AAA INSTITUTIONAL SECURITIES PVT LTD

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RISK DISCLOSURE DOCUMENT FOR CAPITAL MARKET AND DERIVATIVES SEGMENTS

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Approved By: Board of Directors

IMPORTANT INFORMATION

This document contains important information on the risks associated with trading in the **Equity/Capital Market and Derivatives Segments** of the Stock Exchanges. All prospective clients/constituents are advised to read and understand this document carefully before undertaking any transactions in the Capital Market or Derivatives Segments.

Stock Exchanges and SEBI neither singly nor jointly, expressly or impliedly, guarantee or make any representation concerning the completeness, adequacy or accuracy of this Risk Disclosure Document, nor do the Stock Exchanges/SEBI endorse or pass any merits of participating in the trading segments. This document does not disclose all the risks and other significant aspects associated with trading.

In view of the risks involved, clients should undertake transactions only after understanding the nature of the relationship being entered into and the extent of their exposure to risk.

Trading in equity shares, derivatives contracts or other instruments traded on the Stock Exchanges involves varying degrees of risk and may not be suitable for persons having limited resources, limited investment/trading experience or low risk tolerance. Clients should carefully consider whether such trading is suitable in light of their financial circumstances.

Where a client trades on the Stock Exchanges and suffers adverse consequences or loss, the client shall be solely responsible for the same. The Stock Exchanges, Clearing Corporation(s) and/or SEBI shall not be responsible in any manner whatsoever for such loss. The client shall not be entitled to claim that adequate disclosure regarding the risks involved was not made or that the full risks were not explained by **AAA Institutional Securities Private Limited**.

The client shall be solely responsible for the consequences and no contract can be rescinded on account of such consequences. The client acknowledges and accepts that there can be **no guarantee of profits or assurance against losses** while executing orders for purchase and/or sale of securities or derivative contracts traded on the Stock Exchanges.

Dealings on the Stock Exchanges through **AAA Institutional Securities Private Limited** shall be subject to the applicable formalities, including completion of the Know Your Client (KYC) requirements, reading and understanding the Rights and Obligations, Do's and Don'ts and other applicable documents, and compliance with the Rules, Bye-laws and Regulations of the relevant Stock Exchanges and Clearing Corporation(s), SEBI guidelines and circulars, as amended or issued from time to time.

The Stock Exchanges do not provide or purport to provide investment advice and shall not be liable to any person entering into a business relationship with a stock broker or any third party based on information contained in this document. Information contained herein must not be construed as business or investment advice. No decision to trade should be made without thoroughly understanding and reviewing the risks involved. Where appropriate, clients should seek professional advice.

In considering whether to trade or authorise someone to trade on their behalf, clients should be aware of the following risks:

1. BASIC RISKS

1.1 Risk of Higher Volatility

Volatility refers to dynamic changes in the price of a security or derivatives contract when trading activity continues on the Stock Exchanges. Generally, higher volatility results in greater price swings.

There may be greater volatility in thinly traded securities/derivatives contracts than in actively traded securities/derivatives contracts. As a result, an order may be only partially executed or may not be executed at all. The execution price may also be substantially different from the last traded price or may change substantially thereafter, resulting in notional or actual losses.

1.2 Risk of Lower Liquidity

Liquidity refers to the ability of market participants to buy and/or sell securities or derivatives contracts expeditiously at a competitive price and with minimal price difference.

Generally, a greater number of orders available in the market indicates greater liquidity. Greater liquidity facilitates quicker transactions and may result in more competitive prices.

Certain securities/derivatives contracts may have lower liquidity than actively traded securities/derivatives contracts. Consequently, an order may be partially executed, executed with a relatively greater price difference, or may not be executed at all.

1.2.1 Risks Associated with Day Trading

Buying or selling securities/derivatives contracts as part of a day-trading strategy may result in losses. Securities/derivatives contracts may need to be sold or purchased at prices lower or higher than anticipated in order to avoid an open position or obligation to deliver or receive a security/derivatives contract.

1.3 Risk of Wider Spreads

Spread refers to the difference between the best buying price and the best selling 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, particularly for less liquid or illiquid securities/derivatives contracts, thereby affecting price formation and execution.

