

Risk Management Policy

1. Introduction

Wealth Street Financial Services Private Limited is a SEBI-registered stockbroker committed to maintaining a robust, resilient, and forward-looking **Risk Management Framework**. This policy lays down the principles, governance, procedures, and controls necessary to identify, assess, monitor, mitigate, and report risks arising from the Company's operations in the securities market.

The objective is to align the Company's risk management practices with the latest regulatory standards prescribed by the **Securities and Exchange Board of India (SEBI)** and recognized stock exchanges (NSE, BSE, MSEI), while safeguarding the interests of investors and maintaining financial and operational stability.

2. Objectives

The primary objectives of this Risk Management Policy are to:

- Establish a structured framework to identify, measure, monitor, mitigate, and report various risks faced by the Company.
 - Ensure compliance with all applicable SEBI regulations, exchange circulars, and risk-based supervision (RBS) requirements.
 - Protect client interests by ensuring segregation of client funds and securities, adequate collateral controls, and robust operational processes.
 - Define the Company's risk appetite, governance structure, and escalation mechanisms.
 - Enhance organisational resilience against emerging risks such as cyber threats, algorithmic trading risks, and regulatory changes.
 - Maintain investor confidence and market integrity through proactive risk management.
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3. Enterprise Risk Management Framework

Wealth Street adopts an integrated **Enterprise Risk Management (ERM)** approach, covering all categories of risk, their interdependencies, and mitigation mechanisms. The ERM framework operates on the following principles:

- **Board oversight:** Strategic direction and approval of the risk appetite and framework.
- **Independent risk governance:** Segregation of risk-taking and risk-controlling functions.

Wealthstreet Financial Services Private Limited

Formerly Known as Wealthstreet Advisors Private Limited

CIN: U74999GJ2016PTC094432

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- **Comprehensive risk coverage:** Identification and management of all material risks.
- **Timely reporting and escalation:** Rapid communication of risk events and breaches.
- **Continuous improvement:** Periodic policy review and enhancement based on market evolution and regulatory changes.

4. Governance and Risk Oversight Structure

Level	Responsibility
Board of Directors	Ultimate responsibility for risk management. Approves policy, risk appetite, and reviews periodic risk reports.
Risk Management Committee (RMC)	Provides strategic oversight, monitors key risk indicators (KRIs), reviews stress test outcomes, and ensures alignment with regulatory requirements.
Chief Compliance Officer (CCO) / Head – Risk	Designs and implements the risk framework, monitors adherence, conducts risk assessments, and reports to the Board and regulators.
Risk & Compliance Team	Conducts day-to-day risk monitoring, limit checks, stress testing, breach reporting, and documentation.
Front Office / Dealers	Ensure compliance with exposure limits, order restrictions, and trading controls. Report any breaches immediately.

5. Risk Appetite Statement

The Board defines the Company's **Risk Appetite** as the level and type of risk it is willing to accept to achieve its strategic objectives while protecting client interests and market integrity.

Key parameters include:

- Maintaining net worth at least **20% above the regulatory minimum**.
- Limiting single-client exposure to **not more than 15%** of total margin utilisation.
- Ensuring **100% upfront and peak margin** collection and verification.
- Restricting exposure to **illiquid scrips and GSM/ASM/ESM securities** within prescribed limits.
- Zero tolerance for regulatory breaches, fraud, or cybersecurity incidents.

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6. Categories of Risk and Control Mechanisms

6.1 Credit and Client Risk

- **Pre-trade controls:** Exposure and product-level limits for each client.
- **Collateral management:** Acceptance of approved collateral with prescribed haircuts.
- **Client-level segregation:** Daily monitoring of collateral and margin at the client level.
- **Default protocols:** Trading restrictions and collateral liquidation in case of margin shortfalls.

6.2 Market Risk

- **Real-time monitoring:** Continuous exposure tracking and intraday limit alerts.
- **Exchange-prescribed models:** VaR, SPAN, and PRISM for margin calculations.
- **Stress testing:** Daily, weekly, and scenario-based stress tests under extreme market conditions.
- **Regulatory compliance:** Enforcement of trading restrictions for GSM/ASM/ESM securities.

