

R.B.JAJU SECURITIES INDIA Pvt.Ltd.

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Annexure – 5

RISK DISCLOSURE DOCUMENT FOR CAPITAL MARKET

1. Risk Disclosure

This contains important information on trading in Equities/Derivatives Segments of the stock exchanges. All prospective constituents should read this document before trading in Equities/Derivatives Segments of the Exchanges. Stock exchanges/SEBI does neither singly or jointly and expressly nor impliedly guarantee nor make any representation concerning the completeness, the adequacy or accuracy of this disclosure document nor have Stock exchanges /SEBI endorsed or passed any merits of participating in the trading segments. This brief statement does not disclose all the risks and other significant aspects of trading. In the light of the risks involved, you should undertake transactions only if you understand the nature of the relationship into which you are entering and the extent of your exposure to risk. You must know and appreciate that trading in Equity shares, derivatives contracts or other instruments traded on the Stock Exchange, 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. You should therefore carefully consider whether such trading is suitable for you in the light of your financial condition. In case you trade on Stock exchanges and suffer adverse consequences or loss, you shall be solely responsible for the same and Stock exchanges/its Clearing Corporation and/or SEBI shall not be responsible, in any manner whatsoever, for the same and it will not be open for you to take a plea that no adequate disclosure regarding the risks involved was made or that you were not explained the full risk involved by the concerned stock broker. The constituent shall be solely responsible for the consequences and no contract can be rescinded on that account. You must acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a derivative contract being traded on Stock exchanges. It must be clearly understood by you that your dealings on Stock exchanges through a stock broker 7 Part B shall be subject to your fulfilling certain formalities set out by the stock broker, which may inter alia include your filling the know your client form, reading the rights and obligations, do's and dont's, etc., and are subject to the Rules, Byelaws and Regulations of relevant Stock exchanges, its Clearing Corporation, guidelines prescribed by SEBI and in force from time to time and Circulars as may be issued by Stock exchanges or its Clearing Corporation and in force from time to time. Stock exchanges does not provide or purport to provide any advice and shall not be liable to any person who enters into any business relationship with any stock broker of Stock exchanges and/or any third party based on any information contained in this document. Any information contained in this document must not be construed as business advice. No consideration to trade should be made without thoroughly understanding and reviewing the risks involved in such trading. If you are unsure, you must seek professional advice on the same. In considering whether to trade or authorize someone to trade for you, you should be aware of or must get acquainted with the following:-

1. BASIC RISKS:

1.1 Risk of Higher Volatility: Volatility refers to the dynamic changes in price that a security/derivatives contract undergoes when trading activity continues on the Stock Exchanges. Generally, higher the volatility of a security/derivatives contract, greater is its price swings. There may be normally greater volatility in thinly traded securities / derivatives contracts than in active securities /derivatives contracts. As a result of volatility, your order may only be partially executed or not executed at all, or the price at which your order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.

1.2 Risk of Lower Liquidity: Liquidity refers to the ability of market participants to buy and/or sell securities / derivatives contracts expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities / derivatives contracts swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price for securities / derivatives contracts purchased or sold. There may be a risk of lower liquidity in some securities / derivatives contracts as compared to active securities / derivatives contracts. As a result, your order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all.

1.2.1 Buying or selling securities / derivatives contracts as part of a day trading strategy may also result into losses, because in such a situation, securities / derivatives contracts may have to be sold / purchased at low / high prices, compared to the expected price levels, so as not to have any open position or obligation to deliver or receive a security / derivatives contract.

1.3 Risk of Wider Spreads: Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a security / derivatives contract and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid securities / derivatives contracts. This in turn will hamper better price formation.

1.4 Risk-reducing orders: The placing of orders (e.g., "stop loss" orders, or "limit" orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders.

1.4.1 A "market" order will be executed promptly, subject to availability of orders on opposite side, Part B 8 without regard to price and that, while the customer may receive a prompt execution of a "market" order, the execution may be at available prices of outstanding orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that security / derivatives contract.

1.4.2A "limit" order will be executed only at the "limit" price specified for the order or a better price. However, while the customer receives price protection, there is a possibility that the order may not be executed at all.

