

Risk Management System (RMS) Policy

A Risk Management System is integral to an efficient Risk system. We have put in place a comprehensive risk management system, which is constantly upgraded as per the Exchange, SEBI & PMLA norm and also as per Market Movement.

The Model of RMS in AAL consists of AAL Owned Branches, Franchisee & Sub-brokers-Authorized Person.

RMS Function includes:

- To check capital adequacy for exposure and requirements of the client
- Monitoring of Clients Order, Patterns of Trade, Order rejections, increasing of Exposure/limits.
- Monitoring MTM profit/loss incurred out of trades.
- Benchmarking Margin v/s Exposure of client
- Decision taking with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across

Risk management in relation to all the trading activities for Clients is handled by RMS Department.

Risk Management Policy – Fix Rules

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Particular	Equity (BSE/NSE/MCX-SX)	Derivatives (NSEFO)	Currency (NSE CD)	COMMODITIES (MCX)
Intraday Exposure	As per VAR margin			
Delivery Limit / Carried Forward	1 Times of Limit set	It is compulsory to keep 100% margin as per the Exchange norms.		

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SEBI Regn. No.: INZ000177531 | IN-DP-715-2022

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Limit setting	<ul style="list-style-type: none">➤ Limit is set on combined basis for Cash, F&O & Currency Segment.➤ Ledger balance + collateral➤ Cash & Collateral ratio will be 50:50 (for e.g. If cash margin is Rs.25,000/- then collateral sec. will be accepted worth value of Rs.25,000/- only)➤ For Delivery Limit no exposure will be calculated on the Equity shares held in the Client Ben Account (POA). Only stock provided by the client in Margin account will be eligible for the Limit Criteria	[Ledger balance] -[Unclear chq]
Criteria for Position Square off	<ul style="list-style-type: none">➤ Intraday Square-Off time: {Cash & F&O:- 3.20 pm , NSECD :- 4.50 pm , MCX:- 11.15 or 11:45 PM} <p>*The positions taken for intra-day should be cleared within the time frame as mentioned above. AAL shall not be responsible for any uncovered open position on account of any technical failure after 3:10 pm.</p>	

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	<ul style="list-style-type: none">➤ In case client MTM loss reaches to 60-70% at the end of the day, client will have to reduce the position upto the level of 50% or need to enhance the limit by additional margin.➤ 5 Days Square-Off :<ul style="list-style-type: none">• All 5 days or more debits have to be cleared by 2:30 PM.• If the open position clearance not been initiated from branch/client, then same would be cleared from RMS department –Head office. In this regard, company shall not be responsible for any loss that incur to the client on individual basis• Any NEFT/IMPS/RTGS is to be done, and then it should be before 2:30 pm.• Any probability or guarantee of client cheque receipt/fund transfer request will not be considered on 5th day.➤ At time of selling stocks, below method is followed:<ul style="list-style-type: none">○ Stock from Beneficiary Account○ Stock from Margin Account (If sufficient stocks are not found in Beneficiary A/c)○ Stock from POA Account (If sufficient stocks are not found in Beneficiary A/c & Margin A• In case stock valuation falls below 20% of the total ledger debit, square off can be done even before T+4 days.➤ In case at any point of time, if the client ledger arrived to debit due to whatever market volatile or higher position Values in Less margin or dishonor of Pay in. Client will be responsible to pay the Dues to clear the outstanding in his/her ledger.➤ In any Circumstances client fails to pay the due amount, Company will switch to Legal activities to recover such amount from client.➤ In case client carries commodity OR Derivatives position more than 1 times, then he needs to pay shortfall tomorrow before 1:30 p.m. or before MTM hits 80% of the total credit available. in case the same is not done, position will normally be squared off after 1:30 p.m-<ol style="list-style-type: none">i. *Note: T+1 day consideration shall not be given to any client, if any instances of cheque bouncing or cheque reversal have taken place in the account.ii. If intraday positions carried without margin on two occasions then intraday limits will be permanently disable➤ The MTM loss arising in F&O positions need to be paid on the same day (T day) so that MTM settlement can be performed properly, failing which the positions will be reduced to the available margin level➤ RMS will Square-off the position in case of :<ol style="list-style-type: none">a. Script highly volatile
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	<p>b. Margin /MTM Shortfall c. chq bounce / third party chq deposit d. scrip is banned / not allowed for trading / withdrawal from F&O/ as per exchange e. Suspicious trade or transaction under PMLA Act f. Synchronized trading Regulatory body Prohibits or suspended the client.</p>
Cheque Bounce or Reversed Cheque	<p>1 time instance - The position will be liquidated up to the shortfall amount and no further position will be granted. 2 to 4 instance - Trading will be allowed based on clear balance 5 & more - Trading account will be closed and freeze and subsequent reporting will be done to FIU.</p>
Exposure/Limit on Unclear Cheque	<p>Limits shall not be provided for clients on cheques under clearing in the following conditions:</p> <ul style="list-style-type: none">➤ Branch has given the cheque details but the cheque is actually not presented to the bank.➤ Cheque entered in ld but it's not collected➤ No limit is allowed against outstation cheque.➤ No special approvals are accepted / entertained for those clients who are in cheque bounce history and with Negative Ledger.

