being displayed on the website www.lkpsec.com.