1.4.3 A stop loss order is generally placed "away" from the current price of a stock / derivatives contract, and such order gets activated if and when the security / derivatives contract reaches, or trades through, the stop price. Sell stop orders are entered ordinarily below the current price, and buy stop orders are entered ordinarily above the current price. When the security / derivatives contract reaches the pre-determined price, or trades through such price, the stop loss order converts to a market/limit order and is executed at the limit or better. There is no assurance therefore that the limit order will be executable since a security / derivatives contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order.

1.5 Risk of News Announcements: News announcements that may impact the price of stock / derivatives contract may occur during trading, and when combined with lower liquidity and higher volatility, may suddenly cause an unexpected positive or negative movement in the price of the security / contract.

1.6 Risk of Rumors: Rumors about companies / currencies at times float in the market through word of mouth, newspapers, websites or news agencies, etc. The investors should be wary of and should desist from acting on rumors.

1.7 System Risk: High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation.

1.7.1 During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations.

1.7.2 Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / derivatives contract due to any action on account of unusual trading activity or security / derivatives contract hitting circuit filters or for any other reason.

1.8 System/Network Congestion: Trading on exchanges is in electronic mode, based on satellite/leased line based communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow 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. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions. 9 Part B

2. As far as Derivatives segments are concerned, please note and get yourself acquainted with the following additional features:-

2.1 Effect of "Leverage" or "Gearing": In the derivatives market, the amount of margin is small relative to the value of the derivatives contract so the transactions are 'leveraged' or 'geared'. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the margin amount. But transactions in derivatives carry a high degree of risk. You should therefore completely understand the following statements before actually trading in derivatives and also trade with caution while taking into account one's circumstances, financial resources, etc. If the prices move against you, you may lose a part of or whole margin amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.

A. Futures trading involve daily settlement of all positions. Every day the open positions are marked to market based on the closing level of the index / derivatives contract. If the contract has moved against you, you will be required to deposit the amount of loss (notional) resulting from such movement. This amount will have to be paid within a stipulated time frame, generally before commencement of trading on next day.

B. If you fail to deposit the additional amount by the deadline or if an outstanding debt occurs in your account, the stock broker may liquidate a part of or the whole position or substitute securities. In this case, you will be liable for any losses incurred due to such close-outs.

C. Under certain market conditions, an investor may find it difficult or impossible to execute transactions. For example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.

D. In order to maintain market stability, the following steps may be adopted: changes in the margin rate, increases in the cash margin rate or others. These new measures may also be applied to the

existing open interests. In such conditions, you will be required to put up additional margins or reduce your positions.

E. You must ask your broker to provide the full details of derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations.

2.2 Currency specific risks:

1. The profit or loss in transactions in foreign currency-denominated contracts, whether they are traded in your own or another jurisdiction, will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

2. Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example when a currency is deregulated or fixed trading bands are widened.

3. Currency prices are highly volatile. Price movements for currencies are influenced by, among other things: changing supply-demand relationships; trade, fiscal, monetary, exchange control programs and policies of governments; foreign political and economic events and policies; changes in national and international interest rates and inflation; currency devaluation; and sentiment of the market place. None of these factors can be controlled by any individual advisor and no assurance can be given that an advisor's advice will result in profitable trades for a participating customer or that a customer will not incur losses from such events.

2.3 Risk of Option holders:

1. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells his option in the secondary market nor exercises Part B 10 it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires, to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option.

2. The Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

2.4 Risks of Option Writers:

1. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount.

2. The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.

3. Transactions that involve buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult

with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances.

3. ORDER ROUTING AND EXECUTION

- (i) The client shall transmit his orders to the Stock Broker only in the following manner:
 - (a) through the internet over the Website;
 - (b) over the telephone;
 - (c) devices that make use of wireless technology; or
 - (d) in such other manner (if any) as the stock broker may permit (including over any kiosks that the stock broker may install for this purpose).

