

**PRABODH ARTHA WARDHINI PVT. LTD.**

**SEBI Registration No. NSE – INZ000251639, CDSL– IN-DP-523-2020**

**OVERALL RISK MANAGEMENT POLICY**

In accordance to the various guidelines and circulars issued by NSE, CDSL and SEBI Prabodh Artha Wardhini Pvt. Ltd. has adopted Risk Management Policy at Client level, Office level and at the System level.

This policy shall be reviewed periodically and updated accordingly. The updated policy shall be approved in the meeting of the Board of Directors of PAWPL.

**Client –**

**Registration –**

- Adequate precautions to be taken before registration of new client.
- Not to register walk-in clients. Reference / Introducers details required.
- More precaution to be taken in case of CSC and PEP as per the guidelines of PMLA.
- Debarred entities not to register. To follow Exchanges/SEBI circulars released from time to time for updated list of entities debarred.
- In-person verification of registration documents to be done by the senior official who is an employee. Client registration is an in-house activity.
- Identity and document verification is to be done with the original documents of prospective client.
- FATCA declaration to be taken from the clients.
- PMLA policy of Prabodh Artha Wardhini Pvt. Ltd. to be strictly adhered while registering the clients.
- Send the KYC original registration documents along with the form to KRA.
- Keep the record of KRA with KYC documents.
- Activation after fulfilling the procedures and updating the details in UCC system and in the Backoffice.
- Guidance to be provided to the investor clients about risks involved in dealing in securities.
- If the investor client is already registered but not active for last 12 months then, before reactivating such dormant client, take required documents such as reactivation form, Id proof and address proof along with latest bank statement and other details if changed have to collect.
- Take modification form in case of any changes in Bank account, Mobile no, Email id, Address or Demat details.
- As per revised guidelines of SEBI, nomination form duly filled to be collected from the new as well as existing clients. If no nomination, client shall furnish the undertaking accordingly.
- Client Registration: With respect to new clients on boarded from April 01, 2024 onwards, the MITC shall required to be acknowledged i.e. duly signed by the client. (Exchange Circular NSE/INSP/60147 dated January 05, 2024) on "Most Important Terms & Conditions (MITC)" Declaration

#### Limit Setting –

- Every client has to categorize in High, Medium and Low risk as per their financial status, past trading experience.
- For each client trading limits has to be set in accordance to financial status and margin amount from the clients
- Proper record of limit setting/changes in limit has maintained and monitored
- Monitoring of trades. Set up warning alerts in the system at various levels.
- Exchange guidelines regarding collaterals to follow.
- Compliance in respect of limit setting to do with NSE periodically
- Monitor valuation of collaterals given by clients after applying proper haircut.
- Member at its discretion to decide to accept the order in illiquid scrip.
- Member has right not to accept the illiquid shares as a margin or collaterals.
- List of debarred entities to monitor and ensure not to enable such clients for dealing in securities. List may be viewed from NSE/SEBI web sites or the circulars released by the Exchanges from time to time.

#### Margin Collection Policy –

- Margins for trades to be done has to be collected on upfront basis.
- Margin will be accepted in the form of Funds through Account Payee Cheque, Demand Draft/ Pay Order, NEFT, Electronic Fund Transfer, FDR in favor of Exchange, Interest bearing fixed margin and Securities.
- Margin will be accepted from investor clients own bank or demat account only. Third party cheque and in case of Demand Draft / Pay Order or electronic transfer i.e.NEFT/RTGS not to be accepted. The necessary records to be preserved.
- In case of securities, liquid securities only to be accepted from registered DP ID of client as per exchange VAR, haircut to be applied.
- At any point of time, if there is requirement of additional margin, such intimation to be given to the client to deposit the same immediately. Failing to deposit the same, member has right to close the position immediately. The needful correspondence and record to be maintained in this regard.
- As per the revised guidelines and the circulars issued by NSE and SEBI, PAWPL has to collect the margin from its clients before executing the trades. The reporting of the margin collection has to be done with the Exchanges as per stipulated time frame.
- As per SEBI/Exchange guidelines, client account must be settled on monthly/quarterly basis.
- In case of monthly or quarterly settlement we retain the required margin from the client as per the trade.
- Early Pay in Margin: "EPI value may be considered as margin collected towards subsequent margin requirement of the client. The sale value up to 100% of such securities (EPI value) shall be available as Margin for other positions across all the segments."
- Client Margin: Client collateral value in the segment for this purpose shall be collateral value allocated by the CM to the client in the segment + value of securities re-pledged at Clearing Corporation for that client in the segment (value shall be after applying all prudential norms of Clearing Corporation other than 50:50 requirement).
- Allocation to Clearing Corporation: The circular inter-alia stipulates that for forms of collateral (other than securities placed through margin pledge mechanism) placed with the Clearing Corporation (CC), the CCs shall provide a facility for upfront segment-wise allocation of collateral to a Trading Member (PAWPL) client. The

CCs shall use such collateral allocation information to ensure that the collateral allocated to a client is used towards the margin obligation of that client only.