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Banned securities*	<ul style="list-style-type: none">➤ On any Banned script Exposure will not be allowed. On open Interest only square off will be allowed.➤ Commodity declared as BAN by exchange, no exposure will be allowed.
	<ul style="list-style-type: none">➤ Trading in commodity contracts will be banned a day prior to the delivery intention period.➤ Physical Delivery of Commodities is not allowed.
Illiquid stocks /Agro Products	<ul style="list-style-type: none">➤ Exposure: only 1 Times Exposure will be given on illiquid stock or Z or BE group.➤ In Equity segment newly listed shares usually do not have any DPR and hence, the chances for rate fluctuations are more. So the dealing in newly listed shares will be restricted to the available credit balance after considering the M2M levels
Penalty	<ul style="list-style-type: none">➤ Any delay payment (after T+2) will attract 16% interest p.a.➤ Any penalty by the exchange on transaction will be debited to the respective client.➤ In case of Bounce cheque penalty of Rs.120/- will be debited to account.➤ In case of Cheque dishonored penalty shall be passed if levied by clearing corporations➤ In case of F&O/Commodity Margin shortfall 1% or 5% penalty will be debited in the account➤ In case of Regulatory body suspend or client name appear under debarred list➤ Any observation like false commitment, fake deposit slip, cheque scanned but not deposited false receipt of the cheque and or any such instances come to the notice of Risk department; no further exposure shall be given to the client and strict action shall be taken against respective person.

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Clarification regarding margin collection by Clients	<ul style="list-style-type: none">➤ Free Balance available on current day (T Day) with client in different segments (BSE/NSE/FO/CURR) of the Exchange will be consider for margin collection➤ Exchange approved and non-approved stock in Pool Account (AAL Beneficiary account.) & Collateral Account will be considered for margin collection➤ Client Collateral Account will be considered for intra-day exposure in derivatives segment subject to a haircut of VAR margin. Exposure for C/F will be based only on the clear fund balance & Collateral holding with AAL.➤ MTM profit cannot be considered for taking fresh position in FNO segment on T day.➤ If cash component is utilized for fresh delivery in cash segment then the same will not be considered for FNO segment.➤ Cheque dishonored/reverse or not cleared up to T+4 working days should not be considered for Margin Money.➤ Penalty if any occurring out of the short payment will be debited to the respective client's account after t+5 days➤ Provisional Margin shortfall penalty & late payment fees will be block from clear balance when payout➤ For margin collection & reporting concern if client has given Securities as margin which are sold in the cash market and the securities are in the pool account of the trading member but are not given as early pay in towards an obligation to deliver shares in the Capital Market Segment, benefit of margin will be given to the client till T+1 day from the sale of securities
Surveillance	<p>Some of unethical and unpractical practice seen done by client or dealer by the Department, strict action will be taken and the decision will solely by the department. Some are like :</p> <ul style="list-style-type: none">➤ Synchronized trading➤ Client Exchange Volume➤ Off market Transfer to Multiple clients and from multiple to single account➤ Client Script Concentration➤ Illiquid stock trading➤ Client Purchase/Sale to Income➤ Profit loss transfer