- (ii) As a precondition for execution of a purchase, subscription, sale, redemption or other order which involves payment of the client's funds or the delivery of any Securities or instrument by the client, the client agrees and confirms that the Stock Broker may in its sole discretion:
 - (a) Require the client to maintain, at the time of order placement by the client, an Available Funds Balance / an Available Stock Balance in the relevant Associated Account and / or place the relevant funds, Securities or instrument in the Stock Broker's custody and / or also maintain the funds required for margin of the order plus any Brokerage, service tax, transaction charges, other costs and such markup as the Stock Broker may determine; and / or
 - (b) Require the client to instruct the Designated Bank to block the whole or a portion of the cash and / or Securities balance in one or more Associated Accounts in order to secure the payment of the purchase price of Securities purchased or to be purchased or delivery of any Securities sold, redeemed or proposed to be sold or redeemed, by the client or other amount payable by the client on execution of the order, the other amounts mentioned in the Clause 54(ii)(a) above and / or the payment or performance of any other than current or possible future dues or other obligations of the client; and / or
 - (c) Require the amount of margin prescribed by the Stock Broker to be available with The Stock Broker;

- (iv) Additionally, as a precondition for execution of an order for writing an option contract or selling an option contract so as to create an open position, and / or entering into a futures contract and / or entering into any contract for lending any sum of money or any Securities on behalf of the client, the client agrees and confirms that the Stock Broker may in its sole discretion require the client to instruct the Designated Bank to block the whole or a portion of the balance of cash or Securities in one or more Associated Accounts in order to secure the payment of margin and / or the amount payable or Securities deliverable in the event of exercise of the option contract and / or performance of the futures contract and / or in the event of termination or performance of the lending contract (as the case may be), the other amounts mentioned in 54(ii)(a) above and / or the payment or performance of any other than current or possible future dues or other obligations of the client; and / or

- (v) The client agrees and confirms that the Stock Broker shall be, entitled but not obliged, to offset the purchase price / Securities relating to an order / transaction against the proceeds of / Securities purchased in any other transaction executed by the client through the Stock Broker, and vice versa. 12 Part C

- (vi) On the day of placement of any order and / or any day thereafter, the client agrees and confirms that the Stock Broker shall in its discretion be entitled to instruct the Designated Bank, and pursuant to the such instruction of the Stock Broker and / or the power of attorney

mentioned above, the Designated Bank shall be entitled, inter alia, to block, debit and / or transfer the whole or a portion of the balance in or from one or more Associated Accounts in order to secure or effect in favour of the Stock Broker the payment of the purchase price of Securities purchased or to be purchased by the client, the delivery of any Securities sold or proposed to be sold by the client, the payment of any amount or delivery of any Securities in the event of exercise of an option contract and / or the performance of a futures contract, which Contract(s) have been entered into on behalf of the client, the payment of any amount or delivery of any Securities for the purpose of any lending or investment or for any purpose in connection with the Stock Broker's Services and / or the payment or performance of margin and any other than current or possible future dues or other obligations of the client. In addition, the client agrees and confirms that the Stock Broker shall be entitled to at any time give such instructions to the Designated Bank as the stock broker may think fit and proper for securing the Stock Broker's rights and interests or for the payment or delivery of any amount or Securities which are then or may thereafter become payable or deliverable by the client to the Stock Broker, and the client agrees that the Designated Bank shall give effect to such instructions pursuant to the aforesaid powers of attorney or otherwise, and the client shall not do or omit to do anything which may prevent the Designated Bank from acting on the Stock Broker's instructions.

(vii) The client acknowledges and confirms that

(a) instructions given by the Stock Broker to the Designated Bank to block funds or Securities in or to debit or transfer from an Associated Account in connection with a transaction entered into or to be entered into by the client with or through the Stock Broker will be given first priority over any prior or subsequent other instructions or cheques given or issued by the client or any joint holder by itself or through any other attorney,

(b) funds or securities once blocked on the instructions of the client or the Stock Broker in connection with a transaction entered into or to be entered into by the client with or through the Stock Broker can be released only with the express written consent of the Stock Broker to the Designated Bank; and

(c) if the client or the Stock Broker has given any blocking, holding, debit or other instructions in respect of any Securities or money in any Associated Account in connection with a transaction entered into or to be entered into by the client with or through the Stock Broker and the Designated Bank receives transfer, debit or other instructions in respect of such Securities or money from the client or any other person, then the Designated Bank shall first give effect to the first mentioned instructions and shall also transfer the concerned Securities and money to the Stock Broker's account.

