RISK DISCLOSURE DOCUMENT

RISK DISCLOSURE DOCUMENT FOR CAPITAL MARKET/CASH SEGMENT AND FUTURES & OPTIONS SEGMENT

(To be given by the broker to the client)

This document contains important information on trading in Equities/Derivatives Segments of the stock exchanges. All prospective constituents should read this document before trading on Capital Market/Cash Segment or F&O or MF segment of the Exchanges.

NSE/BSE/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 has NSE/BSE/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 contractual relationship into which you are entering and the extent of your exposure to risk.

You must know and appreciate that investment in Equity shares, Mutual Funds, derivative or other 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. You should therefore carefully consider whether such trading is suitable for you in the light of your financial condition. In case you trade on NSE or BSE and suffer adverse consequences or loss, you shall be solely responsible for the same and NSE or BSE, its Clearing Corporation/ Clearing House 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 member. The constituent shall be solely responsible for the consequences and no contract can be rescinded on that account.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 security or derivative being traded on NSE/BSE.

It must be clearly understood by you that your dealings on NSE/BSE through a member, shall be subject to your fulfilling certain formalities set out by the member, which may interalia include your filling the know your client form, client registration form, execution of an agreement, etc., and are subject to the rules, bye-laws and regulations of NSE/BSE and its Clearing Corporation, guidelines prescribed by SEBI and in force from time to time and circulars as may be issued by NSE/BSE or its Clearing Corporation/Clearing House and in force from time to time.

NSE/BSE 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 trading member and/or sub-broker of NSE/BSE 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/investment 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 involved in trading on the Stock Exchange

1.1 Risk of higher volatility: Volatility refers to the dynamic changes in price that securities undergo when trading activity continues on the Stock Exchange. Generally, higher the volatility of a security/F&O contract, greater are its price swings. There may be normally greater volatility in thinly traded securities/ F&O contract than in active securities/F&O contract. 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 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 swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be a risk of lower liquidity in some securities as compared to active securities. 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.

a) Buying/selling without intention of giving and/or taking delivery of a security, as part of a day trading strategy, may also result into losses, because in such a situation, stocks may have to be sold/purchased at a low/high prices, compared to the expected price levels, so as not to have any obligation to deliver/ receive a security.

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 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. This in turn will hamper better price formation.

1.4 Risk-reducing orders: Most Exchanges have a facility for investors to place "limit orders", "stop loss orders" etc". The placing of such 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.

a) A "market" order will be executed promptly, subject to availability of orders on opposite side, 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.

b) A "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.

c) A stop loss order is generally placed "away" from the current price of a stock, and such order gets activated if and when the stock 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 stock 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 stock 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: Issuers make news announcements that may impact the price of the securities. These announcements 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.

1.6 Risk of rumours : Rumours about companies 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 rumours.

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.

a) 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.

b) 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 due to any action on account of unusual trading activity or stock hitting circuit filters or for any other reason.

1.8 System/Network Congestion: Trading on NSE/BSE 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 the control of 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.

2. As far as futures and options segment is concerned, please note and get yourself acquainted with the following additional features:

2.1 Effect of "leverage" or "gearing" : 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 principal investment amount. But transactions in derivatives carry a high degree of risk.

You should therefore completely understand the following statements before actually trading in derivatives trading 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 equivalent to the principal investment amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.

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

b) If you fail to deposit the additional margin by the deadline or if an outstanding debt occurs in your account, the broker/member 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, increase 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 the derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations.

2.2 Currency specific risks

a) 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.

b) 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.

c) 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:

a) 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 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.

b) The Exchange 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:

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

b) 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.

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

3. General:

3.1 The term 'econstituent' shall mean and include a client, a customer or an investor, who deals with a stock broker for the purpose of acquiring and/or selling of securities / derivatives contracts through the mechanism provided by the Exchanges.

3.2 The term 'stock broker' shall mean and include a stock broker, a broker or a stock broker, who has been admitted as such by the Exchanges and who holds a registration certificate from SEBI.