1.4 Risk-Reducing Orders

Orders such as **stop-loss orders** or **limit orders**, which are intended to limit losses to specified amounts, may not always be effective. Rapid movements in market conditions may make it impossible to execute such orders at the desired price or at all.

1.4.1 Market Orders

A market order will generally be executed promptly, subject to availability of orders on the opposite side, without regard to price.

Although a market order may be executed promptly, execution may take place at available prices of outstanding orders that satisfy the required quantity and price-time priority. Such prices may differ significantly from the last traded price or best available price of the relevant security/derivatives contract.

1.4.2 Limit Orders

A limit order will be executed only at the limit price specified in the order or at a better price.

While a limit order provides price protection, there is a possibility that the order may not be executed at all.

1.4.3 Stop-Loss Orders

A stop-loss order is generally placed away from the current price of a stock/derivatives contract and is activated when the security/derivatives contract reaches or trades through the specified stop price.

Sell stop orders are ordinarily entered below the current price and buy stop orders above the current price. When the security/derivatives contract reaches or trades through the predetermined price, the stop-loss order converts into a market/limit order and is executed at the applicable price subject to market conditions.

There is no assurance that the order will be executed at the desired price, since the security/derivatives contract may move beyond the predetermined price before execution. Therefore, the risk of the order not being executed remains similar to that associated with a regular limit order.

1.5 Risk of News Announcements

News announcements that may impact the price of a stock or derivatives contract may occur during trading hours. When combined with lower liquidity and higher volatility, such announcements may cause sudden and unexpected positive or negative movements in the price of a security/contract.

1.6 Risk of Rumours

Rumours concerning companies, currencies or securities may circulate through word of mouth, newspapers, websites, news agencies and other sources. Investors should exercise caution and should refrain from acting solely on the basis of rumours.

1.7 System Risk

High-volume trading frequently occurs at market opening and before market close and may also occur at any other time during the trading day. Such high volumes may cause delays in order execution or confirmation.

1.7.1 During periods of volatility, market participants may continuously modify order quantities or prices or place fresh orders. This may result in delays in order execution and confirmation.

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

1.8 System/Network Congestion

Trading on Stock Exchanges is conducted electronically through satellite/leased-line based communications, a combination of technologies and computer systems used to place and route orders.

There is therefore a possibility of communication failure, system problems, slow or delayed response, trading halt or other technical problems/glitches resulting in inability to access the trading system/network. Such circumstances may cause delay in processing or non-processing of buy or sell orders, whether partly or fully.

Clients should note that although such problems may be temporary, outstanding open positions or unexecuted orders may continue to create risks because of the client's obligation to settle all executed transactions.

2. ADDITIONAL RISKS RELATING TO DERIVATIVES SEGMENTS

Clients intending to trade in derivatives should carefully understand the following additional risks.

2.1 Effect of "Leverage" or "Gearing"

In the derivatives market, the margin required is generally small relative to the value of the derivatives contract and therefore transactions are leveraged or geared.

Derivatives trading conducted with a relatively small amount of margin provides the possibility of significant profit or loss compared with the margin amount. Accordingly, derivatives trading carries a high degree of risk.

Clients should completely understand the risks before trading in derivatives and should trade cautiously, taking into account their circumstances and financial resources.

If prices move against the client, the client may lose part or the whole of the margin amount within a relatively short period. The loss may also exceed the original margin amount.

A. Daily Settlement of Futures

Futures trading involves daily settlement of all positions. Open positions are marked to market every day based on the closing level of the relevant index/derivatives contract.

If the contract moves against the client, the client will be required to deposit the amount of loss arising from such movement within the stipulated timeframe, generally before commencement of trading on the following day.

B. Failure to Meet Margin Requirements

If the client fails to deposit the additional amount by the stipulated deadline or an outstanding debit occurs in the client's account, **AAA Institutional Securities Private Limited** may liquidate part or the whole of the position or substitute securities, as applicable.

The client shall be liable for any losses incurred as a result of such close-out.

C. Liquidity and Market Conditions

Under certain market conditions, an investor may find it difficult or impossible to execute transactions. This may occur due to illiquidity, insufficient bids or offers, suspension of trading, price limits, circuit breakers or similar market conditions.