(viii) Without prejudice to the above, the client agrees and confirms that the Stock Broker may at its discretion permit the client to conduct trade in the physical Part C 13 Segment on the basis of margins provided by the client; the client shall ensure that the requisite margin is available with the Stock Broker prior to the conducting of any transactions / trades. The client shall also ensure the deposit of the balance funds / actual Securities deposited well in advance of the pay-in dates and at or before such time as the Stock Broker may stipulate from time to time.

(ix) The client is aware that in respect of transactions undertaken in a trade for trade Segment of the Exchange, no netting off may be permitted by the Exchange even if the transactions are undertaken in the same settlement cycle.

(x) In the event the order is desired to be executed on a specific Exchange, then, the client shall, when placing an order, indicate the stock exchange on which he desires that the order be executed.

In the event the order is required to be executed on an exchange other than the Exchange, then these provisions shall not apply to such orders and trades.

(xi) The client understands that placing an order with the Stock Broker, including a market order, does not guarantee execution of the order.

(xii) The client agrees and confirms that the stock broker shall not be deemed to have received an order unless and until it has actually received the order in the order-receiving module of the Stock Broker's System. The client shall not presume that any order transmitted by the client has been received by the Stock Broker until the Stock Broker has confirmed receipt of such order. However, due to technical or other factors, an order which has been received by the Stock Broker may not be immediately confirmed to the client. Such delay in confirmation shall not entitle the client to presume that the order has not been received by the Stock Broker and the principle mentioned in the first sentence of this clause shall apply.

(xiii) The client shall be allowed to trade only during Trading Hours. However, the Stock Broker may agree to receive orders even outside Trading Hours, in which case, the Stock Broker may accumulate orders received outside Trading Hours and execute such orders when the Exchange next opens for trading.

(xiv) The client agrees and confirms that all orders received by the Stock Broker through the System may be executed in good faith and shall be valid until separately cancelled in accordance with these provisions.

(xv) The client agrees to ensure that all orders and instructions which the Stock Broker receives from the client are absolutely clear and unambiguous. In the event any of the orders and instructions so received by the Stock Broker from the client is not absolutely clear and unambiguous, the stock broker shall not execute such orders or instructions.

(xvi) Where circumstances require, the Stock Broker shall have the right to refuse to accept the whole or a part of any orders or instructions from the client and / or refuse to execute the whole or a part of any accepted orders or instructions or cancel whole or part of any accepted orders or instructions, without providing any reasons therefor. In particular, the Stock Broker may refuse to accept or execute the whole or a part of any order or instruction

(a) based on the Stock Broker's risk perception; or
(b) instances in respect of which the client requires regulatory approval, even if the client has sought and obtained the required regulatory 14 Part C approvals.

(xvii) The Stock Broker shall intimate the client of any changes to the applicable legal and regulatory approvals in respect of the client's orders, instructions and transaction. However, the client shall continue to be responsible for complying with all such applicable legal and regulatory approvals in respect of the client's orders, instructions and transactions at the client's cost, and the Stock Broker shall not be liable or responsible for any failure or default in respect thereof.

(xviii) The client agrees and confirms that the Stock Broker may in its discretion at any time allow or disallow margin trading by the client. For this purpose, the Stock Broker shall be entitled to from time to time require the client to deposit such amounts and Securities as margin as the Stock Broker may, in its sole discretion determine. The client shall ensure that the Outstanding Positions of the client do not exceed the limits specified by the Stock Broker and are Squared-off within such period as specified by the Stock Broker.

(xix) The client alone shall be responsible and liable for all transactions executed by the Stock Broker under or pursuant to the terms hereof and / or the power(s) of attorney, which power of attorney shall be/ has been executed in accordance with the applicable SEBI regulations.