- Circulars from the Exchanges shall be referred very strictly for time to time updates.

#### Pay-in/Pay-out –

- PAWPL shall provide order confirmation, trade confirmation, margin requirement reports to its clients within stipulated time frame. A record of the same shall be preserved.
- PAWPL has a right to retain the shares/funds of the client to the extent of deliverable amount if the client fails the obligation.
- If a client fails to complete payment obligation, member has right to liquidate the position or to take action in accordance to the guidelines/procedures.
- Ensure pay-in/pay-out from/to specified account of respective client only.
- PAWPL shall not deal in any cash transactions.
- Payment obligation shall be made by the client from its own account only. No third party dealing shall take place
- Payment other than by Cheque (DD/Bank Pay order/Electronic transfer i.e. NEFT/RTGS) should be attached with covering letter from the bank.
- Pay-out shall be done through RTGS/NEFT as per the guidelines
- Running account authorization to mandate for smooth transactions.
- Statement of Account to be dispatched to the client after the end of each quarter.

#### Recovery –

- PAWPL shall provide order confirmation, trade confirmation, margin requirement reports to its clients within stipulated time frame. A record of the same shall be preserved.
- PAWPL has a right to retain the shares/funds of the client to the extent of deliverable amount if the client fails the obligation.
- Do the follow-up with the client having debit. Client who have debit, must be intimated frequently to clear their debit. Correspondence by physical letters, email or telephonic should be on record for any further proceedings.
- Rights shall be reserved to liquidate the client positions, if debit is not cleared within scheduled time frame.
- Delayed payment charges or penal interest may be charged as per the charges structure agreed and signed by the client.
- No fresh position or trading should be allowed till the debit amount is cleared by the client.
- All the legal steps to be taken against such clients to recover their dues.

#### General –

- Trading to be monitored in case of high risk clients.
- Make aware to the client about risks involved in dealing in equities and derivatives.
- Periodic review and update of client details.
- In case of corporate clients, PAWPL shall collect periodically updated list of signatories, partners/directors, share holding pattern and audited financial reports
- A copy of Risk disclosure document to place on web site.
- Ensure issuance of mandatory documents within stipulated time frame.

- In case any modification of client code, it shall be done as per the code modification policy strictly.
- Unusual activities are promptly communicated to the designated officer using secure methods such as an encrypted email system.

### Back office Administration –

- Maintain designated accounts as "POOL ACCOUNT", "TM/CM CLIENT SECURITIES MARGIN PLEDGE ACCOUNT", "OWN ACCOUNT", "CUSPA" which are operated for the specific purpose only.
- Up Streaming Client Nodal Bank Account (USCNBA): The PAWPL shall receive the clients' funds related to stock broking transactions in "Prabodh Artha Wardhini Pvt. Ltd. – USCNB account".
- Down Streaming Client Nodal Bank Account (DSCNBA): Payment to the clients related to stock broking transactions shall be done only from "Prabodh Artha Wardhini Pvt. Ltd. – DSCNB account".
- PAWPL deposits all client's funds (clear balance) to Clearing Corporation at EOD. As and when the clients ask for payout or settlement the funds will be released from CC.
- Observance of regular pay-in/pay-out of funds and securities with Exchange
- Monitoring of the trades in accordance to the financial status of the client
- Client to categorize as High Risk, Medium Risk and Low Risk depending upon trading volume and financial status.
- To apply the needful controls/checks if required esp. in volatile situation.
- Surveillance officer to monitor and keep control on client limit and exposure
- Alerts received from NSE/CDSL should be reviewed immediately by the management and the needful steps shall be taken. Record of alerts to be preserved.
- Based on the alerts, trading patterns of the respective clients shall be monitored.
- Implement policy to deactivate dormant clients.
- Before reactivating dormant client, take required documents as Id proof and address proof along with latest bank statement.
- Adherence of anti money laundering policies
- Ensure proper reporting to the clients about trades and margins
- Accounting and record keeping to be done by the trained professionals
- Terminal operations/ Order placement by the approved users
- Timely reporting to the Exchange about collateral margins deposited by the client
- Periodic reconciliation of the transactions entered in back office.
- Client securities and funds to be settled mandatorily on monthly/quarterly basis as per instructions of the client. Proper trail of record to be maintained strictly.
- Maintain Bankbook, Client Ledger and Security Register as per standard format prescribed by the exchange.
- Sent Client Ledger and Security Ledger through email to all clients on weekly basis
- Internal audit by the independent auditors on half yearly basis.
- To conduct visits and inspection at the branch office.
- Branch manager to keep trail of activities of branch and to coordinate with HO.
- Staff to be well versed with the routine formalities and updates.
- Dealers, Back office professionals and compliance officer shall possess the requisite NISM certifications.