D. Changes in Margin Requirements

To maintain market stability, changes may be made to margin rates, cash margin requirements or other applicable requirements. Such measures may also apply to existing open positions.

In such circumstances, the client may be required to provide additional margin or reduce existing positions.

E. Understanding Derivatives Contracts

Clients should obtain full details of derivatives contracts proposed to be traded, including contract specifications and associated rights and obligations.

2.2 Currency-Specific Risks

2.2.1 Profit or loss arising from transactions in foreign currency-denominated contracts, whether traded in the client's own or another jurisdiction, may be affected by fluctuations in currency exchange rates where conversion from one currency denomination to another is required.

2.2.2 Under certain market conditions, an investor may find it difficult or impossible to liquidate a position. This may occur, for example, where a currency is deregulated or fixed trading bands are widened.

2.2.3 Currency prices are highly volatile. Price movements may be influenced by several factors, including:

- Changes in supply-demand relationships;
- Trade, fiscal and monetary policies;
- Government exchange control programmes and policies;
- Foreign political and economic events and policies;
- Changes in domestic and international interest rates and inflation;
- Currency devaluation; and
- Market sentiment.

These factors cannot be controlled by any individual adviser, and no assurance can be given that any adviser’s advice will result in profitable trades or that a client will not incur losses arising from such events.

2.3 Risks of Option Holders

2.3.1 An option holder may lose the entire amount paid for the option within a relatively short period.

An option is a wasting asset that may become worthless upon expiry. An option holder who neither sells the option in the secondary market nor exercises it before expiry will necessarily lose the entire investment in the option.

If the price of the underlying does not move in the anticipated direction before expiry, to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of the investment.

2.3.2 The Stock Exchanges may impose exercise restrictions and have the authority to restrict the exercise of options at certain times under specified circumstances.

2.4 Risks of Option Writers

2.4.1 If the price of the underlying moves contrary to the anticipated direction, an option writer may face the risk of substantial losses.

2.4.2 The risk associated with being an option writer may be reduced through purchase of other options on the same underlying interest, thereby creating a spread position, or through other hedging positions in the options market or other markets.

However, even where a spread or other hedging position is adopted, the risks may remain significant. A spread position is not necessarily less risky than a simple long or short position.

2.4.3 Transactions involving buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, involve additional risks.

Combination transactions, such as option spreads, are more complex than buying or writing a single option. Complexity, particularly where the strategy is not well understood, is itself a risk factor.

Clients should, where appropriate, consult an experienced and knowledgeable person regarding the risks and potential rewards of combination transactions under different market circumstances.

3. TRADING THROUGH WIRELESS TECHNOLOGY / SMART ORDER ROUTING / OTHER TECHNOLOGY

Any additional provisions defining the features, risks, responsibilities, obligations and liabilities associated with securities trading through wireless technology, Smart Order Routing or any other technology shall be brought to the notice of the client by **AAA Institutional Securities Private Limited**.

Clients should understand that electronic and technology-enabled trading may involve risks relating to connectivity, system availability, latency, order routing, data transmission, authentication and other technical factors.

4. GENERAL

4.1 Definition of Constituent

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

4.2 Definition of Stock Broker

The term **"stock broker"** shall mean and include a stock broker/broker who has been admitted as such by the Stock Exchanges and holds a valid registration certificate from SEBI.

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CLIENT ACKNOWLEDGEMENT

We hereby acknowledge that I/We have read, understood and received the **Risk Disclosure Document for Capital Market and Derivatives Segments** issued by **AAA Institutional Securities Private Limited**.

We understand that trading in securities and derivatives involve substantial risk and that there is no assurance of profit or protection against loss. I/We have understood the risks explained herein and agree to undertake trading only after considering my/our financial circumstances, risk appetite and investment/trading experience.

Client Name: ______________________________
Client Code: ______________________________
Signature: ________________________________
Date: ____________________________________

POLICY APPROVAL

This **Risk Disclosure Document for Capital Market and Derivatives Segments** was approved by the **Board of Directors of AAA Institutional Securities Private Limited** at its meeting held on **24 July 2026** and shall come into effect from the date of approval.

For AAA Institutional Securities Private Limited

Authorised Signatory
Name: AMAN KAPOOR
Designation: DIRECTOR
Date: 24/07/2026