(xx) The Stock Broker or Stock Broker and depository participant shall not directly / indirectly compel the Client (Trading Account holder) and/ or Associated account member to execute Power of Attorney (PoA) or Demat Debit and Pledge Instructions (DDPI) in favour of the Stock Broker or Stock Broker and depository participant (as the case may be) or deny services to the Client (Trading Account holder) and Associated account member if the Client (Trading Account holder) and/ or Associated account member refuses to execute PoA or DDPI (as the case may be)

(xxi) In case the Client (Trading Account holder) or Client and Associated account member wish to execute PoA or DDPI in favour of the Stock Broker and/ or HDFC Bank Ltd or Stock Broker and depository participant, authorizing it to operate Designated Bank Account and Designated Depository Account and / or the Associated Accounts, please refer to the guidelines issued by SEBI/Exchanges in this regard. (xxii) The word "Power of Attorney (PoA)" shall be substituted as "Power of Attorney (PoA) (for the PoAs already executed in favour of the Stock Broker and / or HDFC Bank Limited or Stock Broker and depository participant) or Demat Debit and Pledge Instruction (DDPI), as the case maybe".

4. TRANSACTIONS AND SETTLEMENTS

(i) The client shall be responsible for paying and delivering to the Stock Broker the required funds or Securities within such time as the Stock Broker may specify for fulfilment of the client's payment and delivery obligations. If the client fails to deliver to the Stock Broker any Securities that

(a) have been sold by or for the client; or

(b) are required to be delivered by or for the client pursuant to the obligations under the terms of any other contract or arrangement; when required Part C 15 by the Stock Broker, then the Stock Broker shall be entitled (but not bound to), in its own discretion and at the risk and cost of the client, to obtain the Securities necessary to enable the Stock Broker to make delivery.

(ii) The client agrees and confirms that unless the Stock Broker otherwise permits, all orders for the purchase and / or sale of Securities shall result in delivery of Securities for a sale trade or payment for purchase transactions. Provided that in respect of orders relating to Option and / or Future Contracts, payment or delivery of Securities shall be made well in advance by the client at such time as may be stipulated by the Stock Broker.

(iii) The client agrees and confirms that the Stock Broker may from time to time impose and vary limits on the orders which the client can place through the Website (including exposure limits, turnover limits, limits as to the number, value and / or kind of securities in respect of which orders can be placed, the companies in respect of whose securities orders can be placed, etc.). The client is aware and agrees that the Stock Broker may need to vary or reduce the limits or impose new limits urgently on the basis of the Stock Broker's risk perception and other factors considered relevant by the Stock Broker, and the Stock Broker may be unable to inform the client of such variation, reduction or imposition in advance. The client agrees that the Stock Broker shall not be responsible for such variation, reduction or imposition or the client's inability to route any order through the Website on account of any such variation, reduction or imposition of limits. The client understands and agrees that the Stock Broker may at any time, at its sole discretion and without prior notice, prohibit or restrict the client's ability to place orders or trade in securities through the Stock Broker.

(iv) The client agrees and confirms that the Stock Broker shall not be obliged to deliver any Securities or pay any money to the client unless and until the same has been received by the Stock

Broker from the Exchange, the clearing house or clearing corporation of the Exchange or the concerned mutual fund or other company or entity liable to make payment. Unless the Stock Broker otherwise determines, and subject to the Stock Broker's rights of set off and other rights, the Securities to be delivered by the Stock Broker to the client pursuant to the client's purchase transactions shall be delivered by the Stock Broker to the Associated Depository Account and sale proceeds to be paid by the Stock Broker to the client shall be credited to the Associated Bank Account.

(v) The client agrees and confirms that in the event the Exchanges or SEBI levy any penalty or charges on the Stock Broker or the Stock Broker suffers any loss including as a result of non-delivery of Securities or non-payment of funds corresponding any pay-in or pay-out obligations of the client, or in case shortfall of margins, or forced square-offs/ liquidation, any such losses, liabilities or levies shall be solely borne by the client.

(vi) The client agrees and confirms that orders will generally be routed to the Exchange's computer systems within a few seconds from the time the order is placed by the client on the Website, the Stock Broker shall not be liable for any delay in the execution of any order or for any resultant loss on account of the delay. In case of a market order, the client agrees that he will receive the price at 16 Part C which his order is executed by the exchange's computer system; and such price may be different from the price at which the security is trading when his order is entered into the Website. The client acknowledges that the Stock Broker may, at its sole discretion, subject any order placed by a client to manual review and entry, which may cause delays in the processing of the client's order or may result in rejection of such order

(vii) The client agrees and confirms that the Stock Broker may effect a short delivery to the client, inter alia, where (a) the counterparty, being the seller(s) in the respective transactions, deliver(s) short to the Exchange; and / or (b) the Exchange is not able to buy-in the Securities falling short on behalf of the defaulting party and therefore closes out the transaction as per the Exchange's Provisions.