6.3 Operational Risk

- Strong internal controls and maker-checker processes.
- Defined standard operating procedures (SOPs) for all critical functions.
- Incident reporting and whistleblower mechanisms.
- Periodic internal audits to ensure control effectiveness.

6.4 Technology and Cybersecurity Risk

- Implementation of **SEBI's Cyber Security and Cyber Resilience Framework (CSCRF)**.
- Multi-factor authentication, endpoint security, patch management, and real-time monitoring.
- Annual cybersecurity audit and vulnerability assessments.
- Incident response framework with regulatory reporting within prescribed timelines.

6.5 Liquidity and Settlement Risk

- Maintenance of adequate capital buffers for margin and settlement obligations.
- Real-time monitoring of funding requirements and daily reconciliation of pay-ins/pay-outs.
- Stress tests simulating liquidity shocks and funding constraints.

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- Contingency plans for unexpected settlement shortfalls.

6.6 Conduct and Compliance Risk

- Continuous surveillance for manipulative or suspicious trading activity.
- Prevention of insider trading and market abuse.
- Regular staff training on regulatory obligations and ethical conduct.
- Strict internal disciplinary measures for violations.

6.7 Algorithmic and Model Risk

- Pre-deployment approval of algos as per exchange norms.
- Model testing, validation, and version control.
- Real-time kill switches and drop-copy mechanisms.
- Post-deployment monitoring for performance and compliance.

7. Risk Escalation Framework

Risk Level	Description	Escalation Timeline	Escalated To
Level 1	Breach of internal trading limits	Immediate	Risk & Compliance Team
Level 2	Margin shortfall or client default	Within 1 day	Head – Risk / CCO
Level 3	System or cyber incident	Within 6 hours	CEO / SEBI / Exchange
Level 4	Regulatory breach or market abuse indicator	Immediate	Board / Regulator

8. Stress Testing Framework

- Daily shocks:** 10%-15% price movements on top exposures.
- Scenario-based testing:** Extreme but plausible events like market crashes, cyberattacks, or large client defaults.
- Reporting:** Stress test results submitted to the Risk Management Committee in case of eventuality.

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9. Risk Reduction Mode (RRM)

- Triggered automatically upon breach of capital adequacy, margin shortfalls, or exposure limits.
 - Restricts trading to risk-reducing orders only.
 - Generates real-time alerts to internal teams and clients.
 - Restored to normal mode after compliance verification and regulator notification, if required.
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10. Monitoring, MIS, and Reporting

- **Daily dashboards:** Exposure utilisation, collateral health, top client risks, OTRs, and latency metrics.
 - **Monthly MIS:** Comprehensive reports submitted to the Board covering key risk indicators (KRIs), breaches, stress test outcomes, and mitigation actions.
 - **Regulatory reporting:** Timely submission of risk data and incident reports to exchanges and SEBI.
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11. Emerging Risks and Continuous Improvement

Wealth Street actively monitors and addresses emerging risks, including:

- AI and algorithmic trading complexities.
- Cybersecurity and data privacy challenges.
- Rapid regulatory changes and cross-border market linkages.
- Third-party vendor risks.

The Company is committed to continuously enhancing its risk management practices through benchmarking, regulatory updates, staff training, and technology upgrades.

12. Internal Audit and Review

- **Internal audits** conducted annually to assess risk management effectiveness.
- **System and cyber audits** as mandated by exchanges and SEBI.

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- Immediate closure of audit observations and submission of compliance reports.
- Annual review of this policy or earlier if regulatory changes warrant.

13. Policy Review

This policy shall be reviewed **at least annually** or sooner if necessitated by regulatory changes, business expansion, or emerging risks. All changes shall be approved by the Board of Directors.

14. Non-Compliance

Non-compliance with this policy or regulatory requirements may lead to regulatory penalties, suspension, or cancellation of registration under the SEBI Act, 1992 and relevant exchange bye-laws.

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