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Quarterly /Monthly Settlement	<ul style="list-style-type: none">➤ Accounts needs to be settled once every quarter / month as per preference selected by him at the time of Account Opening.➤ In case client is trading in F&O or in Currency segment he has to maintain the margin up to 100% & MTM cleared promptly.➤ All excess collaterals / Credit Balance in client's ledger will be released upon settlement.
	Quarterly settlement will be done across all Exchanges and segments.
Single Order Limit	<ul style="list-style-type: none">➤ The maximum single order in the cash market would be restricted to 45000 Qty or Rs. 25,00,000/- value.➤ The maximum single order in the Futures/option market would be restricted to 45000 Qty orRs.25, 00,000/- value. The same may be reviewed and changed from time to time.
POA Stock	<ul style="list-style-type: none">➤ Margin POA required for Currency & F&O trading.➤ Client will have to give Transfer of stock to our Collateral Margin DP A/c. No. 1203030000010006
CUSPA	<ul style="list-style-type: none">➤ In line with SEBI circulars and guidelines, the following procedures and controls related to CUSPA are implemented as part of RMS Policy:➤ Continuous monitoring of client positions to identify and flag unauthorized stock positions or trades executed without client consent.➤ Immediate alerts to RMS Department upon detection of suspicious activity or discrepancies in client positions.

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General	<ul style="list-style-type: none">➤ No Family adjustment of ledger or cheque is allowed➤ No Third party cheque or collateral securities will be accepted➤ For franchise risk will be consider up to the level of available deposit /brokerage➤ DD or P.O will be acceptable only if the same are accompanied by the name of the bank account holder and account number of the bank account debited for the purpose, duly certified by the Bank and certificate on bankers letter head..➤ Positions taken as intraday can be converted to Delivery Product (MIS to NRML) subject to the availability of credit balance or on confirmation of Fund transfer.➤ Cover Order is not available for option trading.➤ All CO and MIS positions will be automatically squared off at the end of the each trading day.➤ AMO will be cancelled if the price entered is more than 15% away from the LTP in either direction.➤ AMO will be cancelled if client do not have sufficient funds➤ Positions will be squared off immediately, if a cheque bounces (due to any reason).➤ Delivery based instructions is allowed in Z group.➤ No unlimited access granted on any Client ID, Dealer ID and Branch ID➤ Restrictions on Far-month contract
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RMS Policies and Procedures

1. Setting up client's exposure limits:

Exposures shall be allowed based on the clear credit balance in client's ledger + stocks lying in beneficiary account with AAL + margins (securities and cash) with AAL. However, AAL may at its own discretion allow additional exposure as per credit balances in client account/cash margins/collaterals deposited by the clients or client's track record. Further the client agrees not to take any fresh positions in securities/contracts in F&O under ban period as and when put by the exchanges. The client shall bear the penalty, if any, charged by the exchange on such trading.

2. Setting up Terminal/Branch Level limits:

We ensure documentation of internal controls on areas like order modification / cancellation, client code changes and post-trade activities are in place and are being updated from time-to-time. We ensure

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monitoring mechanism for client's debits / obligations and appropriate collection procedures.

The following limits shall be defined for each terminal:

- Quantity Limit for each order
- Value Limit for each order
- User value limit for each user ID
- User quantity limit for each user ID
- Branch value limit for each Branch ID
- Spread Order Quantity and Value Limit (Derivatives & Currency Derivatives segment)

Checks in place:

- We have Now Terminal which has a facility to block the client as well as restrict to use over exposure.
- Terminals limits will be set up by the Front Office official designated at Corporate Office.
- Direct terminals will be allotted on exceptional basis only.
- No user/ branch will be provided unlimited limit.
- Limits shall be monitored on daily basis, taking following criteria's: Turnover, Exposure, past trends, Location, Deposit/Collateral.
- Trading in illiquid scrip shall not be permitted.

3. CUSPA Activity:

- In accordance with SEBI circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022, the Company shall ensure compliance with the regulatory framework on handling of unpaid securities of clients. The following procedure shall be followed:
- Transfer & Pledge Creation- Securities not fully paid for by clients shall be transferred to the respective clients' demat accounts, followed by an auto-pledge (without specific client instruction) with the pledge reason marked as "Unpaid" in favor of the Client Unpaid Securities Pledgee Account (CUSPA) of the Trading Member (TM).