(viii) The client agrees and confirms that the Stock Broker shall have the right to allocate Securities and money among the client and other clients of the Stock Broker in a manner and form that the Stock Broker deems fit where (a) the Stock Broker has a net purchase obligation in respect of the client and other clients, but receives a short delivery and (b) (where applicable) the Exchange is only able to partly receive in auction and partly close out the Securities falling short on behalf of the defaulting party.

(ix) The client shall not, acting alone or in concert with others, directly or indirectly, hold and / or control futures contracts in excess of the permitted number as fixed from time to time by the Exchange(s).

(x) The client agrees and confirms that all Securities and money in the Associated Accounts or with the Stock Broker or held by the Designated Bank to the client's account (whether solely or jointly with another or others) shall be subject to a lien for the discharge of any and all then current or future indebtedness or any other obligation (including contingent indebtedness or obligation) that the client may have to or through the Stock Broker; and the same may be held by the Stock Broker as security for the discharge thereof. The Stock Broker accordingly, shall have the right to set off any amounts payable to the client against any present or future receivables from the client (whether accrued or contingent) and the Stock Broker may, in its sole discretion, determine which Securities are to be sold or appropriated, which account is to be debited or which contracts are to be closed.

(xi) The client confirms that the Stock Broker may at its discretion and with or without notice to the client, set off any

(a) Securities or money due to the client arising from trades executed on any exchange (any segment thereof) with the shortfall or additional requirements of Securities or money arising from trades executed on another exchange (any segment thereof), or

(b) Securities or money due to the client arising from trades executed on a segment of an exchange with the shortfall or additional requirements of Securities or money arising from other trades executed whether on the same or any other segment of the same exchange.

(xii) In the event of failure of the client to fulfil its/ his obligations to the Stock Broker, the derivatives Segment of the Exchange or the Clearing House of the Exchange, the client's position may be closed out and the money, if any, of the Part C 17 client available with the Stock Broker, the derivatives Segment of the Exchange or the Clearing House of the Exchange may be adjusted against the client's liabilities / obligations.

(xiii) The client shall credit the required fund / Securities to Associated Bank Account or the Associated Depository Account as the case may be, promptly to ensure that the funds / Securities shall be received and processed on or prior to the settlement date or a date intimated by the Stock Broker, whichever is earlier. If the funds / Securities are not received as aforesaid, then the Stock Broker may at its sole discretion Square-off, cancel or liquidate the transaction without any prior intimation to the client. In the event of liquidation of the client's Associated Accounts, the client shall be liable for any resulting losses and all associated costs incurred by the Stock Broker.

CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/73

May 19, 2023

To

All Recognized Stock Exchanges

Depositories

Stock Brokers through Recognized Stock Exchanges

Dear Sir/Madam,

Subject - Risk disclosure with respect to trading by individual traders in Equity Futures & Options Segment

1. Over time there has been increased participation of investors in Indian securities market, including, in the derivatives segment. While investors are expected to make investment decisions based on their own due diligence and risk appetite, it is important to empower them with detailed information about the risks associated with trading in derivatives.
2. With a view to facilitating informed decision making by the investors trading in derivatives segment, it has been decided to introduce '**Risk disclosures**' with respect to trading in equity Futures & Options (F&O) segment.
3. Accordingly, all stock brokers shall display the 'Risk disclosures' given at **Annexure-I** on their websites and to all their clients in the manner as specified below:
 - 3.1. Upon login into their trading accounts with brokers, the clients may be prompted to read the 'Risk disclosures' (which may appear as a pop-up window upon login) and shall be allowed to proceed ahead only after acknowledging the same.
 - 3.2. The 'Risk disclosures' shall be displayed prominently, covering at least 50 percent area of the screen.