### Systems –

- Risk in operating outdated Hardware and Software -
- Proper Hardware with backup facility and software from recognized vendor to be installed.
- Risk of Connectivity failure in continuing Business Operations -
- Connectivity of LEASED LINE and Internet with backup is set up.
- In case of failure in NNF trading platform, 'NEAT' trading platform to be activated on Leased Line connectivity.
- As VSAT connectivity is discontinued by the Exchange, leased line and Internet connection is set up as an alternate in case primary internet connectivity is failed.
- To protect the systems from Virus Attacks and unrestricted traffic -
- Anti-virus software, firewall mechanism is implemented on terminals/ servers.
- To protect any unauthenticated access to the Servers and Internal devices -
- Access to trading terminals and branches thru. firewall only.
- To protect the systems from unauthorized access and damage to electronic equipment
- Server room to keep separately in dust free environment and minimal man intervention.
- To avoid any sort of business disruption due to technical or non-technical reasons -
- Ensure that trading systems are ready before market opens.
- Ensure cryptographic controls during data transmission are established properly.
- To avoid unauthorized access to trading terminals, servers and any such device
- Only skilled and authorized personnel to be deployed for respective activities.
- Ensure that password policy is implemented.
- Access to such device by assigned personnel only
- Training to clients, dealers and concerned staff for safe and secure operations
- To minimize the risk of loss of critical data -
- All BoD / EoD processes to be done at proper time and all the related logs to maintain for a period of 2 years and in case of grievances, it is to preserved until the grievance is settled.
- Day-to-day uploading / downloading of the files to be done.
- To protect the systems from cyber attacks, power failure, loss of data etc. -
- Disaster management policy and change management policy to follow
- Only skilled and authorized personnel to be deployed for respective activities
- Data backup to maintain as per the policy.
- One set of backups to keep away from office place.
- Proper Systems i.e. maintain registers to note the system failure; connectivity problems are problems due to Exchange/Depository system failure – List of emergency contact details to maintain
- A register to maintain and supervised by the senior team member
- Frequency of the problem to monitor and report to the Director if required.
- To keep the track of any specific issue and to rectify the same

## PASSWORD POLICY

A strong password policy is essential to protect sensitive client data, prevent unauthorized access to trading platforms, and comply with regulatory requirements.

### 1. General Requirements

- Passwords must be at least 8 characters in length.
- The system/terminal shall get locked up if it is idle for more than 15 minutes. It can be unlocked after entering valid password only.
- The password shall be case sensitive and should contain at least one each of the following characters with no space:
  - One uppercase letter (A-Z)
  - One lowercase letter (a-z)
  - One number (0-9)
  - One special character (e.g., !@#\$%^&\*)

### 2. Prohibited Passwords

- No use of easily guessable information:
- Names, usernames, birthdays, or broker name.
- No dictionary words or commonly used passwords (e.g., "123456", "password").
- Must not reuse the last 5 passwords.
- User shall not be allowed to set the default password as new password

### 3. Expiration & Rotation

- Passwords must be changed every 90 days.
- Users will be notified 10 days before expiration.
- Account lockout after 5 failed login attempts.

### 4. Storage & Encryption

- Passwords must be stored using strong hashing algorithms (e.g., bcrypt, Argon2).
- Never store passwords in plaintext.
- Transmission must use TLS encryption.

### 5. User Education

- Educate users on phishing, social engineering, and secure password practices.
- Encourage use of password managers.

## 6. Avoid Common Passwords

- Do **not** use names, birthdays, or easy passwords like "123456" or "password".
- Do **not** reuse your last **5** passwords.

## 7. Password Expiry

- Change your password every **90** days.
- You will get a reminder before it expires.

## 8. Login Security

- Your account will **lock** after **5** failed login attempts.
- We use **2-step verification (OTP or app)** for extra security.

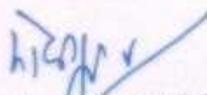
## 9. Admin Users

- Admins must use even **stronger passwords** (16+ characters).
- No shared admin accounts.

## 10. Tips for Users

- Use a password manager to keep track of your passwords.
- Never share your password with anyone.
- Be careful of phishing emails and fake websites.

For Prabodh Artha Wardhini Pvt. Ltd.

  
Mohan Chimanlal Gujarathi  
Director

Place - Pune  
Date - 28.02.2025