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- Release of Pledge- If the client fulfils the funds obligation within T+4 days from the payout date, the pledge shall be released, making the securities freely available to the client.
- Client Intimations- Upon transfer of securities into the CUSPA account, the Company shall intimate the client immediately (via email/Call/SMS) regarding: ▪ Creation of pledge in favor of CUSPA, ▪ Funds obligation to be met, and ▪ Right of the TM to liquidate such securities in case of default. In case of liquidation, the Company shall send prior intimation at least one trading day before selling such CUSPA securities (T+4), in line with SEBI requirements.
- Sale of Securities- If the client fails to fulfill the funds obligation by T+5 trading days, the Company reserves the right to sell such unpaid securities pledged in CUSPA, after sending the prior one-day notice to the client.
- Monitoring & Reporting- The RMS/Compliance Team shall monitor instances where clients have zero or positive balance in segregation reporting but their securities continue to remain in the CUSPA account, and shall maintain necessary records, client ledgers, demat statements, BSE trade summaries (if applicable), and communications for regulatory inspection.

4. Order Receipt and Execution:

All Orders routed through Now are monitored by our risk department and after their confirmation about client's financial and margin status order get executed.

The dealers take care while executing the trades of the clients regarding the accuracy of Client Code, Quantity and Price etc. The orders from the clients are promptly executed by the dealers and the oral confirmation of the placement of the orders is immediately provided to the clients.

The clients are divided into groups among the dealers and sub brokers at head office level, so that particular dealer can serve a particular group of clients which helps dealer to understand the client investment strategy in a better way & serve them accordingly. The orders are entered instantly by the dealer on the instruction given by the client. On execution of valid order into trade, dealers confirm the trade with the client so as to avoid any future dispute.

At the end of the trading hours, the dealer informs the clients about the execution of the orders placed by the clients. Also a trade confirmation SMS message covering details of all the trades executed is forwarded to client after completion of trading hours on registered Mobile No. of the client.

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5. Increase in Margins Due to Change in Hedge Position or Expiry of Hedge Positions:

Clients are advised that an increase in margins may occur due to changes in their hedge positions or the expiry of one or more legs of their hedge positions. In such cases, the margin obligations on the open position(s) may increase.

In these situations, we may square off the position(s) or the expiry of a leg of the hedge may lead to higher margin requirements. Any penalty levied by the clearing corporations due to the failure to meet margin requirements will be passed on to the clients.

6. Margin Collection Procedure:

Client Limits are allowed as per margin norms of the relevant exchanges. RMS department monitor all orders & trades given by clients and executed in the trading terminal. The AAL takes proper and adequate margin from clients as per the exchange/SEBI norms of funds/Securities and report the same to the exchange as per the guideline of exchange.

At the end of the day, Shortage of Client margin is calculated and reported to the Exchange. During the trading hours if any short margin observed, RMS team follow internal RMS policy, due diligence and update the status to the respective branch/ SB/AP and to clients .In case client doesn't respond RMS team Square off the open position and subsequently intimate to the client.

Trading limit is set by RMS based on the available margin amount and calculated by considering the trading price prior to trading day (T—1 day) on daily basis. The debit and credit status is email or SMS to client on daily basis. In case of debit balances regular follow-up has been done. The RMS team does monitor the debtors and if client exceeding the exchange norms of T+5 day the trading is been halt, unless and until the debit is not clear by client.

7. Margin Collection on Non approved stocks:

Margin shall be provided to non-approved stocks on a short allocation basis. For example, if the client's pledge value shows Rs. 1 lakh in their account, but only Rs. 75,000 is reflected in RTRMS due to non-approved stock allocation up to 70% of the remaining balance based on VAR ELM Margin.

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8. Margin Reporting Procedure:

On a daily basis Exchange provides Margin Files to the Trading member in F & O and Currency Segment. The AAL report details of Initial Margins collected from their clients for F&O Segment by uploading MG13 file through the Collateral Interface for Members (CIM).