4. All Qualified Stock Brokers (QSBs) shall maintain the Profit and Loss (P&L) data of their clients on continuous basis as per the format given at **Annexure-II**. The P&L data of the clients shall be retained for at least 5 years.
5. Stock Exchanges and Depositories are directed to:
 - 5.1. bring the provisions of this circular to the notice of their members / participants and also disseminate the same on their websites;
 - 5.2. display the 'Risk disclosures' on their respective websites, with a link to study conducted by SEBI.
6. **Applicability:** The provisions of this circular shall come into force with effect from July 01, 2023.
7. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market.
8. This circular is available on SEBI website at www.sebi.gov.in under the category "Circulars".

Yours faithfully,

Aradhana Verma
General Manager

Market Intermediaries Regulation and Supervision Department

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Annexure-I: Risk disclosures**RISK DISCLOSURES ON DERIVATIVES**

- 9 out of 10 individual traders in equity Futures and Options Segment, incurred net losses.
- On an average, loss makers registered net trading loss close to ₹ 50,000.
- Over and above the net trading losses incurred, loss makers expended an additional 28% of net trading losses as transaction costs.
- Those making net trading profits, incurred between 15% to 50% of such profits as transaction cost.

Source:

1. [SEBI study dated January 25, 2023 on "Analysis of Profit and Loss of Individual Traders dealing in equity Futures and Options \(F&O\) Segment", wherein Aggregate Level findings are based on annual Profit/Loss incurred by individual traders in equity F&O during FY 2021-22.](#)

Annexure-II: Data Format
A. Equity F&O Segment

Client Identification No.	Period	Product Category	Age	Gender	Income Group	City	PIN Code	No. of transactions during period (Buy+Sell)	Realized trading Profit/Loss excluding transaction charges during period (Rs.)	Transaction Cost (Rs.)					
										Brokerage + Clearing Fee	Exchange Fee	Stamp Duty	SEBI turnover Fee	STT	GST
	Period 1	Index Futures	<20	M	<5Lacs										
	Period 2	Index Options	20-30	F	5-10L										
		Stock Futures	30-40	Others	10-25L										
		Stock Options	40-50	Not sepe	25-50L										
			50-60		50-100L										
			>60		>100L										
			Not Available		Not Available										

Notes:

- Client-set: All Individual Clients (which includes HUF and NRIs; excludes Proprietary traders, institutions, partnership firms etc.)
- Segment: Equity F&O
- Period: Financial Year
- Client level realized trading Profit/Loss during the period is considered.
- With regard to cases where 1 leg of transaction falls under the period, while the other falls outside, explanation is given as under-
 - Example 1:** Period: April 2018 to March 2019. Consider Contract-A with expiry in April 2018.
Contract- A purchased & sold in March 2018 - will not be considered
Contract- A purchased in March 2018, sold in April 2018/ settled on expiry - will be considered
 - Example 2:** Period: April 2018 to March 2019. Consider Contract-B with expiry in April 2019.
Contract- B purchased & sold in March 2019 - will be considered
Contract- B purchased in March 2019, sold in April 2019/ settled on expiry - will not be considered
- Contracts resulting in physical delivery of stocks may be excluded.
- For PIN Codes - correspondence address may be considered.

B. Cash Segment

Client Identification No.	Period	Age	Gender	Income Group	City	PIN Code	No. of transactions during Period (Buy+Sell)	Daily Average holding value during Period (Rs.)	Max. holding value during Period (Rs.)	Realised Trading Profit/Loss excluding transaction charges during Period (Rs.)	Transaction Cost (Rs.)					
											Brokerage + Clearing Fee	Exchange Fee	Stamp Duty	SEBI turnover Fee	STT	GST
	Period 1	<20	M	<5Lacs												
	Period 2	20-30	F	5-10L												
		30-40	Others	10-25L												
		40-50	Not sepe	25-50L												
		50-60		50-100L												
		>60		>100L												
		Not Available		Not Available												

Notes:

1. Client-set: All Individual Clients (which includes HUF and NRIs; excludes Proprietary traders, institutions, partnership firms etc.)
2. Segment: Cash Segment
3. Period: Financial year
4. Client level realized trading Profit/Loss during the period is considered.
5. For computation of Client level realised profit/loss in cash segment during the period, only transactions where both legs (buy and sell side) in a scrip are executed during the period, are considered.