Mechanism for regular reporting of Margin

- Free Balance available on current day (T Day) with client in different segments (BSE/NSE/FO/CURR) of the Exchange will be consider for margin collection
- Exchange approved and non-approved stock in Pool Account (AAL Beneficiary account.) & Collateral Account will be considered for margin collection
- Non-approved stocks will also be considered for margin collection subject to additional risk assessment and margin restrictions. Margin shall be provided to non-approved stocks on a short allocation basis.
- Value of securities will be considered with subject to a haircut of VAR margin as per Exchange.
- Margins taken in the form of securities in the approved and non-approved list to be valued as per the closing rate on the previous trading day and not the trading day, with an appropriate hair-cut
- Only free and unencumbered balances of securities available with the Member for respective client in different segments of the Exchange shall be considered for margin collection and reporting.
- Accordingly, only securities received in pay out shall be considered only after it is actually received from the clearing corporation. However, pay-in received from clients for such securities may be considered while calculating the ledger balance for the purpose of reporting of margins till T+1.
- Cheques dishonored/reverse or not cleared up to T+4 working days should not be considered for Margin Money.

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After preparing margin report file, RMS person forward reporting file to person who is authorized to recheck the report file before uploading on Collateral Interface for Members (CIM). Status of the file uploaded shall be checked regularly on the day of uploading after a few hours of uploading the same.

9. Margin Shortfall Penalty:

Short-collection/Non-collection of client margins (Equity and/or Currency Derivatives Segments) With reference to SEBI circular no. CIR/DNPD/7/2011 dated August 01, 2011, where in it has been stated that "Stock Exchanges shall levy penalty for short collection/ no collection of margins from clients in Equity and Currency Derivatives segments w.e.f. September 01, 2011. As per the above circular, the penalty applicable to client's trading account for Equity and/or Currency Derivatives segment will be as follows w.e.f. September 01, 2011:

Margin Shortage per day for each Segment	Penalty %
(< Rs 1 lakh) And (< 10% of applicable margin)	0.50 %
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.00 %

Note:

- 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.
- 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) on a given day,(T day), then, the penalty for short collection shall be imposed only if the shortfall continues beyond T+1 day.

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10. Refusal of orders for “Penny Stocks” (Illiquid stocks):

AAL likes to pay special attention to dealing in “Penny Stocks”. To this end:

- AAL may refuse to execute any client’s orders in “Penny Stocks” without assigning any reason for the same.
- Any large order for purchase or sale of any penny stock shall be taken prior approval from RMS and the dealing of such stock will only be allowed through Head Office
- It will be client responsibility and respective Branch Manager/Dealer duty to ensure that trading in “Penny stocks” does not result in creation of artificial volume or false or misleading appearance of trading
- Further it also does not operate as a device to inflate or depress or cause fluctuations in the price of such stocks Dealer/Branch Manager should ensure that the Clients should not 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 AAL
- In case of sale of penny stocks as approved by RMS, clients shall ensure the delivery of shares to AAL before the pay-in date.

The Company shall not be responsible for non-execution / delay in execution of such orders and consequential opportunity loss or financial loss to the client The Company has the right to revise the list of such securities / contracts on a periodic basis.

11. Dormant/ Inactive Accounts:

In case of trading account the term dormant/Inactive account refers to such account wherein no transactions have been carried out since last 12 (Twelve) calendar months. In case of Demat account the term Dormant/Inactive accounts refers to such accounts where no debit transaction had taken place for a continuous period of 12 (Twelve) months.

Process for re-activation of dormant account:

- Submit physical letter of request for reactivation to our HO office along with the documents such as Address proof, Identity Proof, and financial information (required for trading in derivatives segment).
- Client can also send an email from registered mail id for reactivation request.

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12. Deregistering a client:

Notwithstanding anything to the contrary stated in the agreement, AAL shall be entitled to terminate the agreement with immediate effect in any of the following circumstances:

- 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
- Such client is suspected of indulging in illegal or criminal activities including fraud or money laundering.
- On the death / lunacy or other disability of the Client
- Such client has been declared insolvent or any legal proceedings to declare him / her as insolvent have been initiated.
- If the Client being a partnership firm, if any steps have been taken by the Client and / or its partners for dissolution of the partnership

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